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To cite this article: Philip Marcel Karré & Ingmar van Meerkerk (03 Oct 2023): The Challenge of Navigating the Double Hybridity in the Relationship between Community Enterprises and Municipalities, Journal of Social Entrepreneurship, DOI: [10.1080/19420676.2023.2263772](https://doi.org/10.1080/19420676.2023.2263772)

To link to this article: <https://doi.org/10.1080/19420676.2023.2263772>




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Published online: 03 Oct 2023.



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The Challenge of Navigating the Double Hybridity in the Relationship between Community Enterprises and Municipalities

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ABSTRACT

Collaboration between municipalities and community enterprises, a spatially confined subset of social enterprises, can be advantageous for both parties in theory, but there also is discussion on whether and how these benefits really come to pass in practice. Based on a small-scale exploratory study in the Dutch city of Rotterdam, we discuss double hybridity as a complicating factor in the relationship between community enterprises and municipalities, as it leads to challenges concerning (1) awareness and recognition, (2) funding and procurement, (3) fragmentation and (4) accountability and impact.

KEYWORDS

Community enterprises; local government; municipal support; hybrid organisations; institutional logics

Introduction

Citizens taking matters into their own hands when it comes to issues, they want to see tackled in their own neighbourhoods and communities, is common in many countries (Igalla, Edelenbos, and Van Meerkerk 2019). As examples of social innovation (Brandsen et al. 2016; Nicholls, Caulier-Grice, and Gabriel 2015; Anheier, Krlev, and Mildenerger 2018) and co-production (Brandsen, Steen, and Verschuere 2018; Fotaki 2011; Voorberg, Bekkers, and Tummers 2015), such practices are often motivated by perceived market and public policy failure in tackling wicked problems in a certain neighbourhood (Sinclair et al. 2018) and/or as a reaction to local government budget cuts (Van Meerkerk, Kleinhans, and Molenveld 2018).

In this article we focus on the activities and role of community enterprises (CEs) in local development as a concrete example of the active citizenship described before. CEs have generated increased interest in the last years (Buratti, Sillig, and Albanese, 2022). They are generally described as organisations 'aiming at both business venturing and community revitalization' (Buratti, Sillig, and Albanese 2022, 378) through a mix of economic, environmental, cultural, and social activities, such as social housing,

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workspace and training, health sports, nurseries, and social services (Bailey 2012). Based on various literature on CEs, Kleinhans, Van Meerkerk, Warsen and Clare (2023, 928), define 'CEs as businesses which:

- are established by people who are living or working in communities with a clear spatial base;
- are independent, not-for-private-profit organisations, that are managed and/or owned by members of the local community;
- attempt to deliver long-term social benefits to local people, by providing goods or services;
- aim to generate a surplus through (at least in part) engaging in trading or other economic activity, and reinvesting the surplus in the business or community;
- locally accountable and strongly committed to involving local people and other partners, through participatory decision-making and inclusive governance processes.'

As CEs have the local community as a target and territorial development as objective, they are generally considered as a subcategory of Social Enterprises (Peredo and Chrisman 2006; Buratti, Sillig, and Albanese 2022). They take different organisational forms, including a cooperative enterprise, a development trust, a charity, or a foundation. While CEs are often at least – next to volunteerism – partly depended on government funding, membership fees and/or donations, one of the 'distinguishing characteristics of CEs is that they engage in commercial activities (with private clients, but also government contracts when they provide welfare or environmental services)' (Buratti, Sillig, and Albanese 2022, 387). These commercial activities might sometimes be difficult to combine with their social goals and activities, leading to the challenge of hybridity.

Community enterprises are formally independent from local government and often are established because of dissatisfaction with governmental action or the lack thereof, but there are several ways in which municipalities can support them (Korosec and Berman 2006 449–450). This can happen through raising awareness of the issues tackled by community enterprises and the methods they use in this process. Another way to draw up support is resource acquisition by providing funding and helping community enterprises acquire additional funds from other organisations, such as banks or investors. A third way for local government to support community enterprises concerns coordination and implementation through making government coalitions and networks available to them (Korosec and Berman 2006).

Supporting community enterprises in this way is not only beneficial for these enterprises but for local government as well (Choi and Park 2021; Korosec and Berman 2006): community enterprises can mobilise leadership and resources out of a local government's reach, often better understand what a specific community needs due to their local embeddedness and are less likely than commercial enterprises to show opportunistic behaviour due to their social mission. Employing community enterprises and other social enterprises for policy implementation can be an interesting supposition for municipalities that need to downsize or curb expenditure, as it allows public

leaders to focus on those issues which cannot be left to the marketplace or the non-profit sector. Cooperating with the community and other social enterprises can also help to improve the quality of public service provision through their focus on social innovation and experimentation, their alleged cost-effectiveness, and their capacity for multisectoral cooperation.

While cooperation between community enterprises and municipalities has many potential benefits in theory, there is a lot of discussion whether and how these really come to pass in practice (Nederhand 2021). In this article, we describe the findings of a small-scale exploratory case study (Yin 1994) on the relationship between five community enterprises and the municipal bureaucracy undertaken in the Dutch city of Rotterdam. We mainly focus on the effects on their relationship of what we describe as 'double hybridity', i.e. the effects of both parties mixing different and inherently contradictory logics, which makes their communication and dealings even more complicated and open for confusion and tension. As already discussed, CEs are hybrid as they combine commercial social goals and activities. But local governments are often hybrid too today, as they have to combine different and contradictory institutional logics. By discussing the phenomenon of 'double hybridity', we answer the following research question: *Which issues and dilemmas arise in the relationship between community enterprises and municipalities and how can they be understood from the perspective of hybridity?*

Our aim in describing and discussing findings from our Rotterdam study is not to provide insights that can be generalised to all other local governments and their relationship with community enterprises. But our findings provide interesting first insights into that relationship, that can be used to discuss it in practice and as a starting point for further study, especially on the role (local) governments can play in creating enabling ecosystems for community and other forms of social enterprises (Biggeri, Testi, and Bellucci 2017; Bruin and Teasdale 2019; European Commission 2020; Roy and Hazenberg 2019; Spigel 2017). Our study adds insights to this discussion on why the relationship between municipalities and social enterprises, such as community enterprises, is often problematic and how such difficulties could be overcome.

This article is structured as follows: we will first conceptualise community enterprises and local governments as hybrid organisations and describe what we mean by the challenge of double hybridity. We will then present our findings, followed by a discussion on how these can be understood from the perspective of hybridity.

The Challenge of Double Hybridity

Hybridity is most generally described as 'the product of a mixture of essentially contradicting and conflicting elements' (Brandsen and Karré 2021), for example in hybrid organisations. These mix the institutional logics and steering paradigms of state, market, and society (Brandsen and Karré 2011; Billis and Rochester 2020; Koppenjan, Karré, and Termeer 2019). In other words, they combine the characteristics typically ascribed to idealtypical public, private and non-profit sector organisations with regard to their outlook on the world and their strategies on how to deal with the problems they encounter (Karré 2022; Johanson and Vakkuri 2018; Skelcher and Smith 2015).

Social enterprises are characterised as hybrid organisations (Battilana and Lee 2014; Doherty, Haugh, and Lyon 2014; Defourny and Nyssens 2017), as they integrate 'economic and social value creation' (Mair and Martí 2006, 36). By doing so, they combine conflicting institutional logics (Pache and Santos 2013): those of business and charity (Battilana and Lee 2014, 406) and, especially in conservative corporatist welfare states, also those of the public sector (Defourny and Nyssens 2021). This hybridity of social enterprises in general, has been the subject of several studies already from a variety of perspectives (e.g. Al Taji and Bengo 2019; Bandini et al. 2023; Bruneel et al. 2016; Granados and Rosli 2020; Yaari, Blit-Cohen, and Savaya 2021).

The community enterprises we look at in this article, operate across the boundaries of the public, private, and non-profit sectors and mix the institutional logics commonly associated with each of them, i.e. the public sector's focus on the general interest, the private sector's focus on the capital interest and the non-profit sector's focus on the mutual interest (Defourny and Nyssens 2017, 2477–2478). In other words, they also have to adhere to what are commonly understood as public values on behalf of society at large, while also safeguarding the interests of certain societal groups. And they have to do all of this in the same entrepreneurial manner common in a business environment.

While municipalities are traditionally seen as idealtypical Weberian bureaucracies, today they are hybrid organisations too (Coule and Patmore 2013; Koppenjan, Karré, and Termeer 2019; Nederhand, Van Der Steen, and Van Twist 2019; Osborne 2010). They also have to combine three essentially contradictory institutional logics: (1) Traditional Public Administration/TPA, (2) New Public Management/NPM and (3) New Public Governance/NPG (sometimes also referred to as Public Value Management).

Traditional Public Administration (TPA) can be seen as the logic at play in ideal-typical public organisations. It is focused on the primacy of politics and on safeguarding public values, especially legal(istic) values and equal treatment (Pollitt and Bouckaert 2011). Impersonal and stable rules are important for protecting citizens from power abuse or personal whims (Hughes 2018). In practice, this means that all actions by the municipal bureaucracy, including its interactions with societal groups and actors, are expected to follow clear processes and rules and that every party involved has a clear and standardised role (Warsen et al. 2020).

New Public Management (NPM) is based on the institutional logic of the private sector and focuses on improving the efficiency and effectiveness of public service delivery, stressing business instruments (Hood 1991; Osborne and Gaebler 1992). Goals are still set by politicians, but governments operate as principals and service delivery is handed over to autonomous agencies, non-profit, or private sector organisations, preferable based on contractual relationships in which outputs can be specified.

New Public Governance (NPG) is akin to the institutional logic of the non-profit sector and stresses the mutual interdependency between various state and non-state actors in the delivery of public services (Osborne 2010). Professional and citizens jointly play an important role in the production and delivery of services and governments have a key role in structuring and steering interaction, but without determining their outcome (Klijn and Koppenjan 2015). State actors are expected to be open and inviting to citizens and to work together with them in the provision of public goods

and services. In NPG, government is not superior to societal actors but is seen to be part of society and to behave like a societal party, working together well with others (a transition described as a change from government to governance).

The expectation that municipalities combine NPG, TPA and NPM means that they have to do several things simultaneously. They have to (1) be open and invite citizens to interact and coproduce goods and services with them (the ideal-typical institutional logic of the non-profit sector, in which different parties interact on an equal footing). But they (2) also have to make sure that these interactions fit into the mould of pre-set rules and regulations and standardised roles (the ideal-typical institutional logic of bureaucracies, not only in the public sector). And they (3) have to achieve all of this while also using public funds in an efficient and effective manner, while also embracing an entrepreneurial spirit (the ideal-typical institutional logic of the business world).

Combining these essentially contradictory institutional logics in everyday life often leads to tensions, which are at the root of the municipal bureaucracy's hybridity. For example, following strict rules and standardising roles and relations as is the idea in TPA, can frustrate the open and equal exchange with societal partners, which is at the core of NPG. It is also not inducing to the kind of entrepreneurial behaviour NPM prescribes. Such behaviour in turn might put pressure on the rules and regulations TPA holds dear. Also, the competition found in the business world and being propagated by NPM, is at odds with the collaborative spirit of NPG.

For both types of hybrid organisations described here, i.e. community enterprises and municipalities and, the rationale for their hybridity lies in the idea that this will lead to innovation and synergy (Alexius and Furusten 2019; Karré 2020; Mair and Martí 2006). For community enterprises and other types of social enterprises, their hybridity is a *sine qua non*, or their main strength as they strive to combine the best of the three worlds of business, charity and government have to offer (Battilana and Lee 2014; Doherty, Haugh, and Lyon 2014; Powell, Gillett, and Doherty 2019). Municipal bureaucracies are expected to be beacons of public values such as equity, equality, and the rule of law. They also are expected to use public money prudently through a focus on efficiency and effectiveness. And they are also expected to operate in an open and transparent manner, inviting citizens and other societal actors to participate (Grossi et al. 2017; Johanson and Vakkuri 2018; Karré 2020).

But hybridity does not only have positive effects. It can also lead to ambiguity and confusion, as the different institutional values hybrid organisations have to adhere to can also come into conflict with each other. For example, with public sector hybrids there always is the fear that hybridity will lead to mission drift, as the entrepreneurial spirit will overshadow the general interest, leading to accountability issues (Anheier and Krlev 2015; Grossi and Thomasson 2015; Karré 2020). This is also the case with social enterprises (Ebrahim, Battilana, and Mair 2014), though here there also are fears about economic drift, as their social aims might make it difficult to operate in a business-like manner (Doherty, Haugh, and Lyon 2014; Powell, Gillett, and Doherty 2019).

In this article we describe another problematic aspect to be found in hybrid organisations, that of double hybridity. This arises when hybrid organisations are interacting with other hybrid organisations, such as in our example local municipalities that mix different institutional logics, have to interact with other hybrid organisations – in our

case community enterprises, that are hybrid because they combine public, private and non-profit sector characteristics. As we will show in the discussion of our findings in Rotterdam, this double hybridity can lead to tensions and confusion in the communication and dealings between organisations.

Context and Methodology

Rotterdam is the second city of the Netherlands with slightly more than half a million inhabitants. A major logistic and economic centre, Rotterdam is home to Europe's largest seaport. Poverty is an issue and while Rotterdam's economic fortunes and quality of life for its citizens have improved considerably during the last ten to twenty years or so, there still are several deprived neighbourhoods and groups who have yet to benefit from these changes (Hochstenbach and Musterd 2018).

In our study we looked at the relationship between the Municipality of Rotterdam and five community enterprises:

1. Cooperative Afrikaanderwijk (Afrikaanderwijkcoöperatie) is a community enterprise located in Rotterdam South and named after the neighbourhood it operates in, the Afrikaanderwijk. This lies in the Feijenoord district, traditionally a working-class neighbourhood, which now is home to a diverse group of residents, many with foreign backgrounds (mainly Turks, Moroccans, Surinamese, and Antilleans). Cooperative Afrikaanderwijk uses the building of a former water pumping station, an example of industrial heritage, as its hub and community centre. Its main activity is helping people who want to work but lack the skills to make it on their own on the regular labour market. Cooperative Afrikaanderwijk runs a cleaning business. Cooperative Afrikaanderwijk is mainly known for keeping the square clean where twice weekly a big community market takes place. It does so under contract by the Municipality of Rotterdam.
2. Cooperative Delfshaven (Delshaven Coöperatie), which, contrary to its name, actually is a foundation, tries to strengthen the economic development and societal resilience of Bospolder-Tussendijken. This is a diverse and rather poor neighbourhood in Rotterdam West. Cooperative Delfshaven sees itself as a community organiser, linking local initiatives to the municipality, actors in the social economy and commercial enterprises. By focusing on community building, it aims to foster the further development of Bospolder-Tussendijken. It does so by empowering people and supporting local initiatives. As a community organiser, the municipality of Rotterdam is an important collaborator and provider of funds for Cooperative Delfshaven.
3. Wijkcoop010, again not a cooperative in the legal sense, operates from a former commercial property in an area close to Rotterdam Central Station, which is going to be redeveloped in the future. Until then, this so-called Zomerhofkwartier is a hot spot for creative and societally minded social entrepreneurs. Wijkcoop010 is helping people who want to work but lack the skills to make it on their own on the regular labour market. They do this by offering coaching and training activities. Wijkcoop010 also tries to be a central hub in the neighbourhood linking

people with different backgrounds with each other, for example those who have a certain chore that needs to be done and those who can help them with that. The organisation receives subsidies from the Municipality of Rotterdam for some of its activities.

4. Neighbourhood Palace Middelland (Wijkpaleis Middelland) is a community centre run by a community enterprise and situated in Middelland, right in the centre of the Delfshaven district in Rotterdam West. It offers space for various activities aimed at the diverse population of the surrounding neighbourhood. There are workshops, which can be used by small-scale artisans, and activities aimed at making it easier for people with diverse backgrounds to meet and engage with each other. Neighbourhood Palace Middelland also offers cheap meals provided by cooks from the neighbourhood.
5. Convent Old North (Klooster Oude Noorden) is another community centre run by a community enterprise. It is situated in the neighbourhood of Old North (Oude Noorden), which, like Feijenoord and Delfshaven, is rising again after years of deterioration. Convent Old North offers different workshops and lessons, for example for people who want to learn Dutch or to learn how to sew and knit.

To summarise: the five community enterprises were each located in a different part of Rotterdam. They all aimed at improving the quality of life of the citizens in that geographically confined area. They undertook various commercial activities, such as, in the example of Cooperative Afrikaanderwijk providing cleaning and catering services, with the goal to fund their activities for the community and to create employment for people living in that specific neighbourhood who had no or little formal training and education. They operated from premisses within their neighbourhood, which they often could rent for only a small fee from the municipality or a local housing association. Often these were former communal buildings (like former neighbourhood centre or school, as in the case of Convent Old North) and/or buildings waiting for a new purpose or to be demolished (as in the cases of Wijkcoop010 and Neighbourhood Palace Middelland). These premisses served as the community enterprises' hubs and as meeting places for the community. There they offered courses and training, e.g. on knitting and crocheting but also on how to conduct a job interview, and provided hands-on support, for example with how to fill in forms and to make sense of correspondence with the authorities.

There is no specific legal form for social enterprises and/or community enterprises yet in the Netherlands (Karré 2021). Only one of the community enterprises we studied had the legal form of a cooperative (Cooperative Afrikaanderwijk), whose members (mostly shopkeepers and other members of the economic community in the area) combined their mutual interest with the general interest of the community at large. The other four were foundations, i.e. non-profit organisations that used earned-income strategies to support their social mission. All the community enterprises we studied had very few paid members of staff (mostly only one or two), were all established less than five years ago and had all been founded by highly educated entrepreneurs, who wanted to use their backgrounds as artists, managers, or business consultants to help the members of the community in which they also lived.

All five community enterprises already had links with the municipality of Rotterdam, though the relationship of some was closer than that of others. They all saw the municipality as the main customer of their services. This was due to the fact that after a devolution, local government had recently become responsible for social care and welfare in the Netherlands, which also were the areas the five community enterprises mostly focussed on. As is common in the Netherlands (Karré 2021), municipalities do not provide these services themselves but outsource them, most commonly to non-profit organisations but now increasingly also to social enterprises. Rotterdam's community enterprises were eager to be seen by the municipality as viable providers of these services and hence as an alternative for provision through non-profit sector organisations.

We decided to do research at these five community enterprises, as they were active in different deprived areas across Rotterdam and comparable with regard to their community-centred approach. During our case study, we collected data in four ways. We first collected information about each of the five community enterprises from their websites. Second, we conducted six semi-structured interviews of about one and a half hour with the founders of each community enterprise (one of them had two founders), in which we focussed on whether and how the community enterprise already worked with the municipality and which issues and dilemmas arose from that relationship. We also conducted five semi-structured interviews with public servants of the municipality of Rotterdam, in order to get a better understanding about how they viewed community enterprises and whether and how they interacted with them. Two of these municipal interviewees worked at the municipality's central level and were responsible for strategy and policy regarding citizen communities and social enterprises. The other three interviewees on the municipal level were street-level bureaucrats on the decentral level, responsible for the areas in which the community enterprises were active.

We based the questions for the interviews on the four major topics or themes which emerged from two recent surveys on the problems social enterprises in the Netherlands report in working with municipalities (PwC 2018; Sociaal-Economische Raad 2015). These were (1) awareness and recognition, (2) funding and procurement, (3) fragmentation and (4) accountability and impact. See the [Appendix](#) for the interview protocol.

After having conducted these interviews, we discussed our findings and preliminary conclusions with all our interviewees in a focus group setting. This made it possible to on the one hand check our findings and common patterns, but also to deepen our understanding for what was going on and allowed our interviewees to react directly to one another. This further added data about how relationships were experienced and what central issues were for both sides.

Furthermore, during the research process, we discussed our proceedings, findings, and analyses on two occasions with an advisory commission established by our funding agent, the 'Urban Knowledge Lab Liveable Neighbourhoods'. This commission consisted of four civil servants who in their daily work were tasked with better linking Rotterdam's municipality to community groups and developments in the city.

Findings

In this section we describe how the problem of double hybridity manifested itself in the relationship between community enterprises and the municipality of Rotterdam. We have organised our findings around the four major topics or themes identified earlier: (1) awareness and recognition, (2) funding and procurement, (3) fragmentation and (4) accountability and impact.

Awareness and recognition

Community enterprises still are a relatively new and hence unknown phenomenon in the Netherlands and their number relatively small. In Rotterdam, only the five organisations included in this study fit the definition of a community enterprise as given in the introduction of this paper. They had only been established about five years ago, had no more than one or two paid members of staff and only a handful of volunteers. They were also all still developing and experimenting with new ways of dealing with the problems of deprived neighbourhoods, which made them unique not only in comparison with more traditional social welfare organisations but also in comparison with each other.

Because of this lack of awareness and recognition, the community enterprises we studied found it hard to establish a durable relationship with the municipality of Rotterdam. They often had good personal contacts with street-level bureaucrats active in their neighbourhoods but found it much harder to get in touch and establish business relationships with public servants at city hall. This was a problem, as that was the place where procurement decisions were being taken. In order to be able to compete for contracts for providing work integration services for example, the community enterprises had to find a way to get their foot into the door there. But that was easier said than done. The community entrepreneurs we have spoken to, described the municipality as a fragmented organisation (a 'multi-headed monster', as one entrepreneur called it). This made it difficult to establish where one had to turn to and who to contact.

All five community enterprises craved more recognition and support by the municipality. They were critical about politicians and civil servants who were all talk about working together with societal organisations like community enterprises but did not follow this through with any tangible actions. While the community organisations wanted the municipality to move more business their way, they also were aware of the danger of working too closely with the municipality and becoming encapsulated in their bureaucratic processes and the cutthroat world of politics. There was a certain ambiguity in how they saw their perfect relationship with local government. On the one hand they wanted to be taken more seriously and to have much more contact with the municipality, at several levels. On the other hand, they also felt that a critical distance was necessary, to prevent being suffocated by too much attention and being cut up with red tape. They feared being taken over by the municipality should they become too dependent on local government for business but still saw the municipality as the most important customer for their services.

The municipal representatives we interviewed, recognised, and shared much of the criticism brought forward by the community enterprises. Working with them was seen as a dilemma: the municipality really wanted to collaborate much more with community initiatives in general and therefore also with community enterprises, but also did not clearly know yet what to make of them. This was linked to their hybrid character, which made more common classifications, like non-profit sector organisation or residents' association, and related procedures inappropriate. In addition, the specific character and focus of each community enterprise also made it difficult for civil servants to classify them. Each community enterprise was perceived as being essentially unique as it strived to provide made-to-measure solutions for social problems within a certain neighbourhood. This included experimenting with new and, in the eyes of the municipality, yet untested ways of working, which made the community enterprises and the outcome of their work unpredictable. Because of this, the municipality found it hard to develop a comprehensive policy on how to deal with community enterprises. The civil servants we talked to also questioned whether community enterprises were really that innovative as they always proclaimed: why then were they still so dependent on government contracts? Were they not rather failed hybrids that were not really enterprises, but rather social experiments heavily dependent on municipal subsidies? And how did the community enterprises differ from all other types of social enterprises in Rotterdam? Why and how were they special and should they be treated differently as all other social enterprises?

In the absence of a standing policy on how to deal with community enterprises, they were treated the same way as other community-based initiatives in the city's neighbourhoods (e.g. grassroots initiatives), but such a comparison put community enterprises at a disadvantage. The municipality based its decisions concerning support for community initiatives on how well they were embedded in their neighbourhood and whether they represented a considerable portion of people living there. But the community enterprises were relatively new and hence not yet embedded in their neighbourhoods. Also, they had never been established with the explicit goal of being representative of a certain group. That the community enterprises were run by entrepreneurs with very different backgrounds to that of the members of the community they served, also precluded them from support through the municipality, as it wanted to prevent the impression that it used public funds to subsidise the already well-to-do.

At the focus group, the question of what a community enterprise was exactly and how it differed from other forms of bottom-up initiatives in cities, was extensively discussed but failed to be resolved. A view shared by community entrepreneurs and civil servants alike was that a better definition of the term community enterprise was needed, which could be used to assess and compare individual community enterprises. What this definition should or could be, was less clear.

Funding and Procurement

The lack of awareness and recognition also put the five community enterprises at a disadvantage with respect to funding and procurement, as procurement officers were

often not aware of their existence. They also often interpreted Dutch procurement laws, which assert that goods and services must be bought in as cheaply as possible, rather strictly, which often precluded buying from community enterprises who, as alluded to before, were more expensive than non-profit sector providers. At the focus group, it emerged that there is an exemption in European Union procurement law for buying from organisations with focus on serving a social benefit. However, it seemed that many Rotterdam procurement officers did not know about this exemption or at least chose not to make use of it.

Another problem the five community enterprises had to face with regard to procurement, was that the municipality often already had granted contracts for the provision of many social and welfare services to non-profit sector organisations. These contracts mostly had a duration of several years and the municipality refrained from changing horses midstream due to fears of contractual repercussions. So, there were hardly any contracts the community enterprises could actually bid on.

Acquiring a contract with the municipality, was not the only hurdle the five community enterprises had to take with regard to funding and procurement. There often also were challenges after a contract had been granted. Several community enterprises complained that the municipality was a complicated partner to do business with and rather unprofessional in its business proceedings. This was on the one hand due to the fragmentation of the municipal organisation, which meant that funding streams were fragmented too. This made it difficult for community enterprises to gain funding, as the more holistic and integrative activities they conducted as hybrid organisations did not seem to fit into the municipality's stratified financial systems. This was not only obnoxious but could potentially also lead to catastrophic financial repercussions as the community enterprises were highly dependent on their municipal funding. Reviving these remunerations late could lead to the organisation going bankrupt.

Again, our interviewees from the municipality recognised these complaints. But they also explained that community enterprises who deal with the municipality must be aware of the risks that poses, especially when local government not only is the most important but often also the only business partner of the organisation. They advised community enterprises to diversify their business portfolio and to make the most of their hybridity, e.g. by also becoming active on the marketplace. By doing so, they could limit their dependence on the municipality as a funding and procurement agency. This suggestion was discussed further at the focus group meeting, where we briefly delved into the use of Social Impact Bonds (SIB) and Social Return on Investment (SROI). While the civil servants at the table mainly saw the opportunities of these instruments, the community entrepreneurs mainly saw challenges. According to them, these instruments are only useful for more mature and professional organisations, rather than for them as social start-ups. They also explained that the lack of awareness and recognition discussed before also meant that banks were hesitant to provide funding to community enterprises, as they often did not really see them as viable investment opportunities.

Fragmentation

There were several significant differences between the governance and management of the five community enterprises and how the municipality of Rotterdam worked and was organised, which also posed problems for their relationship. The municipality was a hyper-specialized organisation with a fragmented structure, in which every target group and policy field had its own department and approach. This did not fit with how the five community enterprises worked and were structured. As hybrid organisations, they tried to battle problems in their neighbourhoods or communities with a holistic or integrative approach, but often experienced that laws and regulations at play in different policy areas often did not match up or even contradict each other.

An example of the latter was that while one department of the municipality pushed people on benefits to gain work experience through being volunteers at community enterprises, another department used the volunteers' allowance they received as a reason to cut their benefits. This created an impasse, as the community enterprises lacked the funds to take on these volunteers as regular, paid staff members. And as they could not afford to lose all their benefits due to receiving a small allowance from volunteering at the community enterprise, people on benefits were also not eager to work there anymore.

Another way in which community enterprises and the municipality differed from one another was that while the former focussed on tailor-made solutions for each of the small number of individuals in their care, the latter had to deal with a much larger number of people in their care and hence focussed on efficiency and holding costs down. While community enterprises tried to design an individual trajectory for everyone, the municipality rather strived for one-size-fits-all solutions due to legal considerations about equity and uniformity.

This all led to a vexed dilemma for our interviewees at the municipality: on the one hand, they understood that individuals can benefit from a personal approach, that puts their needs at centre stage irrespective of cost. But on the other hand, they also experienced that politicians and society at large was critical against uncritical public spending and expected local government to work in an efficient (and hence cheap) manner. That is why they were wary of taking risks with public money.

At the focus group, we discussed how despite this fragmentation community enterprises and the municipality could develop a sustainable partnership. While both parties saw a good relationship as important, there also was consensus that community enterprises and the municipality should not be too close but retain a professional distance. For example, the idea that the municipality could become a shareholder of community enterprises was refuted. After all, it was not clear on which grounds the municipality should choose which community enterprise to become active in. And the community entrepreneurs were too fond of their independence anyway.

Accountability and Impact

The community enterprises in our study still struggled with accountability and how to provide insight into the impact of their actions. They had the impression that the municipality was only interested in 'hard' financial data, e.g. how much it would cost

to have somebody develop the necessary skills to manage to function on the regular labour market without any public benefits. They understood of course that accountability about their performance was important but either had not been in the business long enough to already have made much impact or lacked adequate procedures to measure their performance.

The community enterprises also found that focussing on financial information left out other, to them more important forms of impact, such as increasing their client's happiness (even though they did not really measure that either). They also criticised the municipality for asking too much accountability information and for making the process of providing local government with accountability information needlessly difficult and bureaucratic. The community enterprises saw this not only as a proof of an overly risk-adverse culture within the municipality but also concluded from it that they still were not fully trusted by the civil servants working there, who focussed more on rules than on being responsive and agile in the relationship with outside parties.

The civil servants we have spoken to also thought that the accountability process could be streamlined. They were, in general, positive about the activities of the community enterprises and there also was anecdotal evidence of the impact they achieved. But these civil servants were also aware that politicians and the public asked for adequate accountability concerning public expenditure and that there often still was suspicion about community enterprises' agendas: were they indeed driven by mainly social goals, or were they wolves in sheep's clothing, in other words not really different from normal commercial enterprises and mostly trying to use subsidies to make a profit? The civil servants we spoke to also reported a lack of confidence in the organisational capabilities of community enterprises, as they were operating in a totally different way the municipality was used to (see Section 4.3).

The municipality's civil servants faced a dilemma: on the one hand, they wanted to make it easier for community enterprises to be accountable and understood that too much regulation and control could in fact diminish all their hybridity's benefits, such as innovation and the creation of synergies. They really wanted to give community enterprises the benefit of the doubt. But on the other hand, they also understood that accountability was necessary and criticised community enterprises for not having made more work of it before. There also was the impression that community enterprises often described their impact in way too far stretching terms.

At the focus group we discussed that their hybrid status made community enterprises special, but that it also put more pressure on them to better account for their actions and impact. The civil servants at the table described that the municipality received offers from initiatives and entrepreneurs claiming that they could change the city for the better nearly on a weekly basis. However, without proof the municipality was very hesitant to team up with them. The challenge for the community entrepreneurs at the table was clear: professionalise your accountability regime and devise ways to unambiguously measure your impact! The community entrepreneurs understood this message but also brought forward that they in essence were pioneers, who still tried to come up with new ways to deal with societal challenges in the city. That meant that simplistic models for accountability and measuring impact would not

suffice. Rather, new tools had to be developed which would do justice to the complexity and dynamics they faced.

A Closer Look at the Tension Arising from Double Hybridity

In this section we go deeper into the issues and dilemmas due to double hybridity emerging in the relationship between community enterprises and the local government in the case of Rotterdam. From the perspective of the hybrid form of community enterprises and the different institutional logics prominent within the governance of the municipality, we can better understand these issues and dilemmas. The various issues and the related clashes between the hybridity of community enterprises and the dominant institutional logics are summarised in [Table 1](#).

First, there was the issue of awareness and recognition: the municipality did not really know what to make of the community enterprises. This is a typical reflex from the TPA institutional logic, with its characteristics of standardisation and internal orientation of public servants (Nederhand, Van Der Steen, and Van Twist 2019). Community enterprises do not fit the standard organisational labels and formats the municipality is used to work with, such as non-profit sector organisations or residents' associations, for which they have certain standard policy formats regarding contracting services or financial support. This path-dependency proved a major obstacle for community enterprises in their relationship with local government.

There also were suspicions concerning their abilities and agendas and whether the organisations were indeed representative for their community. These suspicions were mostly held by those officials, who were not in direct contact with the community enterprises. Those street-level bureaucrats who were, mostly saw them in a more

Table 1. Summary: Issues and clashing logics in the relationship between community enterprises and local government.

Theme	Issue/dilemma	Clashing logics
Awareness and recognition	Community enterprises do not fit standard regulations and formats.	Hybrid form does not fit with TPA logic.
Funding and procurement	Small scale of community enterprises.	Hybrid focus of community enterprises (social and economic mission, public value orientation) does not fit with NPM logic and existing procurement criteria.
Fragmentation	Holistic and cross-cutting way of working of community enterprises requires coordination between different departments with sometimes opposing views and adaptation of existing policies.	Holistic and tailor-made approach of community enterprises does not fit with TPA logic on uniformity and equity.
Accountability and impact	Complicated and multiple accountability information requests. Difficulties for community enterprises with measuring and providing impact information	The business model and impact narratives of community enterprises clash with the NPM logic focused on pre-defined performance targets and its related accountability mechanisms. Also clash with red tape and bureaucracy dominant in the TPA logic.

positive light due to the NPG logic on which they based their actions. However, even though officially the municipality also incorporated this logic in its own hybridity, the TPA logic still proved stronger. When push came to shove, the more restrictive TPA logic overruled the NPG logic. This was the main reason why the community entrepreneurs we interviewed, complained that the municipality was all talk but no action. However, they were themselves also wary of getting too close to the municipality, out of fear of becoming entangled in its red tape – an example of the hedgehog dilemma (Brandsen 2016).

Second, the community enterprises had effectively priced themselves out of the market due to their hybridity and small scale. This created an issue regarding government procurement, where price is an important (and often decisive) factor in buying decisions. Because of this, the municipality was reluctant to consider the community enterprises as a potential alternative for service provision through more traditional providers, which were active in several neighbourhoods and/or communities and cheaper due to economies of scale. Here, we clearly see the saliency of the NPM institutional logic, which its result-orientation and focus on certain types of (measurable) performance indicators. This clashed with the more holistic approach and not clearly measurable public value and impact orientation of community enterprises.

Third, the community enterprises' more innovative way of dealing with problems in neighbourhoods and communities was at odds with the risk-averse, conservative administrative culture at the municipality. Here, the TPA institutional logic clashes with the network oriented and holistic way of working of community enterprises.

And fourth, the community enterprises' difficulties regarding accountability and performance measurement created issues, as municipal support was linked to compulsory accountability procedures concerning the use of public funding and expectations that a priori defined performance targets, which were described in quantitative terms, were hit. Here, again, the NPM logic clashes with the business model and way of working of community enterprises. There also is a clash with the TPA logic, in which there is much focus on bureaucracy and red tape in all procedures between local government and societal actors in order to ensure the rule of law and equality and equity in proceedings.

Conclusions and Discussion

In this article, we explored the issues and dilemmas in the relationship between community enterprises and local government in the Dutch city of Rotterdam. Based on our findings we can conclude that the issues and dilemmas can be understood from the perspective of double hybridity, i.e. both the hybrid organisational form and focus of community enterprises as well as the different institutional logics at play in the governance of neighbourhoods. Supporting or even collaborating with community enterprises in delivering certain public services or creating public value seems to create a paradoxical situation for local governments. While the strengths of community enterprises (and social enterprises in general) are attributed to their hybridity, being at the crossroads of government, market and civil society (Choi and Park 2021), they challenge the existing steering principles and ways of working of local governments due

to the institutionalised logics of TPA and NPM. This negatively affects community enterprises, who do not feel recognised for the work they do and who need to invest a lot of effort in dealing with various administrative demands, different departments with sometimes conflicting policies or views.

In line with previous research, we also observed that street-level bureaucrats are confronted with these clashing logics and try to cope with this (cf. Kleinhans 2017; Nederhand, Van Der Steen, and Van Twist 2019), Building rather on the NPG logic, these street-level bureaucrats often perform various boundary spanning activities and strategies to navigate the relationship through the municipal organisation. But while trying to facilitate collaboration or support for community enterprises, they often experience difficulty or encounter resistance within their organisation.

An interesting avenue for further research would be to discuss how the double hybridity we found in the relationship between community enterprises and local governments can be made useful. As described earlier the main argument in favour of hybridity is that it can potentially lead to innovation and the creation of synergy. Our case shows that these do not materialise by themselves. The big question is how the negative effects of double hybridity can be overcome and how the positive effects can be brought to the fore.

Disclosure statement

No potential conflict of interest was reported by the author(s).

Funding

This work was supported by a grant from the 'Urban Knowledge Lab Liveable Neighbourhoods' (Kennisswerkplaats Leefbare Wijken).

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Appendix Interview Protocol

Topic one: Awareness and Recognition

- Questions for community enterprises: do you feel sufficiently recognised and acknowledged by the municipality? If not, why is that? Do you feel that the municipality has sufficient insight into what your organisation can do for it? How are your contacts with the municipality and individual civil servants going? Do you feel taken seriously by the municipality?
- Questions for municipality: To what extent is the municipality familiar with (different) community enterprises in Rotterdam? How do people see the role and value of community enterprises with regard to the socio-economic development of neighbourhoods? Are community enterprises seen as potential partners and is that translated into policy?

Topic two: Funding and procurement

- Questions for community enterprise: in what ways do you work together with and receive funding from the municipality? How does this compare to financing from other sources? What bottlenecks do you experience in financing? Is it difficult or easy to obtain funding from the municipality? What do you have to pay attention to? How did you experience the procurement policy, in particular with regard to the tendering procedures used? Does the municipality easily enter into purchasing relationships with organisations like yours or is that difficult? What is the reason for this?
- Questions municipality: To what extent does the municipality support community enterprises financially? What are the regular options for this? What kind of bottlenecks are experienced here? Are there specific policy frameworks for doing so? Do community enterprises participate in tendering procedures? Is social impact taken into account in procurement? Are there purchasing relationships between the municipality and community enterprises? What should community enterprises do to make it easier to qualify for purchase by the municipality?

Topic three: Fragmentation

- Questions for community enterprises: is the municipality flexible enough to deal with organisations like yours? If not, what is the main reason for this in terms of regulations and money flows? Is there sufficient room to deviate (in a well-considered and responsible manner) from existing laws and regulations? Have you encountered conflicting or conflicting policies? Do you have the feeling that you and the municipality speak the same language? If not, why is that? Do you feel that you have sufficient insight into how the municipality works and what considerations are being made? Are civil servants flexible enough and helpful enough or do they mainly work against you? Is the government a reliable partner? How do you experience the fact that democratic decision-making can often take a long time and can be difficult? Do you have experience with/suffer from the compartmentalisation at the municipality?
- Questions for municipality: to what extent do community enterprises fit in with existing policy and money flows with regard to neighbourhood development? Are there opportunities for such initiatives here? To what extent is it possible to link initiatives to implementation tasks in the neighbourhood (e.g. in the context of maintenance, work and income, social tasks)? To what extent are efforts being made to stimulate neighbourhood initiatives? Is there room for development for this? How do you experience the culture within the civil service organisation regarding embracing bottom-up initiatives? Is there broad support for this?

Theme four: Accountability and impact

- Questions for community enterprises: how do you account for the impact your organisation achieves? How do you deal with the conflicting objectives of the organisation and what

considerations do you make? Which accountability requirements from the municipality do you have to deal with and how do these work out in practice?

- Questions for municipality: How is the impact of achieved by community enterprises viewed within the municipality? How do people think about measuring impact? How do people within the municipality think about accountability mechanisms with regard to support (financial or personnel) of community enterprises? Which dilemmas arise?