Is Law Normalizing Hybrid Organizations? Guidelines from Multi-purpose Corporations

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IS LAW NORMALIZING HYBRID ORGANIZATIONS?
PUTTING MULTI-PURPOSE CORPORATIONS INTO PERSPECTIVE

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ABSTRACT

Among other challenges, hybrid organizations face a legal one as the law divides organizations into nonprofit and for-profit structures. For a few years however, new legal forms of corporations have emerged, whose claim is to overcome this challenge: multi-purpose corporations, such as the Benefit Corporation. In this paper, we investigate the origins and the necessity of such legal categorization, and we show that these innovative legal provisions overcome it by giving a legal status to the corporate purpose. Beyond, we show that they provide innovative governance structures that help dealing with some of the recurrent managerial challenges faced by hybrid organizations. We finally argue that management research on hybrid organizations may open new avenues to contribute to the development of appropriate legal structures for hybrid organizations.

Keywords: Multi-purpose Corporations, Hybrid organizations, Corporate law

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Submission to the
Strategic Management Society 2015 Conference

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INTRODUCTION

Over the last years, the concept of "hybrid organization" has known an astonishing escalation in attention from legal and management scholars, increasingly viewing these organizations as fascinating creatures that may teach us interesting features for a new model of the firm, at times where traditional categories are more and more questioned.

Although combining social or responsible ambitions with a traditional profitable objective is far from being a new phenomenon, this increase of attention follows a booming empirical phenomenon over the last decades that has been described as the rise of "social enterprises" (Defourny *et al.*, 2006; Jones *et al.*, 2006; Kelley, 2009; Kerlin, 2006), "for-benefit entreprises" (Sabeti, 2011), or a "fourth sector", distinct from the traditional for-profit, nonprofit, or public sectors (Murray *et al.*, 2011; Sabeti, 2009). These are organizations that systematically integrate a social purpose with typical business features

(Rawhouser *et al.*, 2015), borrowing characteristics from both for-profit and nonprofit organizations at the same time (Haigh *et al.*, 2012). As such, they are neither typical charities nor typical businesses: they "combine multiple, existing organizational forms" (Lee *et al.*, 2013).

Hybrid creatures are neither for-profit nor nonprofit organizations. They thus face specific challenges that are already well described in management literature, for example legal challenges (Battilana *et al.*, 2012; Haigh *et al.*, 2012) and organizational governance challenges (Ebrahim *et al.*, 2014; Mair *et al.*, 2015). Legal challenges are mainly due to the fact that entrepreneurs are systematically required to "box" their hybrid project into an existing legal category (Addae, 2013) – either nonprofit or for-profit organizations – that does not satisfactorily meet their ambition of integrating a simultaneously social and profitable purpose. At the organizational level, hybridity creates issues such as "mission drift" (the risk of forgetting the social aspects by taking profitable opportunities), difficulty of balancing commercial and social activities, or of creating accountability on different bottom lines.

Until very recently, there were no other solutions to the legal problem than complicated legal arrangements juxtaposing both types of organizations (Battilana *et al.*, 2010). Managerial tactics were also required to minimize the drawbacks of each form and solve organizational challenges (Battilana *et al.*, 2010; Jay, 2012; Pache *et al.*, 2012). In this article, though, we study new legal forms of corporation (Ebrahim *et al.*, 2014; Reiser, 2013), which we refer to as "multi-purpose corporations", such as the *Benefit* and *Flexible Purpose* corporations that have been enacted in California in 2012. The proponents of these corporate forms claim that they have been designed to solve the legal challenge hybrid organizations face (Clark Jr *et al.*, 2011; Clark *et al.*, 2013; Mac Cormac *et al.*, 2012). We analyze the grounds and implications of this claim.

First, we investigate how a new corporate form can solve (at least theoretically) the legal dichotomy that has been said to cause struggle to the entrepreneurs sustaining hybrid projects for decades. And how we can explain that this solution has not emerged before. Then, on a practical level, we examine if and how the new corporate forms are likely to solve also the managerial challenges of hybrid organizations that have been described in management literature. Presumably, some of these challenges highlighted by previous work such as bridging competing logics in human resources and particularly recruitment (Battilana *et al.*, 2010) will remain critical in the newly formed multi-purpose corporations. However, we investigate how these new legal forms could solve some others managerial challenges that were more closely dependent on the lack of appropriate legal structure.

To contribute to both questions, our research relies on two different types of data. Given the novelty of the new legal forms we study (preventing the field from having sufficient perspective), and the fact that most of them are newly created corporations (Talley, 2012), we did not build on empirical data collected from some of those corporations. Instead, we focused on the design of the legal solutions to a legal and managerial issue, and on the analysis of the rationale and expectations provided by their designers. Therefore, we first reconstituted a history of the legal description of the *corporation* and especially of the definition of its purpose, thanks to second-hand data from historical papers from the eighteenth century to today. This allows the authors to shed a new light on the process undergone by the corporate form in law, which has lead to the current dichotomy. Then, to analyze the solution provided by newly adopted corporate forms, we gathered all documents, debates and explanatory guides framing the legislative process of adoption of the *Benefit* and *Flexible Purpose* corporations in California, which we completed with interviews of some of the promoters of these forms in the San Francisco Bay Area.

Accordingly, this paper is, to our knowledge, the first one to present a historical interpretation of the adoption of new multi-purpose corporate forms, providing a longer term explanation of this emergence and comparing it to previous legal frameworks in history that were already enabling hybrid corporations. We derive two main propositions from our work. First, *the new corporate forms contribute to solving the legal dichotomy by reintroducing a legal status for the purpose of the corporation. We argue that, in so doing, they revive the historical form of corporation and we show that contemporary hybrids are seen as such only to the extent that what we call a "speciation" process has progressively opposed for and non for profit organizations.* Second, *we identify three governance mechanisms introduced by these new forms that could help answering to some of the managerial challenges identified by management literature: a legal process to define the purpose, a legal commitment to "lock" this purpose in time, and new accountability principles dedicated to the purpose*. We argue that this theoretical work will help further empirical research to clarify the impact of change in corporate law to the structure of hybrid corporations.

Our paper is structured as followed. The next section presents the distinctive features of hybrid organizations, and the challenges they face as highlighted by up-to-date management literature. It also reviews what is already known of the newly adopted corporate forms. The second section presents our research setting, specifying the data we used to conduct our research. The third and fourth sections are dedicated to the results of this work: we first briefly reconstitute the history of the corporation to highlight the origins of the current legal dichotomy. Then we present in more details the choices made by the writers of the new legal provisions to solve this dichotomy. Lastly, we shed light on three innovative governance mechanisms created to solve some of the previously revealed managerial challenges. Finally, the last section of the paper is dedicated to discussion.

"HYBRIDIZATION" AS A RESULT OF A LEGAL "SPECIATION"

Why are "Hybrid Organizations" called "hybrid"?

The fact that organizations such as the average firm face daily decision-making between conflicting interests or objectives is not a novel thing. It is considered part of strategy building, and of day-to-day management to deal with compromises, uncertainty towards the future, and conflicting demands from internal and external stakeholders. Also, every firm selling products to interested customers may be considered to be contributing to social good: it produces and distributes products that meet demands from society, and makes it a source of revenue (Mackey, 2011).

Some organizations, however, seem to stand out from the mass. These organizations are difficult to describe in a unique sentence. They blend conventional for-profit structures or business models with objectives, partners or customers that stand out from the common base of for-profit ventures. These organizations, called "hybrid organizations" (Battilana *et al.*, 2014; Battilana *et al.*, 2012; Haigh *et al.*, 2012), indeed seem to shatter the traditional classifications that society has created to categorize them.

Hybrid organizations struggle to bridge territories – or logics (Battilana *et al.*, 2010) – that are usually considered to be conflicting. For example, they combine profit-seeking strategies with social welfare objectives, bring together conventional private equity investors and nonprofit organizations around a single project, or engage in technological research while contributing to the development of local communities. In doing so, they “combine multiple, existing organizational forms” (Lee *et al.*, 2013) that are usually described with different vocabularies.

Entrepreneurs creating such organizations would not necessarily depict their enterprise as “hybrid”. According to them, their mission is not two-legged: it is a single consistent goal, which requires gathering appropriate resources to meet a social demand that would benefit from an entrepreneurial approach (Dees, 1998; Dees *et al.*, 2006; Defourny *et al.*, 2010). For Galaskiewicz *et al.* (2012), following the work by Hsu *et al.* (2009), these organizations are however generally qualified as “hybrid” because they do not fall into the categories to which norms and institutions refer, with distinctive rules and features that help discriminating between different types of organizations. These categories, presenting a number of consistent features – such as level of profits, targets of the activity, etc. –, would then be progressively “naturalized”, that is, considered as natural bundles of features for organizations. From this point of view, “for-profit” and “nonprofit” organizations may well be considered as different species: they each possess a set of consistent traits that can be used to differentiate each other and from other possible types of organizations. Then, people are disturbed if they observe features that do not consistently belong to one particular species, but appear to fall within several distinct ones. In that case, the undisciplined creature would be labeled as hybrid.

Different "species" in law: the legal issue for Hybrid Organizations

Amongst norms and institutions, current legal frameworks play an important role in dividing up territories. The first challenge faced by hybrid organizations is indeed a legal issue. When engaging in a project mixing social and commercial goals, entrepreneurs are faced with a choice between legal forms that are always on one side of a "legal divide" between for-profit and nonprofit organizations (Haigh *et al.*, 2012). Hybridity comes thus first from the necessity to cope with legal differentiation, and to deal with several objectives when law clearly favors one. "*Despite the hybrid nature of their organizational goals, social enterprises are forced to 'box' themselves into existing organizational forms by legally incorporating as either a non-profit or for-profit organization*" (Addae, 2013).

This divide makes it particularly difficult for entrepreneurs to build structures with two simultaneous but different types of purposes: social impact and profitable activities (Battilana *et al.*, 2012). The nonprofit side of law and jurisprudence is well gifted with tools to deal with missions and general interest. It offers nonprofit organizations tax benefits, and provides them with access to donations and volunteering work. However, it is very ill-equipped regarding profitable activities, which are amongst the main sources of revenue for hybrid entrepreneurs: these are strictly framed and might easily disqualify the organization from having a nonprofit statute. It is also impossible for hybrids boxed in nonprofit structures to attract private equity to scale up their activities, as profit distribution is, by definition, impossible. On the other side, entrepreneurs pursuing non-profitable goals within for-profit structures also face legal risks: their directors may engage their personal liability according to their fiduciary duties. Normally, the presumption under the Business Judgment Rule (Bainbridge, 2004) that directors make decisions in the interest of the corporation should protect those who don't take action towards the short-term shareholder value. However, "*because the litigation in this area is prevalent, directors and their lawyers tend to apply risk-averse constructions even when judicial guidance favors an expansive interpretation*" (Mac Cormac *et al.*, 2012). Either way, business corporation law does not provide adequate tools to protect a non-profitable objective because engagement in a mission beyond shareholder value is not part of the usual contracts and there is neither guidance nor criteria to take judicial decisions in this domain. Finally, with this structure, access to grants, donations or volunteering work is also strictly controlled.

According to Kelley (2009), until the recent adoption of new multi-purpose corporate forms, the legal process to create hybrid organizations appeared as trying to "cobble together complex structures", juxtaposing both types of organizations "to create a legal scaffolding" (Kelley, 2009). The case of microfinance organizations studied by (Battilana *et al.*, 2010) shows a good example of double structures composed of nonprofit organizations with commercial for-profit branches, which support each other. Thanks to this arrangement, managers of these double structures hope to benefit from the advantages of both legal statutes, but at the expense of a complicated management and high legal risks. These structures are indeed "expensive to create, burdensome to maintain, and, due to their novelty, legally insecure" (Kelley, 2009). Overall, although, as Battilana *et al.* explain, "*it is clear that the independence of social value and commercial revenue creation is a myth"* (Battilana *et al.*, 2012), it seems that the legal categorization of organizations along these lines is a strong factor explaining the difficulties of hybrids.

Managerial challenges of hybrid corporations

This legal issue is nonetheless only one of the challenges hybrids face according to a quickly developing literature in management dealing with these organizations. Extensive empirical work, conducted through numerous qualitative case studies, indeed show that their hybrid nature seems to be the cause of numerous specific managerial issues.

Mission drift

One of the most well-known and well-studied challenges of organizations simultaneously pursuing for-profit and nonprofit-like purposes is called "mission drift". In essence it is the "risk of losing sight of their social missions in their efforts to generate revenue" (Ebrahim *et al.*, 2014). Some business opportunities might indeed help those organizations sustaining their economic performance or their durability, but at the expense of the short or long-term respect of their social or environmental purposes. This risk has for instance extensively been studied in microfinance organizations (e.g. Armendáriz *et al.*, 2011; Ashta *et al.*, 2012; Battilana *et al.*, 2010; Christen *et al.*, 2001; Mersland *et al.*, 2010). In practice, some decisions involve making a choice between favoring social or financial goals (Rawhouser *et al.*, 2015). And profitability and social value creation are often described as sustaining "competing logics" (Jay, 2012; Mair *et al.*, 2015), a competition that hybrid organizations might not have the appropriate tools to deal with.

A specific situation in which such a competition between the purposes is prevalent is the one of change of control. Haigh *et al.* (2012) call this situation the "dilemma of being acquired". The widely discussed acquisition of Ben & Jerry's in 2000 is an archetypal case of this dilemma (Page *et al.*, 2010). On the one hand, selling out a social enterprise showing good results to an interested acquirer might be a very profitable operation, which could even directly help starting new other hybrid projects. On the other hand, there is no reliable way to ensure that the acquirer will keep on pursuing the initial social purposes, a hypothetic operation we can call "anchoring the mission" (Mac Cormac *et al.*, 2012). Within for-profit structures, law might even require directors to sell the enterprise to the highest bidder, regardless of the engagement of the latter in pursuing the mission once the change of control effective (Mac Cormac *et al.*, 2012).

Accountability

Not unrelated to the mission drift problem, the question of accountability in hybrid organizations is at the root of a second lineage of challenges. According to Ebrahim *et al.* (2014), hybrid organizations face two main governance issues: "accountability for dual performance objectives and accountability to multiple principal stakeholders", which they refer to as "accountability for what?" and "accountability to whom?" issues. The first one intersects traditional debates on the difficulty of accountability in a "triple bottom line" objective. In particular, the question of the contents of the reporting activity and the means to report it beyond traditional financial accountability reflects the complexity of social and/or environmental phenomena to account for. There are still vivid debates about the relevance of assessment standards or the "Social Return on Investment" approach (see for example Mac Cormac *et al.*, 2012), and overall there is no consistent guidance on the question, especially in for-profit structures.

The second issue also builds on the competition of logics within the organization, because the duality of purposes generally involves a duality in the community of stakeholders directly interested in these purposes. The balance of competing interests of stakeholders here exacerbates the problem of contradictory demands towards the board (Besharov *et al.*, 2014), and may create "mission conflicts" (Ashta *et al.*, 2012). Although the problem of "serving multiple masters" is matter of debate in the literature (e.g. Haigh *et al.*, 2012; Tyler, 2010), it is clear that the multiplicity of stakeholders requires a high level of quality in governance, which may quickly appear as problematic within traditional structures (Bacq *et al.*, 2011; Mair *et al.*, 2015).

Organizational identity

The third main set of challenges identified by management literature is related to organizational identity. The hybrid nature of the purposes indeed generally calls for skills and values that may not be consistently found on the labor market for instance. Battilana *et al.* (2010) have shown the difficulty of bridging different pools for recruitment in the microfinance field, where financial skills and social inclination were not simultaneous traits of candidates. Further, this also questions the building of organizational culture and the management of "talent development" (Battilana *et al.*, 2012) over time, when dual performance calls for very firm-specific profiles. At the same time it might become difficult for workers in the organization to make sense of these competing objectives, which can create opposed interpretation of a "success" or "failure" within the organization itself (Jay, 2012).

Financing

Finally, access to reliable financing is also difficult for hybrid structures as traditional sources of financing for nonprofit or for-profit organizations cannot be combined and are less prone to invest in hybrids (Battilana *et al.*, 2012). On the one hand, although specific sources such as "impact investing" or "socially responsible" funds are dedicated to firms with social or environmental purposes, classical external investment in private equity is impaired i) by the commitment of the organization towards multiple purposes, and ii) by the complexity of the governance structure to sustain these purposes. The first element can be seen as an economic risk that this organization might be much less profitable (and less durable) than other potential investments, especially when this organization is at the origin of a new competitive sector where big players, not committed to equivalent purposes, might take the lead (Haigh *et al.*, 2012). The second element is a legal risk caused by the novelty of governance, which investors might not want to introduce in their investment portfolio (Mac Cormac *et al.*, 2012).

On the other hand, hybrid organizations cannot claim advantageous tax regimes as soon as their commercial activities exceeds specific thresholds, and nonprofit financing based on grants or donations is i) intrinsically limited compared to what is generally required for business development, i.e. the challenge of "scaling up" (Haigh *et al.*, 2012), and ii) inappropriate in a situation where other investors request a return on their investment.

Managerial guidance does not take legal issues into account

Several papers have already outlined interesting paths to ease the management of these difficulties within hybrid organizations. These include for example an appropriate management of the relationship with various stakeholders, which is necessarily more fruitful for hybrids, as well as the revision of internal policies, or even the request for assistance by other hybrid organizations within the same communities (Haigh *et al.*, 2012). Some authors have also highlighted the importance of identity building, be it thanks to selective coupling, employee training, or hiring policies, of socialization policies (Battilana *et al.*, 2010), and of governance schemes (Bacq *et al.*, 2011).

However, these proposals do not directly deal with the legal issue, probably because the legal framework is often considered to be an input for management, rather than a managerial question per se. It can yet safely be assumed that the legal dichotomy previously highlighted has implications beyond the mere choice of adequate forms to sustain a socially innovative project: law has created large differences between the species in a great number of dimensions. For instance, regarding financing, this legal speciation separated investment in equity from subsidies and donations, financial market from corporate philanthropy, pass-through regimes from various types of nonprofit exemptions etc. Corporation law also distinguishes different governance systems (such as mandatory representatives and committees, legal obligations regarding balance of power, evaluation criteria etc.) depending on the type of organizations.

The emergence of new corporate forms

In the end, there remains a need to address the legal question itself. It is this question that this paper is investigating, by studying the emergence of a new legal class of corporations, whose claim is precisely to overcome the legal challenge. New corporate forms have indeed recently emerged, which are labeled as "hybrids". In 2012, two forms of corporation have joined the range of possible legal statutes for Californian entrepreneurs: the *Flexible Purpose* and *Benefit* corporations (Mac Cormac *et al.*, 2012; Reiser, 2013). Presented as "hybrids", they claim to bridge a gap in corporate law, and to offer social entrepreneurs a new and appropriate legal vehicle for their business. These examples are part of a global movement towards new corporation forms specifically designed for hybrid projects. In the United States alone, the *Benefit Corporation* was adopted in nearly 30 states[1], the *Low-profit Limited Liability Company (L3C)* in 9 states[2], and the *Flexible Purpose Corporation (FPC)* in two states[3]. Other countries have enacted similar legislations: the *Community Interest Company (CIC)* was introduced in 2006 in the United Kingdom[4], as well as the *Société à Finalité Sociale (SFS)* in Belgium as early as 1995[5].

These new corporate forms have aroused significant interest in the work of legal scholars who analyzed very early the potential loopholes or critical points in the legal provisions, so as to discuss legal guidance for the legislator or the judge (see for example: (Murray *et al.*, 2011) about the L3C, (Munch, 2012; Reiser, 2011) about the *Benefit Corporation*, or (Plerhoples, 2012; Reiser, 2012) about the FPC). There is however very little work (e.g. Ebrahim *et al.*, 2014; Rawhouser *et al.*, 2015) in management literature on the impacts of these new legal forms. In particular, the strategy proposed by the proponents of these forms to solve some of the challenges faced by hybrid organizations has not been studied as such.

Research Questions

The dichotomy observed in corporate law has been said to cause struggle to hybrid organizations for decades. In the same way as the institutionalized categories of organizations, this dichotomy has often been “naturalized”, as if nonprofit and for-profit organizations always have been two distinct species in law. And yet, the mere introduction of a new corporate form is presented as a solution this legal divide. To understand if such a legal

1 See http://benefitcorp.net/state-by-state-legislative-status

2 See http://americansforcommunitydevelopment.org/laws

3 Counting a variant called Social Purpose Corporation in the state of Washington

4 See http://www.cicassociation.org.uk/about/what-is-a-cic

5 See (in French) http://www.belgium.be/fr/economie/economie_sociale/statut_juridique/societes_a_finalite_sociale/

innovation is likely to meet its objective, and why this solution has not emerged before, we propose first to investigate an intermediary question: where does this dichotomy come from, historically, and was it necessary? Then we explore in more details the design choices made by the proponents of these new forms to overcome this dichotomy.

Finally, on a practical level, we examine if and how the new corporate forms are likely to solve also some of the managerial challenges of hybrid organizations that we have described in this section. Do they introduce new ways to manage hybridity? Are "hybrid" corporations likely to propose an appropriate structure for hybrid organizations?

RESEARCH SETTING

Data Collection

To do so, we chose to follow a theoretical approach based on data retrieved from the legal process, rather than on empirical data drawn from case studies of hybrid organizations. Indeed, the novelty of the new legal forms we study, and the fact that most of them are newly created corporations (Talley, 2012), prevent researchers from having reliable qualitative empirical data on the visible organizational differences enabled by these new statutes. This approach will arguably be more and more fruitful in years to come, and we address this question in the discussion section of this article. Instead, we focused here on the design of the legal solutions to a legal and managerial issue, and on the analysis of the rationale and expectations provided by their designers. Therefore, we followed a research setting in two steps.

First, we aimed at reconstituting a history of the legal description of the *corporation* and especially of the definition of its purpose, thanks to second-hand data drawn from historical papers from the eighteenth century to today. This includes some of the charters of well-known organizations among the first business corporations such as the *London and Plymouth Company* or the *East India Company*, which are very explicit as regards the purposes of such "enterprises". Although this data is by definition not new, this allows the authors to shed a new light on the process undergone by the corporate form in law, revealing some key turning points that have lead to the current dichotomy, which is of relevance for management science.

Second, to analyze the solution provided by newly adopted corporate forms, we gathered all documents, debates and explanatory guides framing the legislative process of adoption of the *Benefit* and *Flexible Purpose* corporations in California, which we completed with interviews of some of the promoters of these forms in the San Francisco Bay Area. This approach enables to triangulate the data between the design choices as presented by promoters of the new forms in in-depth semi-directive interviews, the rationale presented in published papers by the law firms participating in the writing of the legal proposals, and the archival documents from the legislative process itself (debates in assemblies, backing or critic letters, etc.). The Table 1 presents these sources in more details.

Texts of the legal provisions	California Corporations Code: • Sections 2500-3503 • Sections 14600-14631
Archival data from the legislative process	Assembly Bills n°2944 & 361 Senate Bills n°1463 & 201 Assemblies debates & Backing letters
Documents published by law firms	• Frequently asked questions on FPCs • White paper on Benefit Corp.

Semi-directive interviews	• 5 promoters of the legal forms • Involved entrepreneurs

Table 1 – Detail of the sources of empirical data on the adoption of new corporate forms in California

Data Analysis

We analyzed the data in two ways. First, we isolated design choices that were made during the drafting of the forms to confirm or disconfirm the hypotheses stemming from our historical analysis. We identified the motivations of the promoters of the new corporate forms, as well as issues generating discussion during the revision process of proposed legal provisions. This made it possible to specify the gaps seen by these lawyers in the current legal landscape concerning hybrid organizations.

The second step consisted in categorizing the questions, comments and answers brought up in the various debates, in order to identify the innovations proposed by these new forms aiming at bridging the previously identified gaps. This led the authors to distinguish three major governance parameters proposed by these forms, and for each of these parameters, the specific setting chosen by each corporate form. We then reconstituted the rationale of the proponents of these forms behind the choice of each of these settings to specify how the latter can be supposed to help solving some of the managerial challenges previously described.

Our results are presented in the two next sections.

A PROGRESSIVE "SPECIATION" PROCESS: FIDUCIARY DUTIES AS A SPLITTING MECHANISM BETWEEN PUBLIC INTEREST AND PRIVATE BENEFITS

The US and UK economies are largely populated with corporations, legal structures that have been created in English law during the 14th century. Today, corporations may either refer to business corporations, charitable corporations, education colleges, hospitals etc. Yet, despite a single name and some common legal provisions, these institutions are regulated by very different sets of rules, what leads to the legal divide we highlighted earlier. Our analysis of historical papers shows that this divide has progressively been built during the 19th century, as earlier corporations would, by construction, be seen as "hybrid organizations" today. We call this progressive separation a "speciation" process, by which the two irreducible categories were formed in corporate law.

Early corporations were multi-purpose organizations

Early corporations would be very likely to be described as hybrid organizations today: they were in essence multi-purpose organizations. Corporations have existed in English law at least since the 14th century, when King Edward III formalized an already existing form of association into a legal structure that would be granted a specific royal charter (Fishman, 1985). This charter would authorize the activities of these associations and grant them privileges, in exchange for an accrued monitoring from the government. Corporations were created to unite many individuals into one common body, which would survive the death of some of its constituents, as opposed to usual partnerships (Williston, 1888). This distinctive feature, enabling an association to be defined by a name and a place rather than by the list of its members, is at the root of the use of corporations for a very large variety of collectives.

Lay corporations (excluding corporations founded for religious purposes) were classified into "civil" and "eleemosynary" corporations: eleemosynary corporations, synonym for "charitable" in a large sense, could include hospitals and colleges, while civil corporations were referring to municipal corporations on the one hand (towns, governments…) and guilds on the other hand. Guilds are the ancestors of Business Corporations, as they exist today.

They were regulated associations of merchants in specific trades such as weavers, goldsmiths, mercers etc. Corporations were initially legal structures that were granted specific rights, and kept under strict control[6]. Controls included the examination of the crown before the deliverance of a royal charter for each corporation to operate, a strict overview of the accumulation of property, and a right of visitation, which is the right for specified "proper persons to visit, inquire into and correct all irregularities that arise in such corporations" (Blackstone *et al.*, 1827 [1765]).

Through the monitoring of the State, every corporation was considered a public agency: they had to include public purpose above everything else in their charter to obtain authorization (Handlin *et al.*, 1945). If this is rather obvious for charitable corporations managing colleges, hospitals for the relief of the poor or municipal corporations managing various communities, it was also the case for the guilds who were confided the management of the production and trade of goods that were essential for daily life and the wealth of these communities. Privileges such as monopolies of trade that were granted with the royal charter came with the duty to organize the social life required for the adequate production of these goods, thus making of the guilds some kind of local governments independent from the crown regarding the management of trade (Williston, 1888).

Corporations were then partly agents serving a public purpose, defined by the royal charter and controlled by the State, and partly organizations serving private interests, because membership of a corporation meant having rights to conduct trade within regulated and protected places, mutual assistance, access to specific services etc. In other words, despite the

[6] According to Stewart Kyd (2006), those rights were the continuity of life of the corporation over the death of some of its constituents, the capacity to hold and grant property, and the capacity to sue and be sued.

classification into eleemosynary and civil corporations, there was no dichotomy between forms pursuing pure public interest and others only interested in private objectives.

Joint-stock companies: the introduction of shareholding in the governance

The progressive globalization of trade and the discoveries of new worlds soon created the need for higher amounts of capital to sustain “adventures”, that is to say, risky commercial expeditions to foreign countries and territories. This need was met through the creation of “Joint Stock”, a financing technique gathering investments both from merchants of the corporation itself, and wealthy investors among the gentry who were willing to participate in the adventure financially (McLean, 2004). Although these “companies” were still corporations with a dual mission, achieving a public purpose through the benefits of commerce for the wealth and power of the nations and the extension of a nascent colonial empire (ibid.), they became fundamentally different from eleemosynary corporations in the sense that investors were then expecting a collective financial return on the operation, even if they were not members of the corporation. Therefore, they promoted two types of private interests: for the members of the corporations, they were still offering the capacity to trade for their own account within a geographical monopoly (for instance commerce with India); for “investors” in the Joint Stock, they were offering common financial benefits in the form of dividends, returned with the shares when the boats were back (Williston, 1888).

However, it became rapidly clear that merchants trading for their own account in a remote territory would create direct competition with the Joint Stock Company itself and decrease potential profit for the shareholders. Starting then, the governance system of those corporations began to change, and the wealthiest merchants, being both members of the corporation and dominant shareholders in the Joint Stock, became managers and established rules preventing adventurers to trade for their own account (Kohn, 2003). Simultaneously and although it was prohibited, the success of joint stocks also for non-incorporated ventures, which were not pursuing any public purpose, accelerated the diffusion of a governance system in which "members" of the venture became investors in the joint stock, and some merchants became agents holding fiduciary duties towards these members (Williston, 1888).

The generalization of incorporation: how the corporation became privately controlled

At that point, the difference between Eleemosynary and Business Corporations was limited to this financing technique: both types were still pursuing both public and private interests. The relative performance of the regulated corporation for business led to its diffusion to the newly created United States, where charters were issued by specific bills of right voted by State assemblies, and it was widely used to finance highly capital-intensive industrial projects during the 18th century. These concerned "internal improvement" works such as railroad building, water and gas supply, etc., which still served a strong public interest. By the beginning of the 19th century, about 300 business corporations existed in the United States, mostly related to these internal improvements as well as the organization of financing and insurance to support them (Fishman, 1985). Two major evolutions would however radically transform the corporation landscape during the 19th century, and lead to the advent of the "private" corporation.

First, the *Dartmouth College* case of 1819 then became a landmark case in the history of the United States. Acknowledging that corporations had their independence once the State had given them their charter, the Supreme Court ruled that the State could not alter the charter afterwards, nor keep a systematic right of visitation. Corporations could then became "private" as opposed to ruled by the State. It is worth noting that the birth of the private corporation, leaving room for the development of the modern business corporation, derives from an eleemosynary corporation case, and not conversely.

Second, enabling legislations for corporations were progressively enacted by the different States during the 19th century, which led to what is called the "generalization of incorporation", during which a great part of unincorporated associations transformed into corporations (Kornhauser, 1990). These were indeed made cheaper and easier to create, and corporations were then mostly fed by the dominant economy of partnerships and unincorporated associations, whose customs were, at least on paper, different from the public purpose followed by corporations (Sealy, 1967). These associations were indeed in no case regulated by State charters, and were not officially pursuing a mission of public interest.

The addition of both evolutions contributed to withdraw the implication of the State in the creation, regulation and control of business corporations. This disengagement of the State especially led to the disappearance of the explicit public purpose, traditionally incorporated in the charter, and of the control associated with it. To compensate this lack of control, some of the fundamental rules used for unincorporated ventures, which were considered well suited for business, took the place and circulated: the most important one is the Fiduciary Duties[7], which became incumbent upon directors of corporations. As Sealy (1967) puts it, "*by the time that these new rules were settled authoritatively, the principles of the director's fiduciary obligations* ***were*** *already well established on the basis that the members collectively were the company [which is the case for partnerships]. Some of the fiduciary principles still rest on this out-of-date assumption; and further, even although the separateness of the corporate*

[7] Fiduciary duties existed for charitable trusts in England and had been translated for trustees of charitable corporations in the US after the independence, but were also modified for partnerships and unincorporated bodies to take into account the specific risks and uncertainties associated with business decisions in contrast with trust management.

entity is recognised, the economic advantage of the shareholders alone is still regarded as the measure of "the interests of the company" in which directors must act" (emphasis in the original).

The birth and enforcement of the legal speciation

This disengagement has not had the same effect for charitable corporations, which were benefiting of a relatively important associated body of law and jurisprudence. A separate body of law started to frame business corporations at that time, differently from the charitable ones: "*Business corporations, whose function was to carry on business for profit, inevitably bred more litigation than incorporated churches, colleges, or orphanages"* (Fishman, 1985). The available corporate law was thus becoming to be ill-suited to the increase in litigation prevalent in business organizations, and *"rules relating to non-stock entities were of little assistance in dealing with such nineteenth century corporate issues as the liability of shareholders to pay assessments, methods of transferring shares, or the rights of shareholders in earnings and assets of the corporation"* (ibid.). As a consequence, during the 19th century, the law of business corporations started to develop independently of that of the charitable corporation, which led to two different branches in law.

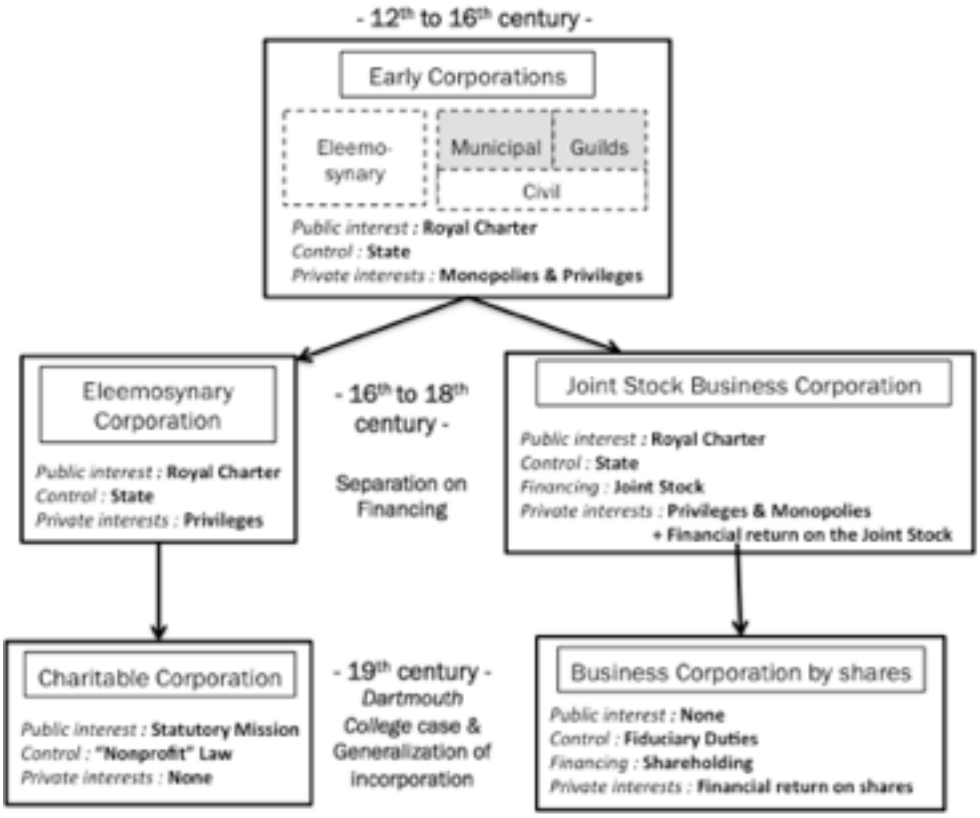

Figure 1 - The birth of the legal speciation in corporate law

In sum, although public purpose and private interests were not contradictory in the early setting of the corporation, the former branch of corporate law has progressively been populated with rules aimed at protecting the interests of shareholders (especially against notable abuse of their investments), which created the ingredients of a tension between social missions and for-profit activities. While it might still be debatable how progressive change in interpretation and enforcement of fiduciary duties during the 20th century, and the influence of the *corporate governance* doctrine, has exacerbated the incompatibility between social purposes and shareholder-oriented accountability and governance[8], it is easily verifiable that the development of corporate law during this century has kept on separating nonprofit and for-profit organizations. For example, the former still have to define their purpose whereas

[8] As epitomized by Milton Friedman's well-known 1970 article.

the latter can be created "for any lawful purpose", which does not need to be specified (see e.g. California Corporations Code). Also, the creation of corporate tax in 1911, which excluded nonprofit corporations, then of additional tax deductions for gifts to public interest charities in 1917, and finally of the 501(c)(3) statute, added to the speciation on other dimensions than corporate law (Kornhauser 1990).

This "speciation" process thus led to the exclusion of social purposes for business corporations, making "hybrid organizations" illegitimate, even though public purposes were at the very heart of the concept of corporation. This paradoxical result corroborates the idea that legal speciation is not inevitable. In one sense today's hybrids are similar to the early corporations: the new corporation forms assume that there is no substantive opposition between public interest and profit.

MULTI-PURPOSE CORPORATIONS: THE NEW MANAGEMENT OF (HYBRID) PURPOSE

Unlocking hybridization: the new avenues of multi-purpose corporations

Retracing the history of the speciation process leads to two important results. First, the corporate form was historically created to manage simultaneously public and private interests, which were not considered as contradictory. Second, the birth of the speciation lies in the disengagement of the state to control the firms' purposes, and its practical replacement with control mechanisms in use in "unincorporations" such as shareholder-oriented fiduciary duties. This analysis opens at this stage a new basis for examining multiple possible ways to "unlock" the legal divide at the origin of hybridization. One of them could, for instance, consist in quite literally eliminate the monitoring relation between shareholders' general assembly and the directors by putting the State back in charge of monitoring the purposes of the firms. However, instead of examining all the theoretical possibilities opened by our historical analysis, we used this framework to shed a new light on the rationale followed by the promoters of the new corporate forms in California.

The debates that took place during the drafting of the *Flexible Purpose Corporation* (FPC) proposal confirm that fiduciary duties have been a focal point for lawyers trying to modify the law to reintegrate the possibility of pursuing multiple corporate purposes. Fiduciary duties are indeed at the same time a guarantee of control for the shareholders against opportunistic behaviors of managers and a means to exclude value criteria that do not meet shareholder short-term interests, thus potentially excluding a large part of public interest missions. Consequently, according to the promoters of the FPC, merely weakening the fiduciary duties themselves is not as good a solution it seems to be. The introduction of a "Constituency Statute", authorizing every director of corporations to consider the impacts on a large number of stakeholders when exerting their decisional power, was vetoed by the governor of California in 2008[9]. Had this statute been promulgated, the directors' duties would have been enlarged far beyond the mere financial interests of shareholders, thus strongly reducing their incompatibilities with a potential social mission. However, the governor's letter of veto mentioned that such a provision could have "unknown ramifications" for a large number of organizations, which the lawyers we interviewed interpreted as including the risk that directors recover a discretion large enough to promote their own interests at the expense of both the corporation and its stakeholders.

The solution that was finally adopted by the drafters of both the FPC and the Benefit Corporation is rather based on a novel articulation between these fiduciary duties and a public interest purpose. Indeed, the law proposes to integrate an explicit purpose of public

[9] Constituency statutes have been promulgated in other states but have very rarely been mentioned in court, and never been actually used for a decision (see for example Bainbridge, 1991).

interest within the sphere of control of the shareholders, and more precisely within the corporations' articles of incorporation signed by shareholders. In doing so, directors become responsible of both the financial return for the company and the respect of the social mission, while being allowed to create compromises when a decision requires mitigating one of the objectives to protect the other one.

In the light of our historical analysis, this proposal appears as an ingenious means to combine the control structure stemming from contemporary corporate governance with the objective pursued by the creation of early corporations. The legal issue of hybrid corporations is then (at least on paper) solved by legitimating social or environmental purposes at the same level as financial ones, without weakening the monitoring structure. Compared with constituency statutes, the discretion gained by directors is strictly limited to the purpose accepted by shareholders. Besides, as an optional form for interested entrepreneurs, this legal provision does not affect the proper functioning of the other Californian corporations, thus reducing the legal risk compared with a general provision for corporate law.

Three innovations in governance with managerial implications

As we have seen, the legal speciation process only began with the introduction of specific governance rules originating in unincorporated associations of partnerships. Numerous developments further enlarged the differences between nonprofit and for-profit organizations in law. Therefore, it remains to study how the introduction of new legal forms aims to practically contribute to bridge some of the challenges for hybrids that literature has revealed. Our categorization of the debates that occurred during the drafting and adoption processes reveals three innovations of governance that precisely aim at solving some of these challenges: the legal definition of the purpose, the commitment of stakeholders towards this purpose, and appropriate accountability principles. The Table 2 presents these innovations with the wording that is currently used in California Corporations Code. We go here into more details on these features.

	Flexible Purpose Corporation	*Benefit Corporation (CA)*
1) Legal definition of the purpose	*"General Public Benefit", which is a "Material Positive Impact on Society and the Environment"* *CCC sec. 14601 & 14610*	*"Special Purposes"* • *Charitable or general interest* • *Positive short or long-term effect on constituencies* *CCC sec. 2602*
2) Mission-lock Shareholder commitment	"Minimum status vote" equivalent to 2/3 votes of each class of shares *CCC sec. 14601* Possibly enforced by shareholders	2/3 votes of each class of shares *CCC sec. 2700*
3) Accountability	"Third-party Standard", which is a comprehensive assessment of the impact of the business's operations *CCC sec. 14601*	Annual Management Discussion & Analysis + "Special Purpose Current Report" *CCC sec. 3500*

Table 2 - Three innovations in governance introduced by new corporate forms, illustrated by references to law texts

Legal definition of the purpose

As we have previously seen, the insertion of a purpose in the articles of incorporation is at the heart of the newly adopted corporate forms. Compared with early corporations, it is innovative to let shareholders write the corporate's public interest purpose themselves, in contrast with the intervention of public authorities. Although law did not prohibit considering an implicit mission between shareholders, it is the fact that this purpose is public and legally binding that changes its equilibrium with fiduciary duties. The legal definition of what purposes should be acceptable for the new corporations is however a strong point of discussion between the promoters of the two different forms. On the one hand the law demands that the additional purpose of the FPC, called "*special purpose*" either be:

- A charitable or public purpose that a nonprofit public benefit corporation is authorized to carry out, or
- The purpose of promoting positive short-term or long-term effects of, or minimizing adverse short-term or long-term effects of, the corporation's activities upon any of its employees, suppliers, customers, and creditors; upon the community and society at large; or upon the environment.

Besides, each *FPC* may adopt some additional purposes at the convenience of shareholders. Consequently, FPCs' shareholders have a large room for maneuver in defining the special purpose of the corporation. On the other hand, the purpose of all *Benefit Corporations* should be a "General Public Benefit", legally defined as a "material positive impact on the society and the environment, taken as a whole". Shareholders' might also add "specific public benefits" besides the general one. As a result, the definition of the Benefit Corporations' purpose is thought as a comprehensive public interest, which cannot be limited to some specific positive impacts. In addition, Benefit Corporations law requires that each director should take into account the impact of their decisions on the significant stakeholders of the firm.

Expected impact on mission drift and organizational culture

Making the purpose explicit and legally binding is the focal point of the governance of the new corporate forms. Their promoters expect that by doing so, the issue of mission drift will be much easier to deal with. First, the inscription of the purpose within the legal articles represents a commitment of the corporation towards its internal and external parties. Instead of the moral engagement of a charismatic leader towards a widely advertised but never written ideal, the legal status gives “teeth” to this commitment, which represents the basis for the governance structure that we will describe hereafter. In the FPC model, the general wording of the *special purpose* must be derived in operational objectives, which enable monitoring and controlling the possible drift and, if required, refocusing the firms activities towards the social purpose.

Second, the formulation of the mission is at the heart of the legitimacy of the organization. Both statutes require that the purpose rely on a clear public interest to gain the appropriate legitimacy. However, questions remain regarding the appropriate standard to define such general interest. The drafters of the *FPC* have for instance made clear in their comments that in their opinion, requiring a material positive impact as evaluated by current extra-financial standards such as *SROI (Social Return on Investment)* seems too demanding, arbitrary and narrow to ground a long-term sustainable mission for the corporation, taking into account the potential evolution of environmental concerns, or of technological capabilities. On the contrary, *Benefit Corporation*'s designers fear that without comprehensive expression of the purpose, the mission might lead to rob Peter to pay Paul, or to make it possible to hide personal interests under altruistic outfits.

Regarding organizational identity, it is debatable whether the process of adoption of the purpose should only involve directors and shareholders. On the contrary, this process could define which stakeholders should be consulted to choose, modify or repeal the mission. Although statutes are *in fine* only voted by shareholders, several other parties may be invited to write the mission down. These processes may also define the circumstances involving the possible revision of the mission.

Shareholders' commitment

In both FPC and Benefit Corporation models, the legal status of the purpose relies on the commitment of shareholders, who vote for and sign the articles on incorporation including the purpose. This is key to understand the difference between this purpose and existing mission statements. In this matter, the new legal provisions require a positive vote by two third of each class of shares to adopt, change or repeal the statute the corporation. Once enacted, a purpose is thus a mid- or long-term commitment of the corporation. Conversely, both legal forms in California grant rights to shareholders that want to break away from the mission by ensuring that these shareholders can sell their shares at a fair value when they depart.

Expected impact on financial and social balance

Shareholders' commitment is pivotal for resolving the challenge of competing demands to the corporate directors. Indeed, the legal provisions ensure that during all the time that the purpose is written in the articles, the directors are legally protected for each of their decision that entails a compromise between profitability and respect to this purpose. It is therefore a true engagement for shareholders, who lose the capacity to sue directors as long as they act in the direction of this purpose. As such, the promoters of the FPC call this provision "creating a safe harbor" for directors. It is through this provision that directors' fiduciary duties are effectively transformed to take social purposes into account, and reducing mission conflicts in governance.

But shareholders' commitment also ensures that the mission is anchored in some change of control situations, where the acquirer does not have the possibility to buy more of two thirds of each class of shares. Indeed, the respect of the purpose, at the heart of the FPC or Benefit statutes, enables the corporate board to prevent a hostile takeover if the acquirer does not adopt a similar legal form with the same purposes.

In sum, this commitment is a powerful tool to address some of the most thorny issues of hybrid corporations, namely mission drift and mission conflict. Yet again, it is questionable whether shareholders should be the only stakeholders to explicitly commit to the purposes. Some other models than the FPC and the *Benefit Corporations* might include engagement of other stakeholders, such as workers or suppliers for example.

Accountability principles

The last category of management rules introduced by these legal innovations relates to the evaluation and control of the directors' action towards the mission. Indeed, if tools exist to assess the corporation's efficiency in terms of profitability, new purposes might require new evaluation tools and criteria. For that matter, the *Benefit Corporation* has the most direct approach: it requires choosing a third party comprehensive and independent evaluation standard to annually assess the corporation's results regarding its mission according to that standard. To attain the appropriate level of transparency, *Benefit Corporations* as well as FPCs have to publish these results in an annual report made accessible to the public. The FPCs' report also includes a discussion of the strategies followed during the year, the investments made, and the future strategies to be deployed for the year to come. Additionally, local reports might be required for significant decisions involving a compromise between profit and purpose. The FPC also requires deriving operational objectives from the *special* *purpose* in order to make it possible to evaluate the directors' actions according to whether they have met these objectives or not.

Expected impact on accountability and governance quality

These provisions directly aim at dealing with the quality of governance and the fear of creating uncontrollable organizations because of the multiplicity of purposes. The specific reporting mechanisms created for the purpose aim at preventing managers to adopt an opportunistic behavior on the argument that maximizing shareholder value is explicitly not the main objective anymore. Along with mechanisms allowing shareholders to sell their shares if they disagree with a rewording of the purpose, these accountability principles are designed to fight shareholder potential distrust vis-à-vis a new legal structures impairing their fundamental rights. The promoters of the FPC also made clear that the whole point of creating a new corporate form in law although contractual freedom in unincorporated companies (such as the LLC – Limited Liability Company) would allow managers to write their purposes the way they desire, was precisely to minimize the legal risk bear by investors, which are reluctant to add companies with complex and not standard governance to their portfolio.

Also, the *Benefit Corporation* model adds the right to shareholders combining at least 5% of the shares to access a purpose enforcement procedure, consisting in suing the corporation if it can be proven that it does not take its commitment to create general public benefit seriously. In contrast, the creators of the FPC decided that such an enforcement right could be hazardous to the corporation, especially if this right is given to any shareholder.

This third governance element is key to enable in practice the managers to follow the purpose in their strategy without being evaluated only on financial criteria in the end. It is a major tool to both ensure the continuity of managerial control, and the necessary discretion to pursue the given objectives. Yet, in the end, the financing challenge is however not completely exhausted, as even with these specific monitoring tools, shareholders might not want to invest in corporations whose purpose is not primarily financial.

Discussion & Conclusion: Are multi-purpose corporations creating a new species of organizations?

In this paper we aimed at providing tools for an objective interpretation of the contributions of the recently adopted corporate forms in the United States to deal with hybrid organizations' challenges. Our historical analysis revealed the key turning points in the evolution of corporate law, which led to the current "legal divide" described by both law and management literature. The provisions introduced in law by the proponents of the *Flexible Purpose* and *Benefit Corporations* appear as an ingenious means to promote the objectives of the creation of early business corporations (gathering capital to sustain enterprises with both public and private interests) while benefiting from more contemporary governance structures, especially regarding the control and balance of power in the corporation.

By introducing innovations in this governance however, the new corporation forms aim at answering some of the managerial challenges faced by hybrid organizations. More specifically, the introduction of the purpose in the legal documents of the corporation creates new means for managers of hybrid organizations to overcome the speciation issues. It seems to enable the combination of a public interest mission with private interest objectives, by introducing procedures to deal with mission drift and hostile takeovers, and using the existing control of fiduciary duties towards a social or environmental mission, thus deleting the potential liability of directors who follow corporate purposes.

We must nevertheless acknowledge the limitations of our research setting. Although these provisions are justified and analyzed in relation to the key issues identified in our historical analysis, the lack of empirical data on the effective impact of these innovations on the practical management of hybrid organizations only makes it possible to categorize their expected major advantages against tangible managerial challenges.

A replicable model for hybrid organizations

In our opinion, the main contribution of the paper is therefore to identify some generic features of a model of hybrid corporations, which can be generalized beyond the cases of the FPC and *Benefit Corporations*. The Table 3 shows the major building blocks of such a generalized model for hybrid corporations. Instead of presenting only the specific settings chosen by the promoters of the two Californian forms we studied, we can further investigate new settings for the same governance parameters (definition of the mission, commitment and accountability). For example, it might be useful in some contexts to consider the commitment of a wider variety of stakeholders towards the purpose rather than financial investors only.

<table>
<tr><td rowspan="2">1) Legal definition of the mission</td><td colspan="2">Specific
Particular purpose towards specific beneficiaries</td><td rowspan="2">Comprehensive
General public interest for all stakeholders affected by the corporation</td></tr>
<tr><td>Liberal - Large leeway for definition</td><td>Restricted - Legal definition of public interest</td></tr>
<tr><td>2) Stakeholders' commitment</td><td colspan="2">Shareholders
Only shareholders' rights are legally affected</td><td>Multi-stakeholders
Other stakeholders' rights are affected</td></tr>
<tr><td>3) Accountability</td><td colspan="2">Internal
Assessment carried out by internal governance committees</td><td>External
Assessment carried out by</td></tr>
</table>

3) Accountability principles	**Exclusive -** Limited to shareholders	**Inclusive -** Including other stakeholders	external parties (e.g. third-party standard or public authorities)

Table 3 - Some building blocks of a general model for hybrid organizations in law

This generalized model is useful for three main reasons. First, it gives a generic grid to interpret or design a hybrid corporation model based on the main discussion points raised during the drafting and adoption of the forms we studied more specifically. This directly helps designing appropriate public policies for countries wishing to develop their own model of hybrid corporations. (Rawhouser *et al.*, 2015) have shown that specific features of the political or taxation contexts of states might be good predictors of the adoption of a multi-purpose corporate form. We aim to go further in providing these states a generic model to understand the main features of these multi-corporate forms, and extract what is replicable in the specific forms we studied. It is also useful to characterize other similar legal forms that have been adopted in other countries (see first section). Table 4 shows the great variety of features the proponents of similar forms have adopted in other countries.

Example of corporate form	State of origin	Legal definition of the mission	Form of commitment	Accountability principles
FPC	California (US)	Specific - Liberal	Shareholders	Internal - Exclusive
Benefit Corp.	Maryland (US)	General	Shareholders	External
CIC	United Kingdom	Specific - Restricted	Shareholders	External
SFS	Belgium	Specific - Liberal	Shareholders	External
SCIC	France	Specific - Liberal	Multi-stakeholders	Internal - Inclusive

L3C	Vermont (US)	Specific - Restricted	Shareholders	External
SRC	Minnesota (US)	General	Multi-stakeholders	Internal - Inclusive

Table 4 - A schematized mapping of explored hybrid corporation models

Second, is has direct also managerial implications because it highlights the potential usefulness of such legal forms to entrepreneurs who desire to create their own hybrid organization, by helping them to identify the managerial and legal challenges that are likely to be dealt with by the governance model associated to the corporate form, and to choose the appropriate form for their project, should they have the choice between competing models as it is the case in California.

Finally, on a theoretical point of view, we think this work should help further research to better qualify the difference between challenges that stem from an incompatibility of legal categories with hybrid projects from those which are due to conflicts between other structures of the socio-economic environment of such projects (education, ethical values, etc.), and which might not be relevant target for governance structures.

As such, the emergence of these new hybrid corporation forms in law raises a final question: as soon as a new legal category is created that matches the unique logic followed by the class of today's hybrid organizations, namely multiple purposes organizations, isn't this "hybrid" qualification bound to disappear for this class? Eventually, could this new class of organizations, which dispose of the capacity to define their own mission, even become the norm rather than the exception? Numerous models have already been published by researchers and practitioners to account for the specific logic of social entrepreneurs. Then specific labels were created to differentiate them from the archetypal nonprofit or for-profit organizations. Now, it is a whole new class of legal structures that is created to host these organizations. In the end, law might have solved hybrid issues in quite an elegant fashion: by making a new species out of hybrids.

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