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ORGANIZATION ZOO

The promise and limits of social franchises as hybrid organizations

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Abstract
Social franchises are relatively poorly known and understood. This is particularly true with regard to their organization design. Therefore, in my commentary on Szerb, Kivleniece, and Aggarwal's introduction to Unjani Clinics, I explore what we can learn from this experiment as organization design scholars.

Keywords Hybrid organizations · Organization design · Social enterprises · Social franchises

The promise and limits of social franchises as hybrid organizations

Social franchises are social enterprises that adopt franchising as their organizational form and grow through replication of small organizational units. As with all franchises, social franchises are characterized by the contractual/licensing relationship between a franchisor—who grants access to its proprietary business knowledge, processes, and trademarks—and a franchisee, who agrees to pay certain fees and comply with a set of standards and safeguards in return for these services. As with all social enterprises, social franchises have as their main objective a social mission, or their social mission is at least as important as their profit-making aim (Battilana 2018). Thus, situating social franchises requires understanding how they compare to both traditional franchises and traditional social enterprises.

Unjani Clinics, as described in the case, are very similar to traditional franchises. The franchising agreement is arranged through a multi-year contract. The franchisor (i.e., NPC) provides the brand, equipment, and training. Services and prices are standardized across the franchisees (i.e., individual clinics). The franchisor regularly audits the franchisees to assess their financial health and to ensure compliance. In return, the franchisees agree to comply with network-wide standards. They also agree to pay an initial franchise fee as well as an annual network fee to the franchisor, which increases over time.

However, there are some notable differences between Unjani Clinics and traditional franchises. In my reading, two key differences stand out. First, costs are heavily subsidized early on. It is not uncommon for traditional franchisors to keep costs low for new franchisees in the early years. Many of them also help with financing. That being said, if I understand the arrangement correctly, the initial financial burden placed on new Unjani Clinics is substantially lower than the burdens placed on traditional franchisees. Thus, the NPC carries a substantially higher risk than a more typical, for-profit franchisor. Second, the term of the contract is five years. This is substantially shorter than 15 to 20 years, which is typical of most franchising contracts. Again, this may imply greater risk-bearing on the NPC's part, but it may also serve an additional aim, unexplored in the case—that of empowering nurse entrepreneurs and not binding them with excessive contractual dependence.

I am less convinced than the authors that the identity of the entrepreneurs and the franchises' authority structures are unique to Unjani Clinics. Based on my understanding of the NPC's annual reports, these are fairly small entities, with two or three employees on average, including the nurse entrepreneur. Almost all the value is created by nurses in these entities. Thus, according to many theories, including the new property rights theory (see Hart 1995), it is understandable why these entities are founded and owned by enterprising nurses and not by professional managers. Although the distribution of autonomy and authority may differ between social franchises and other forms of social enterprise, this is hardly the case between social franchises and traditional franchises, the exception being

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that the authority of a social franchise emphasizes a social mission. Local autonomy in operations and central authority in compliance is common in traditional franchises, as has been discussed in previous studies (e.g., Yin and Zajac 2004; Vroom and Gimeno 2007).

Compared with other social enterprises, social franchises may benefit from what is commonly seen as the main advantage of franchising: it is faster and cheaper, freeing up financial resources for further expansion. Opening new clinics under this organizational form is easier than it is to open wholly-owned units. The organizational burden—the required control, supervision, and coordination—is also less for a franchise than for an entity that internalizes all its operations. By implication, social franchises face relatively lower limits on organizational growth. The authors make these points forcefully in the case.

Conversely, safeguarding the social mission—via audits and other culture-related practices—is more challenging for social franchises than other social enterprises. Infusing value is, by design, more difficult for franchises. The practices of Unjani Clinics discussed in the case are meant to compensate somewhat for this known weakness of the franchise form.

Furthermore, the standardization of services across the NPC's franchise network does not come without risks. Such standardization inhibits local adaptation. Cost structures—wages, non-medical input costs, and the like—will vary across the country. Such variance, even when not significant, may have financial consequences because the NPC standardizes both the list of services and their prices across the entire Unjani Clinics network. Even more importantly for social franchises, the local differences—in constraints, regulations, resource providers, social structures, and the real concerns of the people— may require some adjustments to better meet the needs of each community. Thus, delivering social value often requires to "think *with*, and not *for*, the locals" (Mann and Chandra 2017, p. 48). One risk of the NPC's franchise format is that the standardization of services across the network might prevent this kind of adjustment.

All in all, social franchising is a promising organizational form that is challenging to implement successfully. Thus, as Bradach (2003, p. 20) suggests, the first question to ask is whether replication is "a reasonable and responsible option" for the enterprise. In the case Unjani Clinics, high financial burden on the NPC, difficulty of safeguarding the social mission, and lack of local adaptation raise questions about the viability of the endeavor in medium to long run.

Implications for organization design research

Unjani Clinics—and social franchises in general—point toward a number of important lines of inquiry for organization design scholars to consider. First, comparative studies of the organizational forms of social enterprises will inform the research on hybrid organizations. Understandably, previous studies into hybrid organizations have focused on the differences between regular and hybrid organizations, but important differences exist between different forms of hybrid organizations as well. Consider, for example, organizational scope. Arguably, social franchises are better suited to scaling up by geographic scope; in which case, dispersion is more important to the realization of the social mission, while intrafirm socialization is less important. Still, other forms of social enterprises are better suited to scaling up by diversifying into related areas.

Second, the joint consideration of social mission and organizational form hints at organizational practices not previously discussed in the literature (but likely already in use). For example, given the centrality of the social mission to social franchises, creating and maintaining a common culture—aimed, in this case, at nurturing and safeguarding the social mission—is more important to social franchises than to traditional franchises. This calls for practices that help alleviate financial and social tradeoffs, such as "spaces of negotiation" (Battilana et al. 2015, see also Obloj and Sengul 2020), as well as practices that facilitate cohesion and knowledge sharing in a distributed organization, such as "predictable communication" (Jarvenpaa and Leidner 1999). The literatures describing the practices targeting each of these two aims that social franchises must grapple with daily remain to a great extent disconnected from each another.

Finally, the case also causes us to reconsider what makes an enterprise "social." Enterprises operating in sectors such as healthcare are inherently more likely to create social value than enterprises operating in other sectors. However, not all enterprises operating in such sectors are necessarily social enterprises. Franchising enables Unjani Clinics to achieve greater and faster reach across the country. Subsidization, training, and support help them to keep costs low enough to make healthcare accessible to patients who were previously sidelined. It remains to be seen, however, to what extent these affordable healthcare goals can survive the 5-year mark, when the entrepreneurs have the option to leave the NPC's system. The risk of mission drift is significant. It would have been great to read in the case about the decisions of the early franchisees, whose five-year contracts were expiring at the time the case was authored, to remain or opt out. Nurse entrepreneurs are more likely to remain in the system after five years if the NPC can continuously add value beyond the end of the fifth year. Time will tell, but, except with regard to potential brand value, their incentives remain unclear.

I agree with the authors that Unjani Clinics represent a valuable addition to the discourse on social enterprises and, more generally, to the study of organizations that grapple with multiple objectives. Studying their emergence, growth,

sustainability, successes, and failures will introduce valuable insights into the literature and help us to better understand social enterprises and the organization of our economy.

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