

Hybrid Organizations in the Non-Governmental Sector of Social Services: A Sociological Analysis



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Abstract. Issues regarding the development of the third sector are among major ones in research on Russia's modern socio-economic system. Current trends in the transformation of the social services sector include the emergence and development of hybrid organizations whose activity combines social goals and commercial objectives. At the same time, hybrid forms in the social sphere have not been given due attention; Russian authors consider hybrid organizations mainly in relation to the development of public-private partnership in the field of economics. The aim of our research is to analyze theoretical approaches to understanding the hybrid model of organizations and consider specific examples of implementation of hybrid forms among Russian non-governmental organizations, which determines the scientific novelty of the work. Another task is to identify the most successful and innovative practices in the development of hybrid organizations representing the relationship between non-governmental and

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business structures. To solve it, we analyzed two cases: Penza and Kislovodsk, which represent a cluster of organizations providing services to children and adults with special needs. The results of the study showed that the tendency toward the development of hybrid forms for non-governmental organizations is largely related to the desire to achieve financial security. Currently, there exist other hybrid forms besides public-private partnerships and non-governmental organizations founded by large commercial organizations and affiliated with them; there emerge new institutional forms when non-governmental organizations establish commercial enterprises that, as a rule, provide additional services or replicate successful social practices on a commercial basis. Such organizations are intended to ensure financial stability of non-governmental organizations, since part of the profit goes to support the latter. This process opens up significant opportunities for the development of the non-governmental sector, but requires finding a balance between the commercial and social components of such a partnership. The hybrid format creates new prospects for the third sector, allowing for the diversification of resources through the interaction of non-governmental and commercial structures and building more effective interaction with regional authorities. Further research in this area may be related to analyzing the effectiveness of hybrid forms in comparison with traditional NGOs, as well as studying long-term consequences of hybridization for the development of the third sector.

Key words: hybrid organizations, third sector, financial stability of NGOs, social entrepreneurship.

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Introduction

Achieving financial sustainability is one of the key priorities for many non-governmental organizations in today's environment. Irregularity in receiving private donations and corporate support, barriers to government support, and limited access to grant support force non-governmental organizations (NGOs) to look for new ways to diversify their sources of income. In this context, the development of hybrid forms of organizations combining elements of non-governmental and commercial activities seems to be one of the possible solutions to the problem. In the most general form, hybrid organizations blur the boundaries between the public, non-governmental and business sectors (Billis, 2014; McNutt, Billis, 2016). However, the implementation of the hybrid model in the social services sector involves a number

of specific challenges and barriers. The complexities of integrating non-governmental and commercial goals and objectives, ensuring transparency and accountability to stakeholders, the need to develop new managerial competencies require careful planning and adaptation of organizational processes. These processes have not yet received proper theoretical understanding. The problems of financial resources of non-governmental organizations are predominantly considered in terms of access to public funding (Grishchenko, 2014; Vasil'tsova, Nevyantseva, 2017).

The aim of the article is related to the analysis of theoretical approaches to understanding the hybrid model of organizations, as well as the consideration of specific examples of hybrid forms implementation among Russian NGOs. As an

empirical base, we present cases from Kislovodsk and Penza, which demonstrate different models of integrating commercial structures and NGOs, as well as emphasize the importance of intersectoral partnership for solving social problems.

Theoretical backgrounds of the research

We analyze the concept of “hybrid organization”, the problem of financial sustainability, as well as social responsibility, which determine the development of this model of organizations in the field of social services as a theoretical framework of the study.

The concept of “hybrid organization”

The concept of “hybrid organization” is relatively new in the social sphere, and therefore there is no unified approach to understanding this organizational form. According to E.S. Ogorodnikova’s definition, a hybrid model is “a specific type of interaction that combines producers and sources of resource coverage related to the state, corporate and public sectors of the economy, which allows maximizing the output of social services” (Ogorodnikova et al., 2023, p. 754). E.V. Popov and colleagues adhere to approximately the same position, providing a more formalized definition: “Hybrid can be defined as a long-term contractual relationship between economic entities, in which the participants of interaction combine tangible and intangible assets for joint implementation of various activities, while remaining autonomous and working on the basis of the contract concluded between them” (Popov et al., 2016, p. 5). At the same time, an approach is developing in which the hybrid model can be implemented in the activities of a single organization in the case of combining social and commercial goals; in this approach, social enterprise can be considered as a hybrid form (Doherty et al., 2014). The authors of the widely discussed work “Hybrid Organizations

and the Third Sector” believe (and prove on the empirical material) that the reforms of the social service sphere, including the introduction of the principles of managerialism, the development of the “third way” and other reforms related to the introduction of market mechanisms, essentially lead to the gradual transformation of “pure” organizational forms (state, non-governmental, commercial) into mixed ones. Moreover, these processes are observed in all aspects of the functioning of organizations: form of ownership, organizational management, management of human, economic and financial resources (Billis, 2014). In addition, the literature has developed an approach where hybrid organizations are defined as organizations that combine different activities, such as providing services and advocating for public interests or the rights of particular groups, resulting in a so-called service/advocacy organizational form. These kinds of organizations emerge when social service organizations exist in a changing socio-political context and are forced to take on additional functions (Minkoff, 2002).

NGOs sustainability problem

The aspiration to develop hybrid forms for non-governmental organizations is largely associated with the desire to achieve a sustainable position. The overall sustainability of NPOs can be considered as an aggregate of various internal types of sustainability: financial and economic, organizational and managerial, personnel, information and technological, communication, and reputational¹ sustainability.

¹ NGO sustainability factors (research report). Centre for Studies of Civil Society and the Nonprofit Sector. Available at: https://asi.org.ru/wp-content/uploads/2021/12/factory-ustojchivosti-nko_niu-vshe_asi.pdf?ysclid=lv0ytuyrvo284941531 (accessed: May 12, 2024).

Building an effective model of long-term financial sustainability is one of the priorities not only of commercial structures, but also of many non-governmental organizations, as the fulfillment of the social mission and social tasks facing NGOs depends on it. Non-governmental organizations have to look for ways to diversify their income in conditions of financial instability.

The scientific discourse presents various theoretical models of ensuring the financial sustainability of third sector organizations. In this paper, we will outline the main theories that have influenced the hybridization of the social service sector.

The revenue portfolio theory considers non-governmental organizations as structures that have a whole “portfolio” of sources for sustainable financing of their activities (Young, 2007). According to the authors, diversification should be made taking into account possible risks and the volatility degree of different income types: donations, fees for services, grant funds (Tuckman, Chang, 1991).

One possible way to diversify sources is to partner with businesses within the concept of corporate social responsibility (CSR). Cooperation with companies implementing CSR brings a number of advantages to non-governmental organizations: stable funding, expanded network of contacts, and increased brand recognition (Austin, 2000).

The stakeholder theory, or the stakeholder concept, is one of the fundamental theories of corporate social responsibility. In contrast to the traditional model of prioritizing the interests of shareholders, the authors of this approach point to a wide range of obligations that companies have to the entire circle of stakeholders (Petrov, 2004). This circle includes those directly affected by the company’s activities: employees, local communities, and the environment. The researcher

suppose that companies should focus primarily on the interests and needs of the above groups, rather than focusing solely on maximizing profits for shareholders.

Corporate social responsibility theories

Active involvement in solving social problems is also mentioned in the theory of corporate social performance (CSP), which proposes a systematic approach that includes timely assessment, response and management of such problems (Wartick, Cochran, 1985). CSP emphasizes the importance of strategic planning and integration of social aspects into the overall business strategy of companies. This concept includes three constituent parts:

- 1) principles of social responsibility shared by the company;
- 2) processes within the company that are designed to implement these principles;
- 3) results of the company’s activities in the sphere of its relations with society or stakeholders (Wood, 1991).

The normative pressures faced by companies, especially corporations, force them to conform to societal expectations and norms, which encourages the adoption of CSR initiatives (DiMaggio, Powell, 1983). According to the institutional theory, companies seek institutional compliance to gain legitimacy and social approval (Meyer, Rowan, 1977).

According to the resource-based view, responsible practices can be a source of competitive advantage by building valuable intangible assets such as reputation, employee commitment and stakeholder trust (Barney, 1991). By implementing sustainability principles, companies stand out from competitors and can attract top talent and gain customer loyalty, thereby increasing their long-term profitability and market position.

CSR is in many ways similar to the popular trend of impact investing. The concept of this type of investing is based on the idea that financial

decisions can simultaneously pursue economic and socio-environmental goals. This model is implemented through investors providing capital to organizations that address social and/or environmental issues (Bugg-Levine, Emerson, 2011). However, any investment requires a “return”, in this case social impact, which can be difficult to measure, especially if qualitative rather than quantitative indicators are sought.

Social entrepreneurship as a hybrid form

Implementation of commercial activities in the social entrepreneurship format (SE) is an equally popular way for NGOs to ensure their financial sustainability. The SE advantage over other forms of profit-making is its focus on solving social, environmental and/or cultural problems rather than maximizing profits (Dacin et al., 2010). In other words, NGOs implementing entrepreneurial programs are able to generate income while remaining true to their social goals and objectives. Moreover, many authors define social enterprises as hybrid enterprises precisely because their activities combine the goals of financial stability and social mission.

Social entrepreneurship allows NGOs to diversify their sources of income, reducing their dependence on donations and grants (Bagnoli, Megali, 2009). Reducing dependence on external sources of funding helps organizations to be more flexible and independent in the process of resource allocation and implementation of their mission (Weerawardena, Mort, 2006).

In addition to these financial benefits, SE can improve management skills and overall operational efficiency, as it requires NGOs staff to adopt a more entrepreneurial and results-oriented approach to their activities (Austin et al., 2006). It is also worth noting that a market-based approach to solving social and environmental problems increases the effectiveness of social impact delivered by NGOs (Boschee, 2006).

Development of hybrid forms in social sphere

Barriers to the development of hybrid models

Interaction between government, business and NGOs has great potential for addressing global social problems, but to ensure the effectiveness of such partnerships, it is important to overcome a number of barriers – from organizational differences to difficulties in measuring the results of joint initiatives (Selsky, Parker, 2005).

Organizational differences are a key barrier, as government, business and NGO structures have different missions, values and decision-making mechanisms, making it difficult to align joint actions (Bryson et al., 2006). Different partners may have divergent or even conflicting goals, which creates tensions and hinders effective collaboration. Developing agreed indicators and methodologies to measure the effectiveness of joint initiatives is also extremely difficult, making it complicated to monitor outputs and outcomes. Building trust between organizations from different sectors is a determinant of the effectiveness of cross-sector collaboration (Vurro et al., 2010). This requires open communication and a willingness to compromise on all sides. Joint analysis of barriers and opportunities helps to develop realistic goals and optimal responsibility sharing schemes to minimize risks.

Directions for developing hybrid forms in social sphere

The prevalence of hybrid models of organizations has increased significantly in recent years. Moreover, this statement can be attributed to both developed foreign countries and Russia.

The empirical data from a joint study conducted by Harvard Business School and Echoing Green (non-governmental organization that provides seed-funded fellowships for aspiring social entrepreneurs) shows a significant increase in the number of “hybrid” applicants for funding. According to the study, the percentage of hybrid

applicants among 3,000 applicants reached 50% between 2010 and 2011, up from 37% in 2006². The data show a hybridization trend in the social entrepreneurship sector. An example is the experience of the American organizations Embrace and OrganJet. Embrace, established in 2008 as a non-governmental organization to provide free heating pads to low-birth-weight babies; in 2012, it created a company Embrace Innovations, a for-profit company that designs, manufactures and clinically tests the heater³. The outcome was not only stable funding for the non-governmental organization, but also expansion of activities by combining the resources of the third sector and the business sector. OrganJet also consists of two organizations linked to each other⁴. The commercial arm of the organization runs programs to transport patients to transplant centers on an emergency basis. The non-governmental arm, Guardian Wings, helps subsidize this travel for those who do not have the necessary funds (the cost of such transportation ranges from 8,000 U.S. dollars to 10,000 U.S. dollars per hour). The cost of such transportation is covered by private donations as well as revenue from the commercial division. The hybrid model in this case allows reaching more people in need.

Hybrid models have been actively developing over the previous decades, including in the form of public-private partnerships in Russia's social sphere (Zavyalova, Tkachenko, 2018; Barkov, Serova, 2016). In addition, the practice of commercial organizations creating their own non-governmental structures, mainly charitable foundations was quite widespread. It allowed businesses to implement corporate social responsibility programs and

philanthropic initiatives in a more systematic and structured way.

One of the pioneers in this area was the oil company Lukoil, which established the Lukoil Charity Fund in 1993 to implement social projects and programs⁵. Subsequently, other large mining companies, such as Nor Nickel, Rusal and others created similar structures. Currently, most of such corporations implement projects within the framework of corporate social responsibility and ESG principles, support charitable activities, investments in the regions of presence and professional development programs⁶. Social projects allow companies to receive tax benefits, increase brand recognition and reputation in the public's eyes.

However, the opposite trend has emerged in Russia in the previous decade, when NGOs began combining elements of non-commercial and commercial activities, for example, creating affiliated business structures and/or developing commercial lines of activity. Researchers consider this practice as a way to ensure financial sustainability of the third sector and reduce dependence on external sources of funding such as grants, subsidies and donations (Starshinova, Borodkina, 2022). According to the institutional isomorphism theory, non-governmental organizations copy the organizational practices of businesses to later open their own for-profit divisions and ensure sustainable access to funding.

² Beyond Heroic Entrepreneurs. Available at: <https://hbswk.hbs.edu/item/beyond-heroic-entrepreneurs> (accessed: October 1, 2024).

³ Non-governmental organization "Embrace Global". Available at: <https://www.embraceglobal.org> (accessed: October 1, 2024).

⁴ OrganJet Corporation. Available at: <http://www.organjet.com/home.html> (accessed: October 1, 2024).

⁵ Non-governmental organization Lukoil Charity Foundation. Available at: https://bflukoil.ru/who_we_are/about_fund/ (accessed: May 12, 2024).

⁶ NRA's annual analytical review "ESG ranking of Russian companies in the industrial sector". National Rating Agency (2024). Available at: https://www.ra-national.ru/wp-content/uploads/2024/01/esg-rjenking-rossijskih-kompanij-promyshlennogo-sektora-22.01.2024____.pdf (accessed: May 12, 2024).

Hybrid organization theory confirms that NGOs are now increasingly beginning to combine characteristics of both the non-governmental and for-profit sectors (Billis, 2014). However, such activities carry a risk of conflict between NGO management, its key beneficiaries, and donors.

A number of empirical studies (Battilana et al., 2015; Kwong et al., 2017) confirm the prevalence of the practice of opening business units or creating affiliated organizations in NGOs. According to the researchers, the main motivations for this are diversification of funding sources and reduction of dependence on grants/donations; use of commercial opportunities to generate additional profit; improvement of organizational efficiency through the application of business methods.

Nevertheless, these studies have identified a number of barriers and risks faced by hybrid organizations, such as the difficulties of integrating for-profit and non-profit goals and activities; challenges of transparency and accountability to stakeholders; and the need to develop management competencies different from traditional NGOs.

However, in addition to “hybrid” organizational forms integrating non-profit and commercial activities, various forms of partnership between business structures and non-governmental organizations are formed. In these cases, NGOs initiate the formation of an autonomous commercial subdivision or an independent commercial organization, with which they further interact within the framework of a cluster association. This approach allows separating commercial operations from the core non-commercial activities, providing a clearer delineation of organizational missions and goals. At the same time, interaction in the cluster format makes it possible to build effective mechanisms of cooperation and achieve synergy between partners with different organizational and legal forms.

The creation of autonomous business units affiliated with NGOs may be driven by a number of factors, such as the need for regulatory compliance, tax optimization, investment attraction or risk management. It also allows commercial operations to be concentrated in a separate entity managed by a professional team.

Such hybrid cluster models open up opportunities for the cross-funding of social programs by reallocating funds from a for-profit partner to a non-governmental organization.

Thus, contemporary Russia has the opposite trend – the creation by non-governmental organizations of commercial enterprises affiliated with them, while maintaining the model in which commercial structures develop NGOs established by them. Such organizations should ensure the financial sustainability of NGOs, as part of their profits goes to support the activities of non-governmental structures. This process opens up new opportunities for the non-governmental sector development, but requires finding a balance between the commercial and social components of such partnerships.

Research methods

As part of the research, we studied the activities of NPOs in various constituent entities of the Russian Federation (Saint Petersburg, Leningrad Region, Penza Region, Sverdlovsk Region, Stavropol Territory, etc.). The main method of data collection was an expert interview with the use of a guide, which included questions united in the following blocks: “state support”, “interagency interaction”, “social investment”, “practices of work with service recipients”, “digitalization”. Purposive sampling was used to attract informants; the selection criteria were relevant experience of working in NGOs as a specialist or head of an organization. More than 30 expert interviews were conducted with NGO

managers and staff⁷; as a result, we selected two cases for analysis, which clearly demonstrate the formation of a new institutional environment for the non-governmental sector associated with the development of a hybrid model. These cases relate to non-governmental organizations working with people with special needs, building quite effective interaction with commercial structures, but on different principles.

The first case is a non-governmental organization from Penza, which removed a commercial subdivision from its structure. The second case is an NGO from Kislovodsk, which created a cluster that includes both non-governmental and commercial organizations. We chose these cases due to the following factors: different models of interaction with commercial units (separation of a business unit and creation of a cluster), geographical diversity (the first case is Volga Federal District, the second case is North Caucasus Federal District), similar key group of beneficiaries (children and adults with disabilities).

The research results will be achieved through a detailed analysis of each case study. We considered the following aspects for each organization: history and motives for creating a commercial unit, organizational structure, sources of funding for non-governmental activities (including the role of income from the commercial structure), advantages and disadvantages of the applied model of interaction.

Research results

History and motives for establishing the commercial division

In Penza, the partnership between NGOs and business structures was formed in the early 2000s.

“We have three organizations that work closely together. They are the Fund “Svyatoe Delo”, the Back Treatment Center (“Tsentr lecheniya spiny”) – a commercial OOO organization, and ANO helping people with ASD “Step by Step”. The Center was once a for-profit part of the Fund “Svyatoe Delo”. In 2005, when it was organized, it was created as a permanent source of income of some kind, which could then be used to implement social services and help the foundation. But it became unclear to people how it was possible to have such a commercial direction as part of a non-governmental foundation. So, we decided to separate everything organizationally and legally” (Director of a charitable fund, Penza).

Many NGOs that carry out commercial activities seek to remove divisions from their membership for increasing transparency and trust in the organization. Such a decision is largely due to the fact that commercial activities may raise doubts among the public and sponsors and negatively affect the NGO’s reputation. According to the head of one of Penza limited liability company (OOO), it was this motivation that became the key reason for the decision to withdraw a commercial subdivision from the foundation.

“Initially, the Back Treatment Center was an entrepreneurial direction of the Fund “Svyatoe Delo”, but later it was registered as a separate legal entity. Since 2021, the Center has been included in the register of social enterprises of the Penza Region as an organization that sells goods and services for vulnerable groups” (Head of OOO, Penza).

According to the head, the medical and educational cluster chosen by us as the second case study in Kislovodsk is a unique example of interaction between socially oriented structures in Russia.

“We created a medical and educational cluster last year. It is the first one, I don’t know of any analog in Russia, so we are going as pioneers, a cruiser like this, breaking some ice of misunderstanding” (NGO leader, Kislovodsk).

⁷ The interviews were conducted in 2022–2023 as part of the RSF project 19-18-00246-P “Challenges of Social State Transformation in Russia: Institutional Change, Social Investment, and Digitalization of Social Services”.

According to the head, the motivation for this was the lack of funding and the significant workload of NGOs.

“There are not enough finances, because you can’t even imagine the amount of work that we have” (NGO leader, Kislovodsk).

The cluster allowed for additional revenue generation and distribution of workload and customer flow among the cluster member organizations.

Organizational structure

The first case represents a partnership between two charitable organizations implementing projects in the field of rehabilitation of children and adults with disabilities, as well as an OOO, whose specialists provide paid services – treatment of musculoskeletal system diseases using non-surgical methods.

“The Back Treatment Center is a partner of the Fund “Svyatoe Delo” and “Step by Step” funds” (Head of OOO, Penza).

The second case is a cluster established on the basis of an agreement on joint activities of socially oriented organizations and including an OOO, a charitable foundation and an association. The differentiation of responsibility areas (attraction of finances, provision of social and educational services, implementation of charitable projects) allows the three organizations within the cluster to effectively achieve their goals.

“We have introduced three organizations into the cluster – a commercial organization OOO, we called the cluster “Ryabina”, that is, the commercial organization is OOO, the next organization is a charitable foundation, to still attract some financial offers, some financial resources, these three organizations, and our AO school No. 21 and NGO, it turns out OOO, NGO and charitable foundation” (NGO head, Kislovodsk).

Sources of funding for non-governmental activities

Working within a cluster allows redirecting one or another activity to a more appropriate organization, for example, providing paid services – to a commercial organization, and the implementation of socially important projects – to a charitable foundation.

“Now we provide medical services to OOO Ryabina because services are paid, and non-profit organizations cannot do it too” (NPO head, Kislovodsk).

As we have noted earlier, it was the lack of funding that was the key motivation for the creation of the cluster. Even despite receiving grants and subsidies, financial resources were insufficient to fully implement the activities of the organization.

“Well, we obtain grants, we receive subsidies from the Ministry of Labor and Social Protection and now, when we realized that we are somewhat lacking in finances, we have moved to that thing ... colleagues are constantly surprised how it (the region – author’s note) does not support us, but in any way” (NGO head, Kislovodsk).

In addition to business structure support, the projects of charitable organizations in the first case study actively receive support from the Presidential Grants Fund, which, according to the director of one of the organizations, was a significant help at the beginning of the foundation’s journey. Legal organizations-sponsors also provide assistance to NGOs, which also affects the financial sustainability of the organization.

“When the foundation was organized, we started implementing this project, and we were very lucky that in the same year we won a competition in the presidential grants fund, which allowed buying the equipment needed here, immediately hire specialists and develop this area. Naturally, almost all children who are rehabilitated here receive services free of

charge. *How does this happen? We have a program that is sponsored by concerned people, our sponsors, a certain number of children. And in cooperation with the Fund "Svyatoe Delo", a charity event is held*" (Head of the charity fund, Penza).

Nevertheless, the role of partner business structure support remains the most significant among all the above-mentioned funding sources.

"That is, we implement all projects in partnership with a commercial enterprise, which is a social enterprise, which is included in the Penza Region register of social enterprises. So, of course, we have a good base for implementing large-scale projects" (Head of the charity fund, Penza).

Advantages and disadvantages of the applied interaction model

In the considered cases of combining for-profit and non-governmental organizations, it is possible to identify both common characteristics and specific advantages and disadvantages of each approach.

A common advantage is the ability to ensure financial sustainability of social initiatives by diversifying income sources and raising funds from commercial activities. This reduces the dependence on grants, donations and government funding; nevertheless, organizations do not seek to abandon them and exist solely at the expense of their own funds obtained from the implementation of commercial activities.

In the first case (partnership of charity organizations and commercial structure), the key advantage is the synergetic effect of combining efforts. An integrated approach, combining non-governmental programs and commercial services, allows solving the problems of rehabilitation of children with disabilities more effectively.

"As a matter of fact, the center (Back Treatment Center – author's note) is still the base for implementing all our projects, it's staff, premises, the opportunity to share costs, and training, because

training is very expensive. It costs about 100 thousand to send one specialist. If it is a serious training with practice, with exams and certification, it is about 100 thousand. When all this is divided into commerce and we make our own contribution, it makes the work easier" (Head of the charity fund, Penza).

The opportunity to upgrade the specialists' qualification at the expense of the business structure allows improving the quality of services, but, as the head of the charity fund notes, there is a tendency of specialists' outflow, which complicates the work of the commercial structure and affects its reputation.

"In general, the Back Treatment Center is a forge of personnel. It is impossible to count how many instructors have come from us. And for some reason there is such a tendency, probably not only with us, that a person, having worked and trained in a method, thinks, why don't I open such an office myself? And I already know several people who have been trained, worked with us, built up a client base and opened their own offices. It's frustrating because, first of all, it draws away clients, and second, it's the reputation of our center" (Head of the charity fund, Penza).

At the same time, a significant disadvantage is the risk of conflict of interest and dilution of the NGO's mission due to commercialization of activities.

In the second case study (creation of a cluster of socially oriented organizations), the main advantage is the formation of a sustainable ecosystem through the integration of diversified actors. Combining the competencies of NGOs, associations and commercial structures allows comprehensively covering various aspects of the social tasks to be solved. Within the cluster, it is possible to flexibly redistribute financial flows to increase the sustainability of organizations. The strength of the cluster also lies in the combined enhancement of influence and recognition. However, the large number of participants can create serious diffi-

culties in coordinating and harmonizing interests. There are high risks of contradictions between commercial and non-commercial goals, as well as problems in the distribution of authority and responsibility.

The presented cases of partnership between non-governmental and business structures reveal their substantial potential for ensuring financial sustainability of social initiatives, but they have significant differences in terms of prospects and limitations. Partnership of charitable organizations and business structures is simpler in managerial terms, but in this case, there may be a risk of conflicting interests of the parties. Creation of a cluster is a more labor-intensive process, but the integration of diversified participants provides broader opportunities for implementing social programs.

Conclusion

Third sector organizations, facing the problem of financial sustainability, seek and develop new institutional forms of social service provision. Possibilities of receiving state funding in the form of subsidies and grants do not fully meet the needs of the third sector; first of all, in the first case – due to low tariffs and bureaucratic barriers, and in the case of grants – due to high competition among non-governmental organizations. In this situation, the most active NGOs connect their activities with the development of hybrid forms. And it is not only a question of interaction between NPOs and existing commercial structures, which could assume the role of a kind of sponsor and/or partner. The cases discussed in this article present the practice of establishing affiliated commercial structures on the basis of NGOs, which either replicate successful social practices on a commercial basis or develop other commercial services related to the core activities of the non-profit organization, although other options of cooperation are also possible. It is

worth noting that in both cases the organizations actively cooperated with state structures and received some support, including the provision of premises.

The hybrid format opens new prospects for the third sector, which allows diversifying resources through the interaction of non-governmental and commercial structures and building a more effective interaction with regional authorities. We should say that the development of hybrid organizations corresponds to the ongoing reforms in the social sphere, aimed, on the one hand, at improving the accessibility and quality of social services, and on the other hand, at increasing the economic efficiency of this sphere.

Successful implementation of the hybrid approach not only strengthens the NGOs' financial sustainability, but also contributes to increasing social effect of their activities. Further development of the third sector is obviously largely connected with the introduction and adaptation of such practices.

The research results allow expanding our understanding of institutional transformations in the third sector and demonstrate innovative approaches to solving social problems. Despite the fact that the empirical study is limited to two cases, it, together with the data from expert interviews, reflects the trend toward the use of a hybrid format by Russian NGOs, which corresponds to global trends. The features of this process in Russia are due to the specifics of the institutional context, which implies close interaction not only with state institutions, but also with authorities, primarily regional ones. In addition, there is a need to adapt the regulatory framework for the use of hybrid forms in the social sector.

The relevance of studying the hybridization of the third sector is dictated by the ongoing processes of transformation of the service sector. Further

studies of hybrid organizations in the sphere of comparison with traditional NGOs, as well as to social services should be primarily related to the the study of long-term impact on the third sector analysis of the effectiveness of hybrid forms in development in Russia.

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