

“New governance’s land” between business and philanthropy: a comparative approach

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Résumé :

La compétition et la professionnalisation accrues du secteur social (Hwang et Powell, 2009) dans de nombreux pays engendrent des tensions dans la gouvernance des entreprises sociales. Quelle que soit leur forme juridique, ces organisations sont poussées à évoluer en recrutant des gestionnaires professionnels et en adoptant de "meilleures" pratiques formalisées de management. L'objectif de cet article est de comprendre comment et pourquoi différents entrepreneurs créant des entreprises sociales (ES) ancrées dans le même champ institutionnel peuvent ensuite construire des mécanismes de gouvernance stratégiquement différents.

Dans cet article, nous mobilisons la définition de la gouvernance dans le tiers secteur de Cornforth (2004), qui la décrit comme les systèmes et processus visant à circonscrire la direction, le contrôle et la responsabilité d'une organisation. Ainsi, la gouvernance décide de la mission et des objectifs de l'organisation, et détermine simultanément les meilleures actions afin d'assurer sa survie et sa croissance au sein d'une société en évolution. Dans ce sens, la gouvernance ne concerne pas seulement le rôle et la composition du conseil d'administration des ES, elle englobe également l'impact des autres acteurs (fondateurs, assemblée générale et gestionnaires), qui contribuent aux mécanismes de gouvernance.

Nous avons entrepris deux études de cas longitudinales (2005-2017) avec une perspective comparative. Nous avons recueilli des données auprès des deux ES et mené des entretiens avec les principaux acteurs (fondateurs, membres du conseil d'administration, managers). Nos résultats montrent que, même en évoluant dans le même champ avec des objectifs comparables, les ES construisent et utilisent stratégiquement des mécanismes de gouvernance très différents. Les deux cas révèlent la position centrale des fondateurs. Leurs trajectoires académiques et professionnelles différentes ainsi que leurs réseaux ont profondément influencé leur stratégie de construction des mécanismes de gouvernance des ES qu'ils gèrent. Dans un cas, un modèle de gouvernance proche de celui d'une entreprise classique a été adopté; dans l'autre, un modèle de gouvernance plus philanthropique a dominé. Ces deux modèles ont en quelque sorte convergé dans la manière dont les conseils d'administration ont été formalisés face aux besoins de croissance et de professionnalisation organisationnelle. Cependant, les processus de prise de décision reflètent en réalité des mécanismes de gouvernance complexes, mais tous influencés stratégiquement par les fondateurs. En outre, le recrutement de managers professionnels n'a pas transformé les mécanismes de gouvernance qui reflètent toujours le positionnement central des deux fondateurs dans leurs ES.

Mots-clés : Mécanismes de gouvernance, entreprise sociale, fondateur, égalité des chances, France

“New governance’s land” between business and philanthropy: a comparative approach

The governance of social enterprises and non-profit organizations (NPOs) has become an increasingly important topic in third-sector research. Due to the growing marketization and professionalism of the social sector (Hwang et Powell, 2009) in many countries, tensions in governance appear between the legal heritage of NPOs and their new business practices. This sector experiences a growing shift toward the hiring of professional managers, and the adoption of business-like formalized “best” practices. The aim of this article is to understand how and why different entrepreneurs of social enterprises (SEs) embedded in the same institutional field and driven by the same missions can develop strategically different governance arrangements.

We build on Cornforth’s (2004) definition of governance in the third sector as the systems and processes concerned with ensuring the overall direction, control and accountability of an organization. Governing implies the definition of the organization's mission and goals and outlines simultaneously the best possible actions to achieve organizational survival and growth within an evolving and demanding society. So, governance is not only about the role and composition of the board. It also encompasses the impact of other stakeholders who contribute to the governance arrangements. Some authors argue that democratic governance arrangements highly contribute to the quality of management and to effective problem solving in SEs (Valéau et al., 2019; Eynaud, 2019). In this article, we go beyond a normative presentation of social enterprises as ‘good organizations that give a voice to their stakeholders’ (Chambers et al., 2013). We respond thus to call for research on organizational governance of SEs (Ebrahim et al., 2014), and contribute also to deepen the understanding of the task of creating and maintaining effective corporate governance mechanisms (Nordqvist et al., 2014).

In this article, we analyse two SEs born at the same time in an original socio-political context: the emerging field of “equal opportunities” in France, where state agencies, ministries, NGOs and corporations strive each to legitimate their vision. The core mission of the two studied SEs is to encourage, through mentoring, young people from deprived urban areas to engage in higher education studies. Within this emerging institutional field, both SEs bridge particular

high school students' educational path and the corporate world.

We undertook a longitudinal case study (2005-2017) with an historical perspective. We collected data from the two organizations and conducted interviews with key actors (founders, board members, managers). Our results show that even evolving within the same field, with comparable objectives, SEs can develop different governance arrangements. Both cases reveal the central position of the SEs' founders. Their singular professional trajectories and their different backgrounds and networks have deeply influenced the earliest governance arrangements. In one case, the business governance model was adopted; in the other case, the philanthropic governance model dominated. These two models converged in the way boards were formalised supporting organizational growth's needs. However, decision-making processes are actually reflecting complex governance arrangements influenced by the founders. Moreover, the appointment of professional managers did not convolute the governance arrangements which still reflect the central positioning of the two founders in their SEs.

This research contributes to the understanding of the variety of social entrepreneurship governance arrangements facing multiple stakeholders.

We structure our arguments as follows. First, we review the literature on social entrepreneurs and their governance arrangements. Second, we introduce the two case studies within their context and explain our methodology. Third, we present the findings, focusing on the different governance arrangements, from business-like to philanthropic-like in the complex field of equal opportunities in France. Finally, we conclude with a short discussion and conclusion.

1. THEORETICAL FRAMEWORK

There has been little research on the governance challenges and support needs of social enterprises (Spear *et al.*, 2009; Huybrechts *et al.*, 2014). Social enterprises usually combine different types of operating resources and revenues (Litrico et Besharov, 2019; Young, 2007). Thus, they are complex structures where business and social logics intertwine and consequently have repercussions on their governance arrangements.

1.1. SOCIAL ENTERPRISES FACING EXPECTATIONS OF MULTIPLE STAKEHOLDERS

Social enterprises created by social entrepreneurs are thus framed by the twofold concept of social value and entrepreneurship. Several researchers (Litrico et Besharov, 2019; Battilana et Lee, 2014; Battilana et Dorado, 2010) define these social enterprises as hybrid organizations in

which coexist and sometime compete a social logic and a business logic. Logics shape acceptable goals and principles within a field, thus influencing organizations' priorities (Pache et Santos, 2013), and the coexistence of competing logics might thus create tensions. Kraatz et Bock (2008) argue that organizational governance can then be usefully thought of as the process through which an "organizational self" selects, prioritizes and/or integrates its various institutionally given identities. Social enterprises that combine business and charity at their core face unique governance challenges, related to joint accountability to both social and economic objectives (Battilana et Lee, 2014). Among these tensions, the commitment of social entrepreneurs to achieve specific social objectives challenges the concepts of authority and leadership of the founders of social enterprises, because of the particular organizational structures that these ventures may adopt (Shaw et Carter, 2007) and the multiplicity of stakeholders they face. In these enterprises, the configuration of stakeholders' involvement contrasts with that of for-profit businesses where shareholder's hegemony disappears as non-for-profit organizations are assimilated to firms without owners (Hansmann, 1980).

Consequently, social enterprises usually use legal forms that allow and enhance socio-economic democracy by acknowledging stakeholders, other than investors, the right to participate formally in the governance bodies (Huybrechts et al., 2014). Social entrepreneurs can indeed decide for various legal forms for their social enterprises including incorporated forms or associations and charities, especially when they serve charitable purposes (Spear et al., 2009). For all these forms, the legislator has provided the basic governance requirements to ensure the good use of resources and the survival of the organization while growing.

However, practice can fill with different contents governance systems within similar SEs depending on their varying stakeholders' influence. In this regard, Ebrahim et al. (2014) argue that: "In terms of organizational governance, social enterprises offer a rich subject of study as they combine ... potentially divergent stakeholder interests", as the shareholders' primacy dissolves. Thus, deciding for an association as a legal form, social enterprises will have to challenge complex governance arrangements as divergent interests and democratic decision-making processes must live together.

1.2. GOVERNING SOCIAL ENTERPRISES: INVOLVING MULTIPLE STAKEHOLDERS

There is a large literature on (corporate) governance that looks at how organizations involve their stakeholders at different decision-making levels (Clarkson, 1995; de Graaf et Herkströter,

2007; Freeman et Reed, 1983). This involvement can be rather passive (information) or more active (representation) (Huybrechts *et al.*, 2014). Inviting stakeholders to join the governance arrangements, such as the general assembly and the board of directors, represents a long-term relationship between the organization and a particular stakeholder category (Mitchell *et al.*, 1997).

Resource dependency theory explains the power position of some stakeholders from the moment they play a critical role in ensuring organizational survival by reducing uncertainty, managing important environmental dependencies and mobilizing resources at the benefit of the organization (Cornforth, 2004; Labie, 2005; Pfeffer et Salancik, 1978). Institutional demands are conveyed by key external actors, in regulatory bodies or funding organizations for example, who diffuse them across the field and exercise pressures for compliance (DiMaggio et Powell, 1983). In this perspective, cultural and cognitive mechanisms developed and institutionalised at field-level play also a key role in the governance work (Kraatz et Block, 2008). Moreover, Huybrechts *et al.* (2014) argue that “stakeholder involvement may result from unconscious and ‘irrational’ processes of legitimization and dominance. These processes may explain why in some cases stakeholders with little strategic interest are given primacy, or why potentially strategic stakeholders are ignored”. They underline the symbolic role of stakeholders’ involvement and governance structures. Structures and practices such as board composition “can become invested with socially shared meanings, and thus, in addition to their ‘objective’ functions, [...] serve to communicate information about the organization to both internal and external audiences” (Tolbert et Zucker, 1996: 171).

Among the key stakeholders providing financial resources, private funders may favour governance arrangements that reproduce business-like governance arrangements, which they view as legitimate and efficient. In the American context, Hwang and Powell (2009) showed that foundations are influential because the funds they provide bring particular mind-sets and practices with them. Grants contain requirements for evaluations, hiring consultants, and management training sessions for board members. In that regard, foundations can play a critical role in homogenising organizations in the non-profit field as they promote “modernity” in management. In the French context, Eynaud (2019) underlines that public funders may also foster the professionalization of governing practices and the managerialism of associations. He argues that associations develop managerial costing tools and performance indicators to meet the requirements of the funders.

SEs face then pressures towards a professional-like governance model, that is not necessarily consistent neither with their social mission nor with the involvement of other key stakeholders, such as the beneficiaries, the volunteers and the employees, in the decision-making processes. A wider accountability to multiple stakeholders, and a formal involvement of other stakeholders than the main funders would then foster a more democratic governance model. This later is more aligned with a philanthropic governance model. In such a view, the strong actors' collaboration within the same governance bodies limits the fuzzy areas and increases the capacity for understanding and problems solving (Eynaud, 2019). The presence of several opinions at the same time highly contribute to the quality of management and to effective mission-based strategic planning (Valéau *et al.*, 2019), as information is shared, reciprocal actors' control is upheld and innovation is enhanced (Borzaga et Depedri, 2015).

However, gathering a large number of actors with different interests around the same project is not easy to manage (Valéau *et al.*, 2019; Abzug et Webb, 1999). Sharing democratically the decisions presupposes a certain number of procedures that may appear burdensome (or even counterproductive) for some actors and can hinder the agility of a social enterprise.

1.3. THE CENTRALITY OF THE SOCIAL ENTREPRENEUR IN GOVERNANCE ARRANGEMENTS OF SEs

The main governance challenge for SEs resides in the power balance between main stakeholders (Eynaud, 2019). Actually, SEs are located in the intersection of different sectors in society, so they need to reconcile diverse viewpoints (Martin et Thompson, 2010). The participation of different stakeholders might undermine the core mission of the organization (Dees and Elias, 1998). Particularly in social enterprises, the relevant stakeholder will be more closely related to the impact an enterprise has on society rather than to its financial activities. In that matter, Pache et Santos (2013) highlight the importance of a strong identity in order to combine the social and business logics and keep or gain legitimacy from the stakeholders. Therefore, it is the social entrepreneur's responsibility to achieve an alignment between the components of the social entrepreneurship framework (Wei-Skillern *et al.*, 2007). In that sense, the identity of the founder/entrepreneur, the person who holds the idea, the inspiration or will is the balancing aspect in the social enterprise's core mission. Thus, the founder/entrepreneur can play a central role in modelling the governance arrangements of the social enterprise. However, the entrepreneur can also be willing to adopt a hegemonic positioning within the

governance arrangements.

The managerial hegemony framework was developed to understand the for-profit organizations' context. In this perspective, the general manager does not want the directors to be too involved in the company. Managerial hegemony theory (Mace, 1971 ; Lorsch et McIver, 1989). sets the conditions of the boards' domination by managers. The CEO/chairman can exercise inappropriate influence over the organizations including management, compensation and career advancement. Further, managerial power theory proposes that a general manager has the power to "influence board decisions in general and to create the conditions for board capture" (Chambers *et al.*, 2013). Furthermore, power circulation theory suggests that top management in organizations is intrinsically political, characterised by shifting coalitions and persistent power struggles (Shen and Cannella, 2002; Combs *et al.*, 2007). The social entrepreneur can though embrace the status of what Pérez (2003) called the "management of the management" (p. 23), where the governance arrangements should be designed to control this hegemonic positioning of the CEO. In this regard, the governance represents the set of institutional and behavioural arrangements that manage the relationship between the leader of an organization and their stakeholders. This underlines the probable divergence between the leader's interest and those of one or more stakeholders.

To control a powerful CEO, dominant governance theories for business enterprising argue for including diverse directors to the board, which echoes the multiple stakeholders' model for non-for-profit organizations. In that regard, the democratic model of governance, involving different stakeholders with different interests, presents potentially a good balance to minor the hegemonic power of the founder, to enable and enhance collective effort and to decrease risk.

2. RESEARCH CONTEXT AND METHOD

To understand how two different social enterprises tackling the same issue at the same time can build different governance arrangements, it is important to appreciate the socio-political context in which the organizational forms emerged and evolved. In France and from an educating social issue, *equal opportunities* have progressively gained influence in other spheres of society, becoming an employment and an urban life issue. Namely, over the last decades, economic crisis and unemployment have led *equal opportunities* policies back to the forefront. Society deeply questions the education system and its failures in promoting equality and fraternity, as

core values of the French nation. Finally, whereas the state and local or national associations traditionally promoted equal opportunities, new social entrepreneurs appeared, and the field gained in importance. Several organizations sprang at the same period on the principle of mentoring young people from deprived area by companies' staff members.

In France, the 2014 law that promotes the social and socially responsible economy has recognised various legal forms of social enterprises: associations, cooperatives, mutual societies and social utility companies. In the field of equal opportunities, associations are the main legal form of SEs, so we chose two associations to conduct our comparative case study, hereafter called *Promise and Teli*. Accordingly, we present these two SEs and their governance arrangements, following the main chronological landmarks: beginning, growth and effort to become a legitimate and visible organization within the field. Then, we draw our data and method.

2.1. DATA SOURCES AND ANALYSIS

We conducted a longitudinal (2005-2017) in-depth comparative case study of two associations *Promise and Teli*, within the field of equal opportunities in France. The cases provide rich data on how the governance mechanisms develop and interact over time. Documents and interviews constitute the major data sources for our study. Documents comprise archival data, press accounts, web publications and internal publications detailing the structure, missions and actions of *Promise and Teli*. Table 1 summarizes the main data sources.

Table 1: Data sources

Data source	Type of actor/ organization	Number
Semi-structured interviews: 31 (between 30 minutes and 2 hours long; 28 face-to-face/3 by phone)	Representatives of public organizations	4
	Representatives of corporations, partners of <i>Promise and Teli</i>	3
	<i>Promise and Teli</i> managers	18
	Board members	4
	The founders	2
Newspapers	National press articles on <i>Promise and Teli</i> (2012-2017)	140
External documents	Legal Reports (Cour des comptes, Borloo report, Haut Conseil Vie Associative...)	12
	Reports and documents from consulting firms and think tanks on impact and equal opportunities	23

Internal documents	Documents from <i>Promise and Teli</i> websites (reports, detailed programs)	40
Illustrative websites consulted	Official websites of the ministry of education, urban policy, social cohesion (summaries of laws and public programs)	5
Other archival data	Data on <i>Promise and Teli</i> board members and partners	-
	Videos of interviews of Stéphane and Sasha promoting and explaining their visions and programs	20

Semi-structured interviews were conducted with 31 key informants, selected and interviewed according to their position and involvement in the processes of decision making and growth (Eisenhardt, 1989). All of them were involved, connected to, or knowledgeable about the development of the two SEs: representatives, former mentees still involved as “ambassadors”, students currently mentored, representatives of public organizations and corporate partners, board members, founders. The 31 interviews were all recorded and transcribed, with a total duration of 50 hours.

In addition, we extracted data from the organizations’ websites at different dates throughout our analysis, to build a data base, independently from the various changes occurred, in order to triangulate facts (Eisenhardt, 1989). We also collected archival data dating back to 2005 at the field level, including 140 media articles on *Promise and Teli*, and numerous publications and official reports on equal opportunities policies. Finally, we also used web-based accounts of organizational identities and missions. This provided distinctive access to elements that organizations use to present themselves to specific audiences (Sillince et Brown, 2009). The archival data gave an understanding of the context in which *Promise* and *Teli* operate, and how they act as social entrepreneurs and interact with their stakeholders within the field.

The interviews were conducted with the sole aim of confirming events on which the other sources provided little information. We used an interpretive approach that considers discourse as an element in the construction of social and organisational reality (Abdallah et Langley, 2013). This type of discourse analysis allows us to cover several levels of interpretation, thus offering an alternative perspective with a different vocabulary (Yousfi, 2014). For this reason,

in this method, interviews are neither coded nor categorised, but are instead used in a flexible way.

2.2. *PROMISE* AND *TELI*: THE CASES

Promise and *Teli*¹ have emerged in a very particular socio-political context. On one hand and in the 2000s, France faced several and deep turbulences: political changes and new laws concerning education and suburbs, social (2005 riots) and economic crisis (2008). Hence the principle of equality was confronted with the question of relations to the others and of individual and collective identity. France was the arena of harsh debates about the French identity and the core value of equality. The reality of the Republican pact which guarantees “Liberty, Equality and Fraternity” to each citizen was put into question. On the other hand, France issued in 2001 the New Economic Regulations (NRE) Act which required large listed companies to publish extra-financial reporting. In continuation, companies had to revisit their mission of environmental impact and social integration through work (Bébéar, 2004; Sabeg et Méhaignerie, 2004; Sabeg et Charlotin, 2006). This legislative arsenal, among other things, has accelerated the implementation of diversity policies. Besides, several studies justified the economic argument, which valued the impact of these policies on companies’ image, optimising their processes, improving their human management practices, stimulating their creativity and thus increasing their overall performance (Bruna et al., 2014).

In this complex environment, the two SEs grew and consolidated to become legitimate and visible organizations within the field of equal opportunities. Table 2 displays the organizations’ several states of development in chronological order.

Table 2: Steps in the transformation of SEs/governance

Timeframe	Main events and steps in social enterprises	
	<i>Promise</i>	<i>Teli</i>
2004-2007	Hiring first professional manager	Hiring first professional manager
	Bureau constitution (4 members)	Bureau constitution (3 members)
	Social entrepreneur (general representing) payment plan	Effective management committee (all volunteers)- No board
2007-2013	Professional appointment of new board members (13 members)	Social entrepreneur (chairman) payment plan
		Board structuring (12 members)

¹ The names of the organizations and of the founders have been changed in this article.

2010- 2017	Growing and legitimizing Accountability and social impact performance indicators Extending field influence vs struggling	Growing and legitimizing Accountability and social impact performance indicators Extending field influence vs struggling
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Between 2004 and 2007, *Promise and Teli* emerged around a very similar contribution to *equal opportunities* which relied mainly on mentoring young people from deprived areas and training them to foster academic ambitions. Both social enterprises structured about eight years after their starting point. For both organizations, the founders' consciousness of inequalities was the sparkling factor. Each one of them, for different reasons, engaged in willing to find a solution to what the first (Stéphane) called the “*lack of equal freedom of choice*” and the second (Sasha) the “*lack of real freedom*”. For both, France has failed in its political choices to offer to youth the same opportunity to enrolling in the adequate curriculum and reaching high ambitioned career. Consequently, the system is seen as playing a central role in perpetuating social and economic inequalities, and both wish to participate in eroding it away.

Between 2011 and 2017, new partners joined *Promise* and *Teli*, particularly large consulting firms and financial institutions, playing key roles in supporting their growth.

3. FINDINGS

The two SEs emerged as one innovative solution to promote equal opportunities, supported by the government, companies, and *Grandes Ecoles*. *Promise*, initiates as a public-private partnership, reflected a shared interest for a new type of actions fostering equal opportunities. *Teli* is rather an association of friends' willingness (based on personnel challenges) to participate in the social struggle against inequalities.

To create unexpected encounters between these young people, who limit their ambition despite their talent, and you, companies, volunteer employees who have an experience to share and a desire to act. (Promise website, consulted 2015).

Teli works for a society where success does not depend on social, economic and cultural origins, for a society where success depends on social ties and civic commitment... On our planet there is a positive community determined to forge links across worlds that ignore each other. They inspire, succeed and engage... (Teli website, consulted 2015).

Promise and *Teli* are considered by several *Grandes Ecoles*, traditionally embedded in a meritocratic culture, a bridge between different worlds, in line with the Republican pact which promotes “equal opportunities”. These institutions of higher education are often criticised for

their elitism. For that, they were very much keen to participate to *Promise* and *Teli*'s socio-political projects to which companies may also contribute, without contesting the central place of professors.

By this common will, clearly expressed, the social opening of Grandes Ecoles is not a myth but a reality, inscribing equal opportunities at the heart of the republican project. (...) It is desirable that the companies' involvement towards higher education and research continues and strengthens. (...) All pupils in high schools should have information about this Promise project, thanks to their professors. (Head of Engineering Grande Ecole, Press conference April 2005)

The two social enterprises decide for a legal form of an association under the 1901 French law. In general, the law gives the members of the association complete freedom to define their operating bodies, their attributions and the body empowered to represent them vis-à-vis third parties. Usually, the members gather in a general assembly and vote for a board who votes for a bureau (these two bodies can be merged in one). The latter should be composed legally of a president, a secretary general, a treasurer and eventually a vice-president. The bureau is a central governance body in an association and its members cannot be remunerated unless the association's funds exceed 1,000,000 euros. Still the association can decide to compensate the president if the gathered funds are superior to 200,000 euros.

The president is the agent of the association and not its legal representative. She/he may act in the name and on behalf of the association while having effective and constant control over it. In that regard, the board/bureau can decide for another representative who would hold the legal responsibility.

3.1. PROMISE: THE CENTRAL FOUNDER AND THE BOARD

Stéphane has a university degree in law and a professional education in HR management. He spent all his career in management in big companies and his last corporate job was Corporate Responsibility and Social Innovation VP in a big French corporation. His definition of himself evolved from being an expert in diversity issues and equal opportunities to be a social entrepreneur.

"I was in a company and I wanted to recruit young executives who reflected the image of France, in all its diversity, but I couldn't find the engineers I needed". (Stéphane).

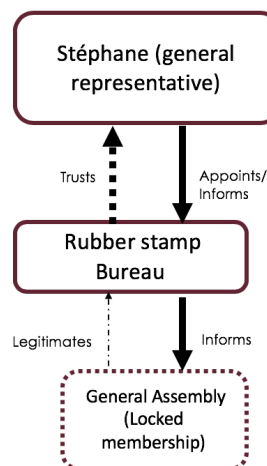
As Stéphane lived in an overseas department, the question of diversity seems for him "natural". He declares to have been shocked when he first moved to the "metropole" and noticed that "depending on the territories you come from, you experience spatial segregation. The different strata of the population don't necessarily mix". This trajectory activates his sense of equality

and he starts engaging and creating associations in that regard. He wants to make the corporate recruitment of diverse people possible in the future by actively sponsoring deprived but gifted young pupils accessing the best engineering schools in France.

"In the end, what makes the difference between young people are the points of access with people who are able to decode higher education and therefore able to advise them» (Stéphane).

At the beginning, *Promise*'s bureau/board was created around Stéphane and three CEOs of big public French corporations. The bureau decided to appoint Stéphane as the "general representative", accumulating the autonomy of a CEO and the diplomacy of an association leader. With this decision, he represents legally the association and more broadly signs contracts or grant applications on behalf of the association. Figure 1 presents the pre-board governance arrangement of *Promise*.

Figure 1: *Promise* pre-board governance arrangement in 2006



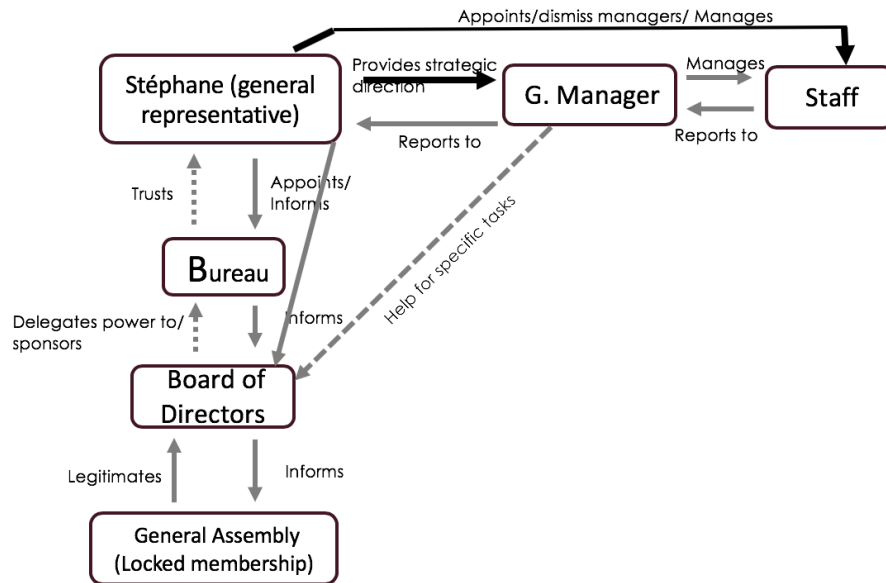
Promise decided also to control any new membership in the association, making it almost impossible to be a member without being sponsoredⁱ. About thirty new members were appointed over 15 years originating from very close professional backgrounds. After the five first years, Stéphane decided to constitute a board of directors inviting 10 main big public companies, whom the CEO was sensitive to the association's cause (financial donations and mentors) and two highly publicised women to join (one representing a figure of success as she is a worker's daughter with a Parisian engineering *Grandes Ecoles* diploma and one academic with a political position). Finally, he asked a hunter to look for a high ethics-financial profile woman to complete the board.

... he needed women, I think that's why I was recruited because the board was only made by

bosses of the CAC 40th so it's a little bit “claptrap” (Board member).

In 2017, the board was composed of two visible categories of profiles: the big companies’ (donors) CEOs (all men) and the personalities/woman. Figure 2 illustrates the 2017 governance arrangements and their interactions in *Promise*.

Figure 2: *Promise* board governance arrangement in 2017



Promise’s board is dominated by representatives of big companies (mostly telecom sector and financial institutions) invited to take a seat in the board. All members have a personal relationship with Stéphane and if needed he asks them directly to do a specific activity (opening a network, developing a MOOC, etc.).

Yes, as soon as he asks me something... I always ask how I can help you... here are my skills and Stéphane didn't hesitate... I put him in touch with other associations... so I'm someone who makes a lot of connections... (board member).

The board of directors officially meets once a year. Stéphane exposes the activities of the year, the projects and the big spending accounts. The board was clearly “used” to serve the ambition and activities of the association; however, it was not a team. It was rather an aggregation of very important businessmen ready to support.

It's an association that was rich by its board of directors. And if a boss asks his corporate team to do something for Promise, it was perfectly done. (board member).

With their network and influence, the board members serve as a symbolic pressure for success and a social leverage to obtain resources (databases, meetings, funding, etc.). Stéphane also plays with that to make the association visible and respected.

It's bound to work especially when you put in the board of directors bosses of the CAC 40 ... it's bound to work because it's too much of a shame for the bosses if it doesn't work... everybody better make it work. (board member).

3.2. TELI: THE CENTRAL FOUNDER, THE FRIENDS AND THE BOARD

Sasha has a very different social and educational background from Stéphane. He descends from a rich industrial family with a large experience in foundations and associations. He started by a Bachelor in philosophy and then ended with a PhD in strategic management. In the meanwhile, he gained a master's degree from a prestigious Business School and another one from ENA, a private and a public *Grandes écoles* in Paris. He trained in public policy at the *Cour des Comptes* and in the ministerial cabinet at *Bercy* (Ministry of Finance). He has been a strategy consultant for more than 10 years, first in one of the leading international consulting firms, then by founding his own consultancy firm.

In 2004, he decided to create with three close friends an association which supports the success of high-potential students from modest backgrounds, thanks to the mentoring of young professionals. His first partners were socially gifted friends sensitive to the same urgency to balance inequalities. Their vision of equal opportunities is partly different from the one of Stéphane:

"I remember, before creating Teli, we were discussing together in a bar, and in the suburbs it was practically an insurrection at that time... and we realised looking at our professional environment that it was not about racism, because a lot of people talked then about the lack of integration and racism, but we realised it was more about social racism, racism between social classes" (co-founding friend)

For them, the notion of equal opportunities was less connected to corporate codes and more to cultural codes with the republican ideal of fraternity. From the beginning, the association was closely related to the founders, who are also the members of the bureau/board and the general assembly. All men, friends from the same schools (*Grandes Ecoles*) and with large professional networks.

"At the very beginning we were more mentors than mentees... we didn't know how to access these deprived young pupils" (co-founding friend)

Sasha has invited those friends to create the association with regard to their motivations and availability, but also to their symbolic contribution:

"I was part of the group around Sasha... I was the youngest and the most emblematic because I benefited from the social lift... I have succeeded well... and I was attracting the most mentors..." (co-founding friend).

"We started with the "Tupperware method": we were 8 and each member brought 8 mentors, so

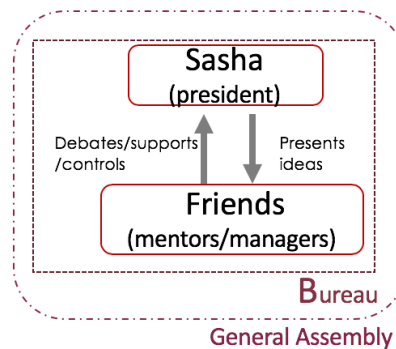
we started with 64 mentors” (co-founding friend)

The Bureau was at the heart of the decision-making process (budget, resources, programmes, etc.) and Sasha seems also to be the “initiator” of a plenty of projects. He wanted to solve all problems related to the educational process; accessing to the best schools, orientation, financing, student residency, etc. The bureau acted as a moderator to keep on the innovation part within the realistic time and means of the association.

“He brought an entrepreneurial vision, a very attractive vision, I was the “man of numbers”, so I was more like: if we make commitments, how are we going to finance them? The reality is that we have always managed to finance them. He had a lot of projects all over the place... we tried to frame him, channel him”. (bureau member).

Figure 3 represents the pre-board governance arrangement of *Teli*.

Figure 3: *Teli* pre-board governance arrangement in 2006



Sasha was dedicating much time to the association in comparison with his friends whom were very involved but only committing few hours a week. His needs of growth were obviously in line with his fertile creativity and big ambition, and he convinced his friends in a first step to appoint a manager and to gain size. In a second step, he decided to be fully engaged himself and convinced his friends to overcome a certain size to become visible and diversify and professionalise the association.

"The lab was also an idea of Sasha, who was doing his PhD himself at that time and thought it was interesting, and I think he was absolutely right, to create a separate structure to develop new services, new products. There were still some fiscal, legal and other problems that were a bit complex to solve, but they were solved. At that time, we had developed in many different directions, and we had a strategic committee and we said to ourselves, "How can we accelerate even more and change scale?"

What needs to be done to improve the society... he always had a political vision... the association became his main activity and it became TOO SMALL for him... if we want to have an impact, we have to grow up, he kept repeating!" (bureau member).

While growing, *Teli* appointed more managers for each one of the many projects Sasha was

thinking about. The SE stated to structure and formalise its functioning. It was important to evolve toward professionalisation since the association reflects the professionalism of its directors serving (in their perspective) professional aims.

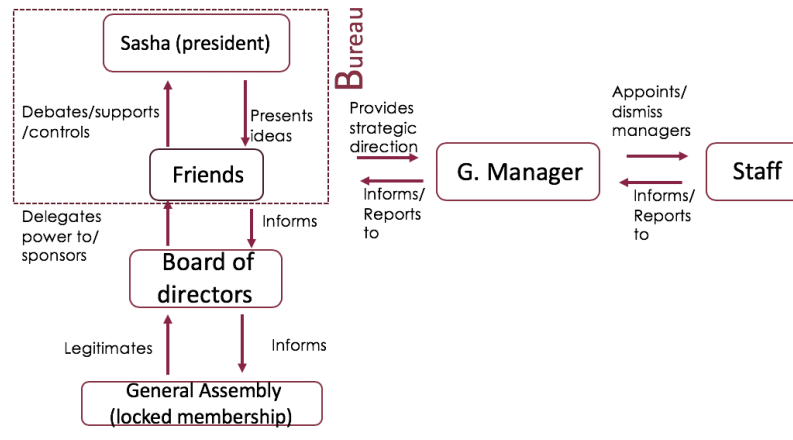
"It was one of the subjects: helping associations to raise their level of professionalism, vis-à-vis the associates and especially vis-à-vis donors, is very important and increasingly so. Very early on, we were really managed like an SME with chartered accountants and auditors, we also did impact assessments to measure the impact we had, the return on investment, etc... a very corporate approach that we wanted to have from the beginning." (bureau member).

In 2010/2011, governance started to be structured by enlarging the bureau and creating the board. The appointment of directors was made by affinity and co-optation of the central core of friends. Over 6 years, twelve new members/directors have been appointed from very different professional backgrounds. Sasha came with a list declaring: *"it is time to grow"* and the board was very quickly built up. All members are benevolent with a very clear objective: supporting Sasha to develop the association. Most of them were Sasha's friends or acquaintances, so that he could lean on their voice.

The members are chosen for that... probably... that was the unconscious deal: help me to develop Teli... but don't feel to drift the core mission!... (board member)

The full board was composed of three visible categories of profiles: companies' (donors) representatives, state-access network persons and impactful social entrepreneurs. With a fine-grained analysis, the board was the extension of the bureau with 3 more involved people (the core board), the rest of the members had a seat to complete a diverse-looking board. Some members declared never attended a board meeting (full board). Once a year, two mentees are invited to the board as to make them participate to the debates without having a formal voice. Lastly, the board does not have all stakeholders' representatives (for example, employees or the state agencies/ministries, mentors, etc.). Figure 4 illustrates *Teli's* 2017 governance arrangement.

Figure 4: Teli board governance arrangement in 2017



The core board was the main management and governance body. Generally, strategy and finance are the central elements of discussions, for example the payment plans or the development of new programmes. However, the full board is used to display the professionalisation of the association, which means efficiency and performance. It helps also maintaining some donors aware of the actions increasing through their commitment to the association. Moreover, the board is activated to secure the survival of the association.

It's an advisory body, serving to keep the link and then also reporting to them, because they commit themselves, they commit their managers, they put money in. So, we have to tell them what we are doing with it. (board member).

We are still an entrepreneurial association, so the board of directors is obviously important. The board of directors is here to make sure we don't do anything stupid (the founder).

The board was a formal structure with a minute drafted for each meeting. Once a year, the general assembly ratified the financial and the activities reports. The board also served to keep away traditional political games into associations. The full board was seen as a professional body, gatekeeper of the survival of the association, and more aligned with a business-like model. This was also possible with the controlled membership, which will prevent from the board turmoil.

...It's this kind of political game within the associations... we absolutely didn't want that... we wanted efficiency, we wanted to move forward, we wanted to have a clear, precise approach. and professional approach towards our donors... and young people... and also towards the academic world. (bureau member).

... what inspired us was the governance of a company... so clear shareholders, a clear boss... and shareholders who don't change every 4 mornings... so if I REPLY that in the associative world... a stable board of directors and FAST decision-making circuits... (bureau member).

4. DISCUSSION AND CONCLUSION

Social entrepreneurs differ from other entrepreneurs to the extent that they privilege social value over the generation of economic rents (Dacin *et al.*, 2010). Literature on such social entrepreneurs questions mainly how they adapt to new institutional contexts to obtain material and immaterial resources and become sustainable (Greenwood *et al.*, 2011; Battilana et Lee, 2014). The aim of this article is to understand how and why social enterprises embedded in the same emerging field and tackling the same social issue can develop different governance arrangements.

In the complex field of equal opportunities, *Promise* and *Teli* managed strategically to increase their legitimacy, acquiring more financial and symbolic supports from various stakeholders. Both gained influence in the field of equal opportunities, moving their boundaries and extending their territories, from central (Paris) to national settlement. *Promise* also won the tender for social impact bonds to promote equal opportunities program. While growing, the two studied social enterprises actively professionalised their functioning and structured their governance bodies. Professionalisation includes formalised governance and managerial functions, as well as internal information, financial and control systems (Dekker *et al.*, 2013, 2015; Flamholtz et Randle, 2007). We observed greater role differentiation within the two SEs' structure however the same concentration of power base (the founder in one case and the core board in the second). Table 3 summarises the main findings from which we build our discussion.

Table 3: *Promise* and *Teli* governance bodies

	<i>Promise</i>	<i>Teli</i>
Association's philosophy	Companies can change the society facilitate access to the business world, make people see the challenges beyond the classroom and create success stories based on social diversity.	People's will can change the society Restore the social lift
Governance mechanism	3	3
Bureau composition	The founder his higher up and 2 other CEOs (4)	The founder and his friends (3)
Bureau role	Legal paper work	Moderator, supporter, gatekeeper

Bureau functioning	Informal, few meeting	Informal, very frequent meetings
Board composition	Majority CEOs- Appointed, identified as cause-sensitive	Friends, family, personalities and CEOs – Co-optation
Board role	Performance role Atomised resource leverage, Budget endorsement	Performance role Professionalisation, Management and challenge
Board formation	Business opportunism- Professional, network approach	Personal approach
Board functioning	Formal, once a year	Formalised, 3 to 4 a year
Board member number (without the bureau)	13	12
Woman on board	3	4
Board member turnover	2 to 3 year shift	Almost stable over the period
Decision making	The founder	The bureau
Board representation	Business-like model: if you do your work, we agree	Friend-like model: we are doing the work with you
Board structure	Founder: central core, no team	Founder: central core, no team
General assembly	Closed membership : board members and some other companies	Closed membership: board members and some beneficiaries
Size (in number of managers) in 2017	Around 30	Around 30

The socio-professional analysis of the members appears as the preliminary step to understanding their motivations. With very different personal trajectories, the two founders wanted to tackle the social inequalities generated by social reproduction. The first one considers himself a “*transclasse*” (Jaquet, 2014), a “class-passing”, coming from a modest family background with university level and professional career in the private sector. For him, these factors offered him the experience and the legitimacy in understanding the complex question of equal opportunities. He builds his rhetoric on saving deprived young people from their deterministic socio-cultural framework. The second one descends from of a philanthropic rich family, he gained multiple diplomas from different Parisian *Grandes Ecoles*. He did most of his professional career in the public sector which, for him, gave him the experience and the legitimacy of the good republican man who wants to remedy social injustice. He builds his rhetoric on acting to change politically the society.

The two founders are central to the creation and development of the studied associations and

they represent their DNA. They gathered around them their “natural” networks: CEOs for the first one and friends (working mainly in finance institutions) and government network for the second one. This first circle has conditioned the future governance arrangements of the two associations. Even though the two SEs display formally the legal associations’ governance bodies: the general assembly and the board/bureau, they have not developed similar functioning modes.

To better analyse the results we compared the two SE according to five main questions: 1/ Which decisions does the board want to make and which does it want to delegate (decision making)? 2/How much involvement does the board want to have in the *operations* of the organization (operational control)? 3/How will the reporting relationship between the board and the staff be defined and communicated (reporting relationship)? What position engages the president? What role takes the board? Table 4 shows the main results:

Table 4. Different governance arrangements

	Business-like	Philanthropic-like
1/ Decision making	Entrepreneur	“Core board”
2/ Operational control	Entrepreneur	Founders' friends
3/ Reporting relationship	Internal/managerial/formal	Internal/managerial/formal
4/ President	Symbolic position	Leading position
5/ Board	Funding/ Showcase	Networking/ Legitimacy

Results show several points of convergence. The first one is the high and similar educational background of most board members and managers. Almost all of them have at least a master’s degree at one of the (Parisian) *Grandes Ecoles*, such as business and engineering schools, IEP Paris, ENS, or ENA. The second similarity is the core mission and actions of the association which are remarkably alike. Despite the very different trajectories of the two founders, their analysis of the problem of the educational inequalities and its solution have “striking parallelism” and their visions of why to do it (educational success should not depend on social backgrounds) and what to do (mentoring) is extremely aligned.

The third point is the absence of expertise of the boards regarding the core activity of the association. This reinforces the centrality of the founders whom the directors trust in the

strategic choices they make. The fourth element of convergence is that the boards do not assemble all the associations' stakeholders (especially the state, the employees, the mentors and the beneficiaries). In both cases, the actual boards' configurations are strengthening and legitimising the power of the founders who act as every "good businessman", putting the board in their hands, organizing and driving it. So, from the managerial hegemony perspective, the board of directors would be a purely ceremonial body, a legal fiction at the service of the manager. Its role would be reduced to supporting managers and legitimizing their choices a posteriori. This configuration of the board is evidenced by Vance (1983) in the business world. In the non-profit sector, Cornforth (2003) also posit that when management dominate all decision making, the board turn symbolic with no meaningful power or influence. In the two cases, after the decision of similarly professionalise the SEs, the two board have formally delegated their powers for the practical, effective and efficient management, promotion and development of the SEs. Therefore, the founders can dispose of the information asymmetry, gain increasing control over the organization that might lead to a self-serving behaviour.

Lastly, the fifth convergent element reflects the non-democratic model of the two SEs governance models. The membership is tightly controlled in both cases to maintain the power centrality of the founder/bureau.

Despite this large number of similarities, the two social enterprises have developed different governance arrangements. The first variance is the relationship that has each founder with the bureau and board members. In one case, the founder maintains a one to one professional relationship with all members and this can keep them from organising in a team structure. As a consequence, the bureau is a legal fiction and the board is basically a legitimising artefact, used to confirm the professionalisation of the social enterprise.

In the second case, the relationship of the founder with most of the members is friendship. This gave the core board more presence and weight in the decision-making process and in the financial control of the activities. The core board challenges the founder asking the "good" questions about the feasibility or the timing of some programmes or strategic directions. The core board also plays a controlling role on the use of the financial resources as the association raises private and public funds. Finally, the core board acts also as a brake on the founder's overwhelming need for innovation. Even though this board covers several roles, the founder is still in the heart of the social enterprise. As for the first case, the full board is only "used" to

display the professionalisation of the association.

The second difference resides in the members' turnover, which is higher in one case than in the other one. This confirms the role performance of each one of the two social enterprises' boards. The "stable" core board participates more in the governance as well as in the decision-making process. For the first SE, the relatively high turnover concerns only the board members and not the participating corporations in the SE project. This also confirms the power span of the first founder over the board.

Taking into account the different results, we can draw the main governance models of the two social enterprises. The first one roots in the business-like model, centred around a powerful leader. The board meets once a year to confirm the founder's effectiveness. The second one shows more shared decision-making process in a group of friends which resembles a "privileged club", even though the leader is also influential. The core board displays a more philanthropic-like governance model.

Results show also that the two founders embody the social enterprises' governance and that the governance arrangements are only conducive of fairness and balance which might contribute to build trust and increase the legitimacy of the social enterprises within the developing field of equal opportunity. In the two cases, institutional uncertainty widely supported the two social entrepreneurs who behave strategically and opportunistically (DiMaggio, 1988; Fligstein, 1997). Consequently, both were reactive in taking dominant positions when opportunities appear.

In the emerging field of equal opportunities, the lack of institutionalized practices and clearly identifiable norms makes it easier for the two social entrepreneurs to acquire multiple resources and gain multiple supports from actors of various interests (Fligstein, 2001; Maguire *et al.*, 2004). This is reflected into their governance arrangements where the two social entrepreneurs bring about institutional change (Maguire *et al.*, 2004). They have involved multiple stakeholders in such way that it provides them with legitimacy from other stakeholders, without hindering their central and powerful position. The two social entrepreneurs are rather rational, and they are fully conscious of why and how to behave in the way they do. They have access to information regarding which resources they need, where they are located and how to secure them. They don't seem to be constrained by their environment. They use the board of directors as to comfort different actors (especially the state agencies and other social investors) in their

capacity to trust the organizations. Even though they have multiple stakeholders, the two social enterprises are not democratic organizations as they only invite few to participate in the decision-making process. For the two social SEs, endorsing a democratic governance system can largely hinder their capacity to gain the dominant field position they want to achieve. The two founders, with different approaches, utilise their management and directors, so, their governance mechanisms, in this ambitious institutional positioning.

Our research shows two main contributions. We show how a governance arrangement can be inspired either by a business-like functioning or by a philanthropic-like one and can contribute to better understand corporate governance. The article contributes also by going beyond a normative presentation of social enterprises as ‘good organizations that give a voice to their stakeholders’ (Chambers *et al.*, 2013) and as democratic governance arrangements. Nevertheless, more fine-grained analyses of the stakeholders’ involvement practices not only through the formal governance structures but also through more informal, day-to-day practices where power games and interactions between different social groups within and around social enterprises is needed.

Taking a step back, it is also useful to deepen our understanding of the task of creating and maintaining effective governance mechanisms (Nordqvist *et al.*, 2014) in general and in the particular case of the third sector. Three of these mechanisms exist and seem to participate to the survival and performance of the studied social enterprises: founder, directorship, and management. For coherent governance it is important for SEs to define and clarify the roles and contributions of these three mechanisms. We have shown that the dynamics of the three mechanisms at the strategic apex of the SEs may vary in actions and interactions. What founders can do regarding their boards and management characteristics can open the doors to complex understandings of the SEs and their governance aims. Scholars still know little about how founders, directors and managers are organized to meet the new growing (social) expectations placed on SEs and on their governing bodies.

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Notes

ⁱ We asked to attend to one of the general assemblies, but we couldn't access. The manager did not say no, however, he never answered to our request.

ⁱⁱ CAC 40 is the most popular French market index comprising the largest companies.