

# A cognitive approach to the expected value of work integration social enterprises

Romain Boulongne

Strategic Management Department, IESE Business School, Barcelona, Spain

## Correspondence

Romain Boulongne, Strategic Management Department, IESE Business School, Carrer d'Arnús i de Garí, nº 3, 7, 08034, Barcelona, Spain.  
Email: [rboulongne@iese.edu](mailto:rboulongne@iese.edu)

## Abstract

**Research Summary:** Oftentimes, social enterprises simultaneously pursue competing organizational goals. For example, this can mean having a social goal (e.g., integrating vulnerable populations into the labor market) and a commercial goal (e.g., being profitable). I propose a theory according to which for such social enterprises, how they are perceived depends on how their goals are presented and on the type of categorization process used by their evaluating audience. These two factors together impact a venture's legitimacy and expected value. I also show that these effects vary with the level of knowledgeable ability of the audience performing the evaluation. Taken together, the results of this paper have implications for the cognitive perspective on strategic entrepreneurship as well as the literature on categories in markets and on hybrid organizations.

**Managerial Summary:** I study the different category primings that influence the customer's perception of work integration social enterprises (WISEs). These social enterprises can either direct their customers' attention toward comparability with a category prototype (prototype-based categorization), or toward a customer goal (goal-based categorization). I find support for the idea that, depending on which organizational goal is emphasized first and foremost by a WISE

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(e.g., social or commercial), the activation of either category priming impacts the venture's capacity to create value. Ultimately, this work establishes the cognitive foundations of social enterprises' competitive advantage by showing the type of category priming (goal-based vs. prototype-based categorization) that positively impacts a WISE's expected value as a function of "who" the targeted customers (less vs. more knowledgeable customers) are.

#### KEYWORDS

categories, cognitive entrepreneurship, experimental methods, social enterprises, social evaluation

## 1 | INTRODUCTION

How do social enterprises such as work integration social enterprises (WISEs)<sup>1</sup> become more accepted by navigating categorization through priming? This question is key for social enterprises for at least two reasons. First, categorization is central for social enterprises because they need to permanently navigate the delicate balance between being understood and being sufficiently different from other ventures. Second, social enterprises are plural and manifold; they can decide to combine their multiple organizational goals (social, commercial, environmental, etc.) in many different ways, which in turn impacts how they are perceived in the eyes of key stakeholders such as customers. Therefore, social enterprises in general and WISEs in particular have an opportunity to appear more legitimate and to increase their expected value for their customers by activating the "right" category priming depending on how they combine their organizational goals (Battilana et al., 2015; Durand & Paoella, 2013; Fosfuri, Giarratana, & Roca, 2016; Paoella & Durand, 2016).

Social enterprises such as WISEs differ in the degree to which they emphasize their hybridity, that is, how they combine and integrate their multiple organizational goals at the core of the organization (Battilana et al., 2015; Shepherd, Williams, & Zhao, 2019). Thus, some WISEs might focus on their commercial goal or on their social goal first when they engage with customers (Battilana et al., 2015). For example, Greyston Bakery is a US-based WISE with a clear social goal of lifting people out of poverty (e.g., "We don't hire people to bake brownies, we bake brownies to hire people"). In contrast, the Scotland-based Freedom Bakery has a different mission statement and organizational focus: "to make great bread – and to help people." This WISE focuses first on its performance because it sees its focus on its commercial goal as a source of competitive advantage that is crucial for sustaining its social goal achievement over time. While both organizations (a) need to be profitable to sustain their activities (e.g., they need to sell their output directly to customers to integrate vulnerable populations into the job market) and (b) are considered social enterprises in general and WISEs in particular—all of their profits are reinvested back in the organization to sustain their operations and to continuously fulfill their overall social mission—how they articulate their commercial goal of being profitable and how they articulate their social goal differ quite substantially.

Because these WISEs cannot be considered a taken-for-granted organizational form in their market (e.g., they are not a typical bakery), they face specific legitimacy challenges when they engage with customers. In fact, questions related to organizational legitimacy arise when organizations are not well understood or when their actions are seen as inappropriate and unsuitable for the context at hand (Ashforth & Gibbs, 1990; Deephouse & Suchman, 2008; Suchman, 1995, p. 574). Specifically, Deephouse and Suchman (2008) view organizational legitimacy as a function of the "cultural support" that an organization receives from its main stakeholders. In this sense, an organization is fully legitimate when no questions can be raised about its actions. For social enterprises such as WISEs, however,

customers can have questions related to their understandability (e.g., “How easy is it to understand what the social enterprise is doing?”) and to their suitability to the context at hand, coupled either with the quality of the service provided (e.g., “Is the service or product as good as that of any other conventional business?”) or with the consistency of the organization's actions (e.g., “Does the social enterprise really do what it says it does?”). These questions, which can threaten a social enterprise's legitimacy, are more or less acute depending on the mix of organizational goals pursued by the organization. Due to its primary focus on its social goal, Greyston Bakery may suffer from legitimacy challenges primarily because of customers' lack of understanding of what the organization is doing and of the quality of the service provided (Wry & Zhao, 2018). In contrast, Freedom Bakery is less likely to suffer from the same challenges: the focus on its commercial goal tempers customers' concerns over the venture's understandability and quality, but questions related to the suitability and consistency of its actions may arise if the organization inappropriately focuses more on its commercial goal, hence putting in jeopardy the delicate balance between its commercial and social goals.

Therefore, social enterprises such as WISEs can activate different categorization processes<sup>2</sup> in their customers' minds to mitigate the legitimacy challenges that they face, conditional on how these organizations decide to combine their organizational goals (Battilana et al., 2015). Past studies in category research have shown that audiences can activate either a categorization process based on either prototypes (prototype-based categorization) or an ad hoc goal (goal-based categorization) (Barsalou, 1985, 1991; Durand & Paoella, 2013; Gregan-Paxton & Moreau, 2003; Hannan, Pólos & Carroll, 2007; Paoella & Durand, 2016). When prototype-based categorization is activated, customers focus their attention on how an entity under evaluation fits with an established prototype stored in memory (Hannan, Pólos & Carroll, 2007; Moreau et al., 2001). In contrast, when audiences are primed on an ad hoc goal, they activate goal-based categorization and generate specific instantiations of how a service or product fits with their particular goals (Durand & Paoella, 2013; Granqvist & Ritvala, 2015; Paoella & Durand, 2016). I speculate that under certain conditions,<sup>3</sup> the activation of prototype-based categorization can positively impact the expected value of a hybrid venture that is less similar to the category prototype – for instance, a social enterprise that emphasizes its social goal over its commercial goal, such as Greyston Bakery (Battilana et al., 2015)—because customers' selective attention can be directed toward the overlapping attributes that are shared between the prototype and the social enterprise under evaluation (Moreau, Markman, & Lehmann, 2001). In contrast, for a social enterprise that is more similar to the category prototype (e.g., a social enterprise that emphasizes its commercial goal over its social goal, such as Freedom Bakery), priming prototype-based categorization, as opposed to goal-based categorization, might be detrimental to the venture's expected value. In such a context, the perceptions that the venture may engage in inconsistent and unsuitable organizational actions by substantially deviating from its original mission are increased, which can raise potential legitimacy challenges for the organization and lower its capacity to create value for its stakeholders.

In summary, I theorize that prototype-based categorization (goal-based categorization) is not always detrimental (beneficial) to the expected value of social enterprises, as such value depends on how a social enterprise brings together and combines different organizational goals. In fact, how category priming can mitigate an organization's legitimacy challenges differs for one ideal type of social enterprise versus another. For one ideal type of WISE (e.g., Greyston Bakery), it is about being well understood and aiming to alleviate potential quality concerns, while for another ideal type of WISE (e.g., Freedom Bakery), it is about promoting what the organization uniquely provides in terms of services and products without compromising the delicate balance between its competing organizational goals. Finally, because categorization directly depends on the selective attention of the audience under consideration (see, for instance, Falchetti, Cattani, & Ferriani, 2021 for an application across novices vs. experts), I explore whether both of these mechanisms hold (a) within the same audience, discriminating customers based on their level of knowledgeability and (b) between audiences (customers and investors). Overall, I test the impact of different category priming strategies (prototype-based vs. goal-based categorization) on the expected value of WISEs across different audiences in a series of five distinct experiments across 1,366 participants.

Taken together, the results of my work contribute to the existing literature on strategic entrepreneurship and organization theory in multiple ways. First, this study has implications for advancing research on cognitive entrepreneurship (Demil, 2020; Grégoire, Corbett, & McMullen, 2011; McMullen & Bergman, 2017; Parhankangas &

Renko, 2017; Zhao, Ishihara, & Lounsbury, 2013). I show how the priming of appropriate category priming strategies can mitigate the legitimacy challenges faced by social enterprises such as WISEs. By so doing, I push the boundaries of prior research on cognitive entrepreneurship, which, for instance, has highlighted the role played by language and symbols in mitigating the legitimacy challenges faced by traditional ventures (Shepherd & Zacharakis, 2003; Zimmerman & Zeitz, 2002; Zott & Huy, 2007), by integrating how different categorization processes can alleviate social enterprises' potential legitimacy challenges and make WISEs be more accepted by stakeholders, which is key for the survival and growth of such ventures. Second, my findings directly contribute to the literature on categorization processes in markets (Durand & Paoella, 2013; Paoella & Durand, 2016; Vergne & Wry, 2014) by showing that, conditional on how a WISE combines different organizational goals, prototype-based categorization (goal-based categorization) can be beneficial for (detrimental to) the expected value of such a hybrid venture. Finally, my work contributes to the literature on hybrid organizations by deepening the knowledge of different cognitive strategies that favor the performance of hybrid organizations, conditional on a WISE's particular decision to integrate different organizational goals (Battilana et al., 2015; Battilana & Lee, 2014; Pache & Santos, 2013).

## 2 | THEORY DEVELOPMENT

### 2.1 | WISEs and the legitimacy of social enterprises

In today marketplace, social enterprises are ubiquitous. It has been suggested that they represent approximately 2 million organizations in Europe, that is, 10%–12% of all European businesses (Liger, Stefan, & Britton, 2016, p. 30). These ventures vary greatly based on the extent to which the social-commercial trade-off has been integrated into their business model (Wry & Zhao, 2018). In developed economies, a common form of social enterprise is the WISE, whose beneficiaries usually directly interact with customers and regarding which “customers may be concerned about the quality of products or services produced using the labor of higher-need beneficiaries” (Wry & Zhao, 2018, p. 50). WISEs are not insulated from competitive dynamics, that is, they compete like any other businesses to attract customer attention. Therefore, WISEs are particularly exposed to customers' scrutiny, and questions related to their legitimacy (e.g., “How understandable is the organization for customers?” How appropriate is the service provided compared to other conventional businesses? “Is the organization truly doing what it is claiming to do in regard to the social goal promoted by the organization?”) may frequently arise due to repeated beneficiary-customer interactions.

In this work, in particular, I theorize about two ideal types of WISEs that simultaneously pursue two competing goals, a social goal and a commercial goal (Battilana et al., 2015; Wry, Lounsbury, & Devereaux Jennings, 2014; Wry & Zhao, 2018). Therefore, in my context, a WISE can emphasize either its social goal, that is, what Battilana et al. (2015, p. 1,660) called a socially imprinted hybrid organization, or its commercial goal, that is, what Battilana et al. (2015, p. 1,661) called a commercially imprinted hybrid organization. Assuming that a WISE combines two organizational goals, a social goal and a commercial goal, it can be perceived either as a *commercial-social hybrid*—in which the organizational focus is primarily on the commercial goal and then on the social goals—or as a *social-commercial hybrid*—in which the organizational focus is primarily on the social goal and then on the commercial goal (Battilana et al., 2015). Overall, commercial-social hybrids are more similar to the category prototype of a traditional business venture than social-commercial hybrids, and both commercial-social and social-commercial hybrids can be considered ideal types of WISEs that possess two competing organizational goals and that integrate the social-commercial trade-off into their business model to varying degrees (Battilana et al., 2015).

Because WISEs can combine and communicate their organizational goals in different ways, this ability influences how external audiences perceive these ventures and raises potential questions about the legitimacy of such organizations in the eyes of customers (Battilana et al., 2015; Deephouse & Suchman, 2008; Wry & Zhao, 2018). Therefore, understanding the conditions under which a type of category priming can influence how an audience of

customers evaluates a venture is critical for WISEs,<sup>4</sup> as it can temper and mitigate the legitimacy challenges that can threaten the competitiveness of such organizations.

## 2.2 | Category priming (prototype-based vs. goal-based categorization) and the expected value of WISEs

Category priming serves different purposes for organizations because it leads audiences to mobilize different categorization processes as a result of such priming (Durand & Paoella, 2013). Thus, Barsalou (1985, p. 633) shows that “common taxonomic categories are often used for classification, whereas goal-based categories are often used for instantiation.” On the one hand, classifying an entity under evaluation into established taxonomic categories can improve the evaluator’s comprehension and understandability of such an entity by establishing a straightforward comparison between the entity and a prototype stored in the mind of the evaluator (Gregan-Paxton & Moreau, 2003; Moreau et al., 2001). This process of comparison with an established prototype is activated when customers and evaluators rely on the categorization process of prototype-based categorization (Gregan-Paxton & Moreau, 2003; Moreau et al., 2001). On the other hand, instantiating a goal-based category leads the evaluator to process how different attributes part of the entity under evaluation can serve the evaluator’s goals (Barsalou, 1991; Durand & Paoella, 2013). This categorization process is activated when evaluators, such as customers, rely on goal-based categorization (Boulongne & Durand, 2021; Paoella & Durand, 2016).

In particular, when audiences evaluate an entity based on goal-based categorization, that is, when they focus more on an organization’s product and its possible instantiations and how they fit the evaluator’s goals, they use the cognitive mechanism of conceptual combination to assess both producers and offerings in markets (Barsalou, 1985, 1991; Gill & Dubé, 2007; Granqvist & Ritvala, 2015; Medin & Shoben, 1988; Paoella & Durand, 2016; Ward, 2004, p. 176). In this context, triggering conceptual combination through the priming of goal-based categorization “requires substantial attentional resources and involves intentionally carrying out strategies to achieve a goal” (Barsalou & Ross, 1986, p. 117). For example, at the product level, Ratneshwar, Barsalou, Pechmann, and Moore (2001) showed that when the ad hoc goal of “healthy breakfast substitutes” is prompted, audiences make novel associations and make sense of a variety of unrelated product offerings, such as “yogurt,” “bananas,” and “cereal bars” (Ratneshwar et al., 2001). Similarly, Gibbert and Mazursky (2009) showed that prompting an ad hoc goal helps audiences make sense of a hybrid product offering consisting of dissimilar product attributes.

In summary, when goal-based categorization is activated and audiences evaluate a WISE, they use conceptual combination to make sense of the venture’s priorities in connection with an ad hoc goal at hand (Battilana et al., 2015; Gill & Dubé, 2007; Ratneshwar et al., 2001). In such a context, the evaluator’s ad hoc goal interacts with the venture’s organizational goals, and a commercial-social hybrid is perceived as a social enterprise primarily committed to its commercial goal, while a social-commercial hybrid is perceived as a social enterprise primarily committed to its social goal (Battilana et al., 2015). For example, Freedom Bakery, a commercial-social hybrid evolving in the bakery business, focuses its marketing efforts exclusively on the product<sup>5</sup>; by so doing, customers can generate instantiations and ad hoc categories of how the product can meet their goals (e.g., “tasty and unique baked goods to take on the go while going to work,” etc.).

However, social entrepreneurs can decide to trigger and activate prototype-based categorization to redirect their evaluator’s attention from the organization’s goals to the category prototype (Gregan-Paxton & Moreau, 2003; Moreau et al., 2001). When primed on prototype-based categorization, audiences engage in automatic processing for which “possibly no attentional resources [are required] and [that is] initiated by well-established memory structures that through practice come to produce obligatory actions when relevant stimuli are encoded” (Barsalou & Ross, 1986, p. 117). In this context, audiences focus their attention on abstract attributes that are closely related to the category prototype via the cognitive process of central tendency (Barsalou, 1985; Moreau et al., 2001).

Therefore, activating prototype-based categorization can have the potential to direct the audience to the attributes that are central to the category prototype, thus (a) shifting attention away from category-inconsistent attributes and (b) blocking the audience's ability to rely on goal-based categorization and conceptual combination (Barsalou, 1985; Etzion & Ferraro, 2010, p. 1,104; Medin & Shoben, 1988; Moreau et al., 2001). By doing so, audiences such as customers can more easily make sense of a WISE under evaluation by immediately relating the hybrid venture's attributes to the category prototype<sup>6</sup> (Moreau et al., 2001).

### 2.3 | Activation of prototype-based categorization, expected value and the legitimacy of WISEs

The activation of prototype-based categorization can have a different impact on the expected value of WISEs, such as social-commercial and commercial-social hybrids (Battilana et al., 2015; Moreau et al., 2001). Counterintuitively, existing theory predicts that priming prototype-based categorization will be favorable to the expected value of a hybrid venture insofar as the venture under evaluation is as similar as possible to the category prototype (Hannan et al., 2007; Hsu, 2006; Hsu, Koçak, & Hannan, 2009; Kovács & Hannan, 2010; Negro & Leung, 2013). Put differently, previous theory predicts that the activation of prototype-based categorization will be more detrimental to the expected value of a social-commercial hybrid than to the expected value of a commercial-social hybrid because social-commercial hybrids are less similar to the category prototype (Hannan et al., 2007).

Extant theory therefore assumes that evaluators consistently focus their attention on attributes that are dissimilar to the prototype when primed on prototype-based categorization, hence discounting entities that are the most different from the prototype (Hannan et al., 2007; Hsu et al., 2009). However, there is no reason to assume that an evaluator, such as a customer, will only—and always—focus her attention on attributes that are dissimilar to the category prototype. Indeed, a prototype is not a rigid structure stored in the evaluator's long-term memory; rather, it is an emerging mental property that evolves over time (Barsalou, 1987, 1991, p. 6). Consequently, under the right circumstances, an evaluator can focus her attention on the attributes that are common across the prototype and the entity under evaluation (Gregan-Paxton & Moreau, 2003; Moreau et al., 2001). Specifically, when an evaluator focuses her attention on a classification task, that is, when an evaluator is tasked with thinking critically about how a (hybrid) entity relates to mental abstractions of established categories (prototypes) and when an evaluator is not tasked with evaluating a hybrid entity against a typical member of the category, the evaluator's attention can be directed toward the commonalities between the prototype and the entity under evaluation, not necessarily toward the dissimilarities between the two (Barsalou, 1991; Moreau et al., 2001). Thus, the evaluator can then make a mental shift and see a hybrid entity through the lenses of the attributes that are common across the prototype and the hybrid entity under evaluation (Gregan-Paxton & Moreau, 2003; Moreau et al., 2001). Making such a mental shift can be crucial for social enterprises, especially for social-commercial hybrids whose customers can have concerns related to understandability (of the venture positioning) and the suitability of the hybrid's offering (for the customers' needs).<sup>7</sup>

Therefore, the activation of prototype-based categorization can channel customers' attention to what makes the social-commercial hybrid entity comparable to other prototypical members of the category. By doing so, the legitimacy questions surrounding the evaluation of a social-commercial are alleviated, hence facilitating the process of making sense of the WISE under evaluation (i.e., by reducing customers' cognitive difficulties in understanding the social enterprise's positioning) and mitigating the quality concerns over the venture relative to other conventional businesses (i.e., by reducing the venture's perceived lack of ability<sup>8</sup>; Leung & Sharkey, 2014, p. 173; Moreau et al., 2001). In brief, customers' cognitive difficulties and quality concerns usually associated with the evaluation of WISEs are dwarfed by the activation of prototype-based categorization when they evaluate a social-commercial hybrid (Moreau et al., 2001; Wry and Zhao, 2018).

However, while prototype-based categorization can temper the questions surrounding the legitimacy of social-commercial hybrids, it can backfire for commercial-social hybrids, as doubts can arise about whether the hybrid venture can sustain and “stay true” to its hybrid identity (Battilana & Lee, 2014; Grimes, Williams, & Zhao, 2019). In short, a commercial-social hybrid's legitimacy may be challenged when customers activate prototype-based categorization. In this context, customers' perceptions that a commercial-social hybrid can sustain the achievement of multiple organizational goals over time may be questioned, which can ultimately increase the perceptions of inconsistency between the venture's stated goals and its actions (Ebrahim, Battilana, & Mair, 2014; Grimes et al., 2019). Put differently, for a commercial-social hybrid, priming prototype-based categorization bears the risk of jeopardizing the very identity of the venture as a social enterprise (Ebrahim et al., 2014). Hence, priming prototype-based categorization can increase the legitimacy challenges faced by commercial-social hybrids because they can be perceived as less authentic and as promoters of inconsistent actions between their stated goals and organizational actions (Grimes et al., 2019). Therefore, the activation of prototype-based categorization for a commercial-social hybrid can lead customers to question and doubt the authenticity of the venture's commitment to its social goals, resulting in an interrogation of the overall venture's sincerity in maintaining its hybridity over time (Battilana et al., 2015; Grimes et al., 2019).

In summary, the activation of prototype-based categorization positively impacts the expected value of social-commercial hybrids because it alleviates the questions surrounding the legitimacy of social-commercial hybrids (by reducing customers' cognitive difficulties and the social enterprise's perceived lack of ability). In contrast, the activation of prototype-based categorization negatively impacts the expected value of commercial-social hybrids, as it increases the likelihood that legitimacy questions for the hybrid venture will be posed (by elevating the perceived risk of inconsistency between the venture's stated goals and its actions; Battilana et al., 2015; Grimes et al., 2019; Moreau et al., 2001). Hence, I expect the following:

**Hypothesis (H1a).** *Relative to goal-based categorization, the activation of prototype-based categorization increases (decreases) the expected value of social-commercial hybrids (commercial-social hybrids).*

**Hypothesis (H1b).** *The activation of prototype-based categorization increases (decreases) the expected value of social-commercial hybrids (commercial-social hybrids) because it decreases (increases) the venture's legitimacy challenges.*

## 2.4 | Activation of prototype-based categorization, the expected value of social enterprises and within-audience heterogeneity

Categorization depends heavily on the audience performing the categorization task (Durand & Paoella, 2013; Paoella & Durand, 2016; Vergne & Wry, 2014). Past research has shown that different audience members react distinctively to the activation of various categorization processes (Burnett, Medin, Ross, & Blok, 2005; Hsu et al., 2009, p. 167). In particular, Medin, Lynch, Coley, and Atran (1997) show that different audiences tend to focus more on classification tasks—and therefore preferably rely more on prototype-based categorization—while other audiences rely more on utilitarian tasks—and therefore rely more on goal-based categorization. Studying audiences with varying degrees of knowledgeability about trees, the authors show that audiences preferably rely on different categorization processes in their day-to-day activities. Landscape personnel, for instance, are more likely to use goal-based categorization because “utilitarian functions (providing shade, esthetic qualities, etc.) are salient to landscapers” (Medin et al., 1997, p. 54).

In summary, knowledgeable audiences preferably use ideals and conceptual combination to make evaluations, while less knowledgeable audiences focus their attention more on abstract dimensions (Medin & Atran, 2004, p. 975). Therefore, an evaluator's level of knowledgeability directly influences her selective attention, either to mental

abstractions or to attributes conducive to achieving the evaluator's goals (Barsalou, 1985, 1991). Put differently, more knowledgeable evaluators are more likely to “represent problems in terms of relational features,” whereas less knowledgeable evaluators are more likely to represent similar problems in terms of surface attributes (Gregan-Paxton & John, 1997, p. 272). Consequently, less knowledgeable customers are more likely to focus their attention on abstractions, while more knowledgeable customers are more likely to focus their attention on specific attributes that relate to their goals because they have a finer, more nuanced ability to interrogate the information at hand and organize their knowledge (Lurigio & Carroll, 1985; Lo & Kennedy, 2015). Hence, less knowledgeable audiences prefer to anchor their attention on the “why,” that is, on abstract mental prototypes that relate to prototype-based categorization, while more knowledgeable customers prefer to focus on the “how,” that is, on concrete linguistic frames that can elicit goal-based categorization (Falchetti et al., 2021; Johnson, 2013). Overall, regarding the expected value of WISEs, less knowledgeable customers are more likely to positively react to the priming of prototype-based categorization (a) due to their selective attention to abstractions and surface attributes and (b) because they are likely to be more confused about what a social-commercial hybrid does compared to more knowledgeable customers (Barsalou, 1991; Gregan-Paxton & John, 1997; Medin & Atran, 2004).

Therefore, the positive impact of prototype-based categorization on the expected value of social-commercial hybrids is likely to be higher for less knowledgeable customers than for more knowledgeable customers (Barsalou, 1985; Gregan-Paxton & John, 1997). Conversely, the positive impact of goal-based categorization on the expected value of commercial-social hybrids is likely to be higher for more knowledgeable than for less knowledgeable customers (Barsalou, 1991; Gregan-Paxton & John, 1997). Hence, I expect the following:

**Hypothesis (H2).** *The positive (negative) effect of activating prototype-based categorization on the expected value of social-commercial hybrids (commercial-social hybrids) varies within an audience of customers, such that less (more) knowledgeable customers react more positively to the activation of prototype-based categorization (goal-based categorization) than more (less) knowledgeable customers.*

### 3 | OVERVIEW OF THE STUDIES

To test my hypotheses, I conducted five independent studies (three in the main body of the paper<sup>9</sup> and two in the appendices). Study 1 uses a  $2 \times 2$  design (prototype-based vs. goal-based categorization  $\times$  social-commercial vs. commercial-social hybrids) and investigates whether the activation of prototype-based categorization increases (decreases) the expected value of social-commercial hybrids (commercial-social hybrids; Hypothesis H1a). In this study, I explore whether the activation of prototype-based categorization increases the legitimacy challenges faced by a commercial-social hybrid, that is, whether the inconsistency between stated goals and actions mediates the effect of prototype-based categorization on the expected value of a commercial-social hybrid (Hypothesis H1b). In Study 2, I replicate the main findings of Study 1 using a different priming technique (mindset priming; see Bargh & Chartrand, 2000; Kopetz & Kruglanski, 2008) and by changing the context of evaluation (a bakery vs. a cleaning business). Notably, using mindset priming is key to ensuring that participants focus their attention on a classification task and on the common attributes between an entity under evaluation and a prototype. In Study 2, I also change the way in which expected value is measured (willingness to pay [WTP] vs. evaluation in Study 1). Additionally, I explore whether prototype-based categorization decreases the legitimacy challenges faced by a social-commercial hybrid, which, for such a hybrid, is measured by a reduction in customers' cognitive difficulties (understandability) and the venture's perceived lack of ability (the appropriateness and suitability of the hybrid's venture service for the context at hand; Hypothesis H1b). In Study 3, I replicate Study 2 by increasing the sample size to study whether knowledgeability influences the effect of priming prototype-based categorization on the expected value of either a social-commercial or commercial-social hybrid (Hypothesis H2). In this study, I measure expected value using both evaluation (Study 1) and WTP (Study 2). Finally, in the appendices, I examine whether the results are replicable using both



TABLE 1 Presentation of studies

| Studies                       | 1  | A   | 2   | 3   | B   |
|-------------------------------|--|---|---|---|---|
| <i>Audience</i>               | Customers  | Customers   | Customers   | Customers   | Investors   |
| <i>Context</i>                | Cleaning business  | Cleaning business   | Bakery  | Bakery  | Bakery  |
| <i>DV</i><br>(expected value) | Evaluation (likability)  | Evaluation + willingness to hire  | WTP (willingness to pay)  | Evaluation + WTP  | Willingness to invest + investment decision   |
| <i>IVs (manip.)</i>           | <ul style="list-style-type: none"> <li>• WISEs: Social-commercial versus commercial-social</li> <li>• <i>Categorization processes</i>: Prototype-based versus goal-based (direct priming)</li> </ul>   | <ul style="list-style-type: none"> <li>• WISEs: Social-commercial versus commercial-social</li> <li>• <i>Categorization processes</i>: Prototype-based versus goal-based (mindset priming)</li> </ul> | <ul style="list-style-type: none"> <li>• WISEs: Social-commercial versus commercial-social</li> <li>• <i>Categorization processes</i>: Prototype-based versus goal-based (mindset priming)</li> </ul>   | <ul style="list-style-type: none"> <li>• WISEs: Social-commercial versus commercial-social</li> <li>• <i>Categorization processes</i>: Prototype-based versus goal-based (mindset priming)</li> </ul>   | <ul style="list-style-type: none"> <li>• WISEs: Social-commercial versus commercial-social</li> <li>• <i>Categorization processes</i>: Prototype-based versus goal-based (mindset priming)</li> </ul>   |
| <i>Main results</i>           | <ul style="list-style-type: none"> <li>• Prototype-based categorization (vs. goal-based categorization) positively impacts the expected value of a commercial-social hybrid</li> <li>• Prototype-based categorization decreases the expected value of a commercial-social hybrid because it increases the legitimacy challenge faced by such ventures (i.e., it increases the odds of perceiving the venture as inappropriate because of a perceived inconsistency between the venture's stated goals and organizational actions)</li> </ul> | <ul style="list-style-type: none"> <li>• Prototype-based categorization (vs. goal-based categorization) positively impacts the expected value of a commercial-social hybrid</li> </ul>                | <ul style="list-style-type: none"> <li>• Prototype-based categorization (vs. goal-based categorization) positively impacts the expected value of a commercial-social hybrid</li> <li>• Prototype-based categorization increases the expected value of a social-commercial hybrid because it decreases the legitimacy challenges faced by such ventures by impacting understandability (i.e., it decreases customers' cognitive difficulties and appropriateness (i.e., it decreases the venture's perceived lack of ability)</li> </ul> | <ul style="list-style-type: none"> <li>• Same as those in Studies 1 and 2</li> <li>• Knowledgeability moderates the effect of prototype-based categorization on expected value, especially for a social-commercial hybrid, such that the positive impact of priming prototype-based categorization is positive and significant only for less knowledgeable customers</li> </ul> | <ul style="list-style-type: none"> <li>• Prototype-based categorization (vs. goal-based categorization) positively impacts the expected value of a social-commercial hybrid but decreases the expected value of a commercial-social hybrid</li> </ul> |

mindset priming and a cleaning business as the context for evaluation (Study A) and whether I change my targeted audience from customers to investors (Study B). Table 1 summarizes the different studies presented in this manuscript.

Notably, in all experiments, I asked the participants to evaluate a WISE, either a cleaning business (Studies 1 and A) or a bakery (Studies 2, 3, and B; Battilana et al., 2015).

## 4 | STUDY 1

### 4.1 | Participants

Two hundred forty-four participants successfully completed the experiment on Prolific.<sup>10</sup> They were tasked with imagining that they were customers who “needed to hire a contractor for cleaning purposes.” The participants were paid 0.30 pounds for the task. All participants were required to speak English as their first language and to have an approval rate >95%. Overall, 50% of the participants were male, and their average age was 28.55 years ( $SD = 9.61$ ). On average, they took 280 s to complete the experiment ( $SD = 161$ ). Because the experiment was run online, I included an instructional manipulation check (IMC) to identify participants who did not read the instructions (Oppenheimer, Meyvis, & Davidenko, 2009, p. 867). To avoid threatening the internal validity of the study, I did not exclude these participants from my analysis (Berinsky, Margolis, & Sances, 2016; Vannette, 2016). Thirty participants (approximately 12%) failed to correctly respond to the attention check, and the results remained robust when these participants were excluded from the analyses.

### 4.2 | Manipulations

#### 4.2.1 | Social-commercial versus commercial-social goals

The participants were invited to evaluate either a social-commercial or a commercial-social hybrid, that is, a WISE that emphasizes either its social or its commercial goal first. Hence, when the WISE emphasizes its social-commercial goals, the hybrid venture emphasizes that the organization started “as a campaign” whose sole mission was to return its “workforce back to employment.” Additionally, the hybrid venture prominently advertises that its workforce is “made of long-term unemployed people or employees with disabilities.” In contrast, when the venture stresses commercial-social goals, the venture first emphasizes commercially focused attributes (which are identical to those presented by the social-commercial hybrid). Only afterward does the commercial-social hybrid emphasize its social goal. In summary, my manipulation ensures that the quality of the service provided by the ventures is held constant across conditions; thus, I manipulated only how the WISE presents its social-commercial or commercial-social goals to customers (see Appendix A).

#### 4.2.2 | Prototype-based categorization versus goal-based categorization

To manipulate goal-based categorization, I primed an ad hoc goal (Barsalou, 1983; Durand & Paoella, 2013) in a way that is consistent with the previous literature (see Boulongne & Durand, 2021; Study 1). As such, before the evaluation, I asked the participants, “How can hiring a cleaning business help you achieve your strategic goals?”

The previous literature shows that the priming of an ad hoc goal activates goal-based categorization (Boulongne & Durand, 2021). Intuitively, when one thinks about a cleaning business, priming how a cleaning business can help achieve one's strategic goal shifts the customer's attention away from the category prototype of a cleaning

business or the customer's goals. In contrast, in the prototype-based condition, I asked the participants, "In your mind, what are the features that a typical cleaning business should possess?" My goal was to prime the participants with a prototype that would lead them to focus their attention on the abstract characteristics that constitute the prototype of a cleaning business (Durand & Paoletta, 2013).

### 4.3 | Measures

#### 4.3.1 | Dependent variable

In this study, I used an evaluation score, which is standard in the categorization literature (e.g., see Hsu et al., 2009), to build my expected value score. The participants were asked whether they liked the hybrid venture under evaluation, and they chose a response option ranging from *not all* (0) to *absolutely* (9). Across conditions, this score had a mean = 6.92 (SD = 1.74).

#### 4.3.2 | Mediator—Measuring the legitimacy challenges faced by commercial-social hybrids

I theorized that commercial-social hybrids could face legitimacy challenges if customers question the appropriateness of the organization, that is, if customers perceive the organization as being inconsistent due to an excessive focus on the commercial goal to the detriment of the social venture's overall mission. Thus, to build my measure of inconsistency between stated goals and organizational actions, I relied on Grimes et al. (2019) to create two items of authenticity and responsiveness, which essentially refer to whether a venture projects a consistent image to its customers. I asked two items rated on a 10-point scale to build my inconsistency score. First, I asked the participants whether they thought that "Clean and Co. does what it says," and they chose a response option ranging from *totally disagree* (0) to *totally agree* (9). Second, I asked them how they would rate Clean and Co. on a measure of authenticity ranging from *very inauthentic* (0) to *very authentic* (9). I averaged those two items to create my measure of inconsistency ( $\alpha = .85$ ). Notably, I reverse coded this variable; thus, the higher the score was, the higher the participants' perceptions of inconsistency and the higher the venture's potential legitimacy challenges. Across conditions, *inconsistency* had a mean = 4.22 (SD = 1.55).

### 4.4 | Results

#### 4.4.1 | Manipulation checks

##### *Prototype-based versus goal-based categorization*

I investigated whether my manipulation of prototype-based versus goal-based categorization triggered an essentially different cognitive process for the participants. I theorized that the priming of an ad hoc goal would trigger the cognitive process of conceptual combination (Barsalou, 1991, p. 5), that is, the participants would generate a goal-derived category in connection with their own goals. In this context, the participants would focus their attention on instantiations following the activation of goal-based categorization. In contrast, I theorized that when the participants were primed with prototype-based categorization and with a classification task, they would focus their attention on abstract characteristics of a prototype via the cognitive process of central tendency (Barsalou, 1985, p. 633).

Therefore, to analyze the statements made by the participants in the main study following the priming of either prototype-based or goal-based categorization, I recruited three independent raters on Prolific who were paid 2.5

pounds for the task, which was to randomly evaluate all the statements made by the participants in the main study. All raters were required to speak English as their first language and to have an approval rate > 95%. The three independent raters were blinded to the objectives of the study and completed the task in 21.16 min, on average. In particular, the participants were asked “to evaluate some statements made by customers of a potential cleaning business... and [whether they] think that the writer/customer focuses more, in his/her statement, on general and abstract concepts (e.g., abstractions) or on his/her goals (e.g., instantiations).” After reading each of the 200+ statements, the rater was asked to answer the following question: “Does the writer focus more on abstract concepts (e.g., abstractions) than on his/her goals (e.g., instantiations)?” The answers ranged from 0 “*not at all (the focus is on his/her goals)*” to 9 “*absolutely (the focus is more on abstractions)*.” My goal was to evaluate whether the participants in the main study focused their attention more on their own goals when primed with goal-based categorization or more on abstractions linked to a category prototype when primed with prototype-based categorization (Barsalou, 1985; Barsalou & Ross, 1986).

First, I tested the interrater agreement, finding strong agreement across raters following the evaluation of the participants' statements ( $\alpha = .84$ ). Consequently, I averaged these ratings to create a measure of *abstractions*, such that the higher the score was, the higher the participants' focus on abstract characteristics of the prototype. Across conditions, *abstractions* had a mean = 4.94 (SD = 3.13). As expected, in the main study, the participants primed with prototype-based categorization versus goal-based categorization focused their attention more on abstractions than on their own goals ( $M_{\text{prototype-based categorization}} = 7.37$ , SD = 1.47 vs.  $M_{\text{commercial-social hybrid}} = 2.52$ , SD = 2.38;  $t(1, 242) = 19.17$ ,  $p = .000$ , two-tailed test).

Second, I qualitatively interpreted the differences across conditions by putting into context the different sentences and words that the participants wrote following the priming of either categorization process. For example, following the activation of prototype-based categorization, one participant wrote “organization, honesty, order, efficiency,” while another participant wrote “efficiency, professionalism and meticulousness.” In contrast, following the activation of goal-based categorization, one participant wrote that “hiring a cleaning business can help relieve people from mundane tasks that would normally occupy their minds and keep them away from focusing on work or proper relaxation, thus improving one's work-life balance. A clean environment can also have a performance boosting effect.” Another participant wrote that “you can help me by creating an environment of order and cleanliness where I only have to really worry about my business goals.” Overall, the participants reported a higher focus on abstractions when primed on prototype-based categorization versus goal-based categorization because they derived an ad hoc category when primed on an ad hoc goal, while they focused their attention on the essential and abstract characteristics of a prototype when primed on prototype-based categorization (Barsalou, 1985; Durand & Paoella, 2013).

#### *Social-commercial versus commercial-social hybrids*

I theorized that a social-commercial hybrid differs from a commercial-social hybrid in terms of the degree of similarity to a category prototype, with the latter being more similar to a category prototype (in the context of this experiment, a typical cleaning business) than the former. Importantly, however, for my manipulation to be valid, both types of ventures needed to be perceived as social enterprises, despite their different levels of similarity to the category prototype. To account for these differences, I ran an additional test with 100 participants different from those in Study 1. These participants were randomly assigned to two conditions; in one condition, they were tasked with evaluating a social-commercial hybrid, while in the other condition, they were tasked with evaluating a commercial-social hybrid. Across conditions, the participants were on average 27.2 years of age (SD = 8.30), and 54% of the pool was female.

The participants were given two items. First, to measure similarity with the category prototype, they were asked whether Clean and Co. was “similar to a typical cleaning business,” and the responses ranged from *not similar at all* (0) to *very similar* (9). They were also asked whether they thought Clean and Co. could be considered a social enterprise, with answers ranging from *not at all* (0) to *absolutely* (9). The participants found the social-commercial hybrid to be less similar to the category prototype than the commercial-social hybrid ( $M_{\text{social-commercial hybrid}} = 4.26$ ,

SD = 2.72 vs.  $M_{\text{commercial-social hybrid}} = 5.4$ , SD = 2.62;  $t(1, 98) = -2.13$ ,  $p = .04$ , two-tailed test). Simultaneously, I could not detect a difference across conditions in terms of whether the participants thought that the hybrid venture could be perceived as a social enterprise ( $M_{\text{social-commercial hybrid}} = 7.1$ , SD = 1.74 vs.  $M_{\text{commercial-social hybrid}} = 6.6$ , SD = 2.27;  $t(1, 98) = 1.24$ ,  $p = .22$ , two-tailed test).

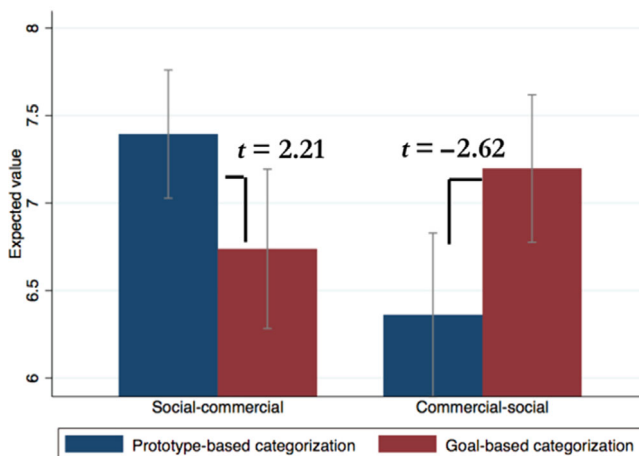
#### 4.4.2 | Testing the main effects

To test whether the activation of prototype-based categorization or goal-based categorization had a different effect on the expected value of a social-commercial or commercial-social hybrid, I conducted a 2 (social-commercial vs. commercial-social)  $\times$  2 (prototype-based categorization vs. goal-based categorization) ANOVA on my expected value score. My ANOVA yielded a significant interaction ( $F(1, 240) = 11.70$ ,  $p = .0007$ , indicating a difference across conditions. Figure 1 shows the means across all four conditions.

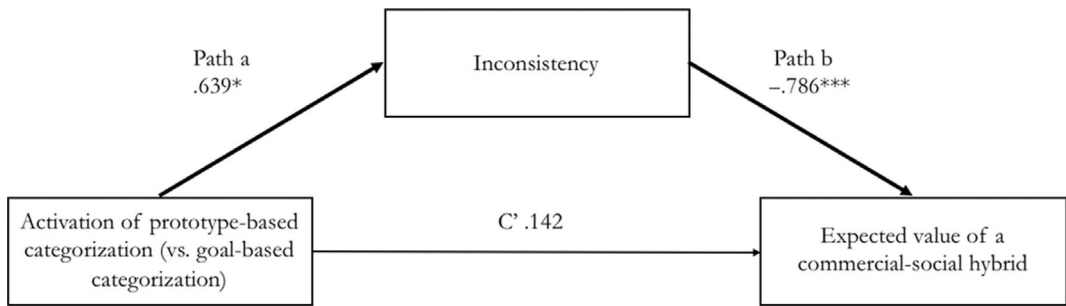
The activation of prototype-based categorization (vs. goal-based categorization) positively impacted the expected value of a social-commercial hybrid ( $M_{\text{prototype-based categorization}} = 7.39$ , SD = 1.45 vs.  $M_{\text{goal-based categorization}} = 6.74$ , SD = 1.81;  $t(1, 120) = 2.21$ ,  $p = .03$ , two-tailed test; Cohen's  $d = .40$ , 95% confidence interval (CI) [0.04; 0.76<sup>11</sup>]). In contrast, prototype-based categorization (vs. goal-based categorization) decreased the expected value of a commercial-social hybrid ( $M_{\text{prototype-based categorization}} = 6.36$ , SD = 1.85 vs.  $M_{\text{goal-based categorization}} = 7.20$ , SD = 1.67;  $t(1, 120) = -2.62$ ,  $p = .01$ , two-tailed test; Cohen's  $d = -.47$ , 95% CI [-0.83; -0.11]). These differences show that the activation of prototype-based categorization had a different impact on the expected value of hybrid ventures; while the effect was positive for a social-commercial hybrid, it became negative for a commercial-social hybrid.

#### 4.4.3 | Prototype-based categorization and the legitimacy challenges faced by commercial-social hybrids

To test whether inconsistency between stated goals and organizational actions mediates the negative effect of prototype-based categorization on the expected value of a commercial-social hybrid, I ran a moderated mediation



**FIGURE 1** Means of expected value by conditions (Study 1). Prototype-based categorization increases the expected value of a social-commercial hybrid ( $t(1, 120) = 2.21$ ,  $p = .03$ ) and decreases the expected value of a commercial-social hybrid ( $t(1, 120) = -2.62$ ,  $p = .01$ )



**FIGURE 2** Mediation analysis and the expected value of a commercial-social hybrid—mediation via inconsistency (Study 1). Prototype-based categorization increases the legitimacy challenges faced by a commercial-social hybrid by positively impacting its perceived inconsistency (path a, beta = .639,  $p = .03$ , CI [0.059; 1.22]). In turn, inconsistency negatively impacts the expected value of a commercial-social hybrid (path b, beta =  $-.786$ ,  $p = .000$ , CI [−0.917; −0.655])

analysis using the PROCESS macro in SPSS developed by Hayes (2015; 2017—Model 7) using my *inconsistency* score via a bias-corrected bootstrap model based on 10,000 bootstrap samples. The index of moderated mediation, that is, the difference between conditional indirect effects, was negative (−0.80), and the CIs were strictly below zero [−1.4420; −0.2099], excluding the possibility of a null effect of the entire model and indicating a difference in terms of indirect effects via inconsistency when prototype-based categorization was activated and the participants evaluated either a social-commercial or commercial-social hybrid.

Therefore, regarding the expected value of commercial-social hybrids, the activation of prototype-based categorization (Figure 2) had a positive effect on the perceptions of inconsistency (path a, beta = .639,  $p = .03$ , CI [0.059; 1.22]). In turn, my inconsistency coefficient had a significant negative impact on expected value (path b, beta =  $-.786$ ,  $p = .000$ , CI [−0.917; −0.655]), providing evidence that the activation of prototype-based categorization increased the perceived inconsistency of commercial-social hybrids, which in turn negatively impacted their expected value. The total indirect effect via inconsistency was thus negative for a commercial-social hybrid when prototype-based categorization was activated (indirect effect =  $-.5026$ , CI [−0.9677; −0.0549]). Notably, the direct effect of prototype-based categorization on the expected value of a commercial-social hybrid (see path c') became nonsignificant, meaning that the indirect effect via inconsistency fully accounted for the negative effect of prototype-based categorization on the expected value of a commercial-social hybrid. Put differently, inconsistency between stated goals and organizational actions fully mediated the negative effect of prototype-based categorization on the expected value of a commercial-social hybrid. Finally, I could not detect a significant effect of prototype-based categorization on the perceived inconsistency of social-commercial hybrids.

## 5 | STUDY 2

Study 1 showed that prototype-based categorization versus goal-based categorization positively (negatively) impacts the evaluation of a social-commercial (commercial-social) hybrid and that prototype-based categorization increases the inconsistency of commercial-social hybrids, accounting for the negative impact on their expected value. First, while previous results stand, it remains to be shown that the results remain robust to a different priming technique, that is, the effects do not depend on the priming of a specific ad hoc goal to activate goal-based categorization or the use of a specific label to activate prototype-based categorization. Furthermore, I need to ensure that the participants focus their attention on the comparability between the entity under evaluation and the prototype. To address these issues, I use a different priming strategy to prime either prototype-based categorization or goal-based

categorization. Thus, I use a mindset priming technique (Bargh & Chartrand, 2000; Kopetz & Kruglanski, 2008), which primes participants to either establish comparability with a prototype (prototype-based categorization) or stimulate goal-based categorization by pushing participants to instantiate an ad hoc goal.

Second, in this study, I provide a more familiar context to the participants to increase the external validity of my results. To do so, I use the description of a real-world bakery to manipulate social-commercial versus commercial-social goals.<sup>12</sup> In addition, I rewrite the vignettes and simplify them to a core where ventures emphasize either their social or commercial goal first, and I ask a different item to capture expected value (WTP vs. evaluation in Study 1).

Finally, in this study, I provide evidence that the activation of prototype-based categorization reduces the legitimacy challenges faced by social-commercial hybrids, that is, the activation of prototype-based categorization decreases the cognitive difficulties and perceived lack of ability of a social-commercial hybrid, hence accounting for the positive effect of prototype-based categorization on its expected value (H1b).

## 5.1 | Participants

Two hundred forty-one participants successfully completed the experiment on Prolific. They were tasked with imagining that they were customers in “the mood to buy their favorite brownies.” The participants were paid .30 pounds for the task. All participants were required to speak English as their first language and to have an approval rate > 95%. Overall, 50% of the participants were male, and their average age was 28.54 years ( $SD = 9.60$ ). The participants took 258 s, on average, to complete the experiment ( $SD = 158$ ). In line with the previous study, I included an IMC, and 27 participants (approximately 11%) failed to correctly respond to the attention check. The results remained robust when these participants were excluded from the analyses.

## 5.2 | Manipulations

### 5.2.1 | Social-commercial versus commercial-social goals

In contrast to Study 1, I simplified the wording of the vignettes to manipulate social-commercial versus commercial-social goals. While both vignettes emphasized that the organization was a social enterprise, the social-commercial hybrid stressed that “[they] don’t hire people to bake brownies, [they] bake brownies to hire people,” and the commercial-social hybrid stressed that “[they] need to bake brownies first, and then [they] can think about hiring people.” Consistent with Study 1, my manipulation ensured that (a) the quality of the service provided by the hybrid venture was held constant across conditions, as the same information was present across conditions and only the ordering in the presentation of the organizational goals differed, and (b) I manipulated only whether the social enterprise emphasized its social or commercial goal first when communicating to customers (see Appendix B).

### 5.2.2 | Prototype-based categorization versus goal-based categorization (mindset priming)

In this experiment, I manipulated prototype-based categorization versus goal-based categorization using mindset priming, where “what is primed is a procedure or a purposive way of thinking about information and situation” (Bargh & Chartrand, 2000, p. 258; Kopetz & Kruglanski, 2008, p. 699). Mindset priming is appropriate for my study because it pushed the participants to evaluate the hybrid entity with an established cognitive framework in mind: based on either how an object is comparable to a prototype (prototype-based categorization) or a focus on how an object is instrumental in achieving an ad hoc goal (goal-based categorization).

Hence, to activate prototype-based categorization, prior to collecting my dependent measure, the participants were asked to establish a correspondence between 10 objects and 3 prototypical categories. Following Kopetz and Kruglanski (2008), I used a fork, an apricot, a banana, a pear, a spoon, a knife, Microsoft Outlook, a clementine, Microsoft Word, Microsoft Excel, and the following three categories: computer software, utensils, and fruits. In contrast, to prime goal-based categorization, the participants were asked to select one of the 10 objects described above (e.g., a fork, an apricot, a banana) and to use five words to depict its specific functions and goals (e.g., a fork has a handle to be seized and prongs to pick, and it is used to eat; see Kopetz & Kruglanski, 2008; Study 2). In either case, the exercise was presented as a warm-up exercise for the participants. In brief, in the prototype-based categorization condition, the participants were primed to think of how an entity related to a category prototype, whereas in the goal-based categorization condition, they had to associate one entity with its goals.

## 5.3 | Results

### 5.3.1 | Dependent variable

In this study, to capture expected value, following the presentation of the vignettes, the participants were asked about their WTP, that is, whether they would buy a brownie from Brownies and Co., with responses provided on a scale ranging from not at all (0) to absolutely (9). Across conditions, this score had a mean = 7.56 (SD = 1.46).

### 5.3.2 | Mediators—Measuring the legitimacy challenges faced by social-commercial hybrids

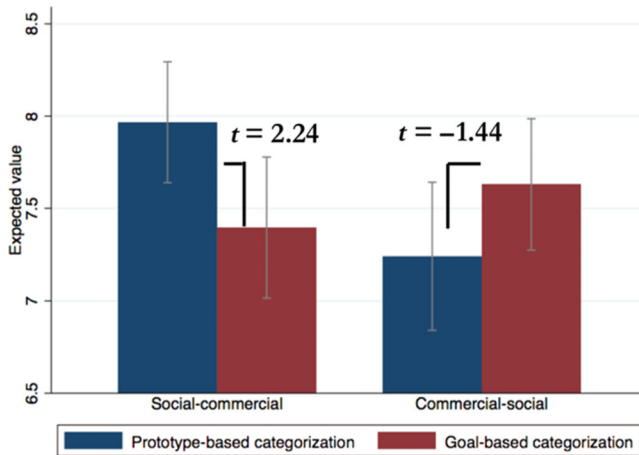
I theorized that social-commercial hybrids could face legitimacy challenges if customers, first, did not understand the organization (e.g., cognitive difficulties) and, second, questioned the appropriateness of the organization regarding how it performed compared to conventional businesses (e.g., the venture's perceived lack of ability). Thus, to measure cognitive difficulties, I asked the participants, "How easy is it to understand what Clean and Co. is doing?" with responses ranging from *not easy at all* (0) to *very easy* (9). To measure perceived lack of ability, I asked, "Do you have doubts about Brownies and Co.'s competence?" with responses ranging from *absolutely* (0) to *not at all* (9). Notably, consistent with Study 1, I reverse coded these variables; thus, the higher the scores were, the higher the cognitive difficulties and the venture's perceived lack of ability. Across conditions, the variable cognitive difficulties had a mean = 3.31 (SD = 1.66), and perceived lack of ability had a mean = 5.02 (SD = 2.33); both variables were weakly correlated at .21.

## 5.4 | Results

### 5.4.1 | Manipulation check: Social-commercial versus commercial-social hybrids

Consistent with Study 1, I ran an additional test with 101 different participants from Study 2 to measure whether, in this study, (a) a commercial-social hybrid was perceived as more similar to a category prototype (a bakery) than a social-commercial hybrid and (b) both types of WISEs were considered social enterprises in their own right. The same measures as those presented in Study 1 were used. In this test, the participants were, on average, 27.41 years of age (SD = 7.40), and 56% of the pool was female. The participants found the social-commercial hybrid to be less similar to a typical bakery ( $M_{\text{social-commercial hybrid}} = 3.38$ , SD = 2.27 vs.  $M_{\text{commercial-social hybrid}} = 4.86$ , SD = 2.71;  $t(1, 99) = -2.98$ ,  $p = .004$ , two-tailed test). Simultaneously, I could not detect a difference across conditions in terms of whether they thought the organization could be perceived as a social enterprise ( $M_{\text{social-commercial hybrid}} = 7.62$ , SD = 1.84 vs.  $M_{\text{commercial-social hybrid}} = 7.06$ , SD = 2.15;  $t(1, 99) = 1.40$ ,  $p = .16$ , two-tailed test).





**FIGURE 3** Means of expected value by conditions (Study 2). Prototype-based categorization increases the expected value of a social-commercial hybrid ( $t(1, 116) = 2.24, p = .03$ ) and decreases the expected value of a commercial-social hybrid ( $t(1, 121) = -1.44, p = .15$ )

#### 5.4.2 | Testing the main effects

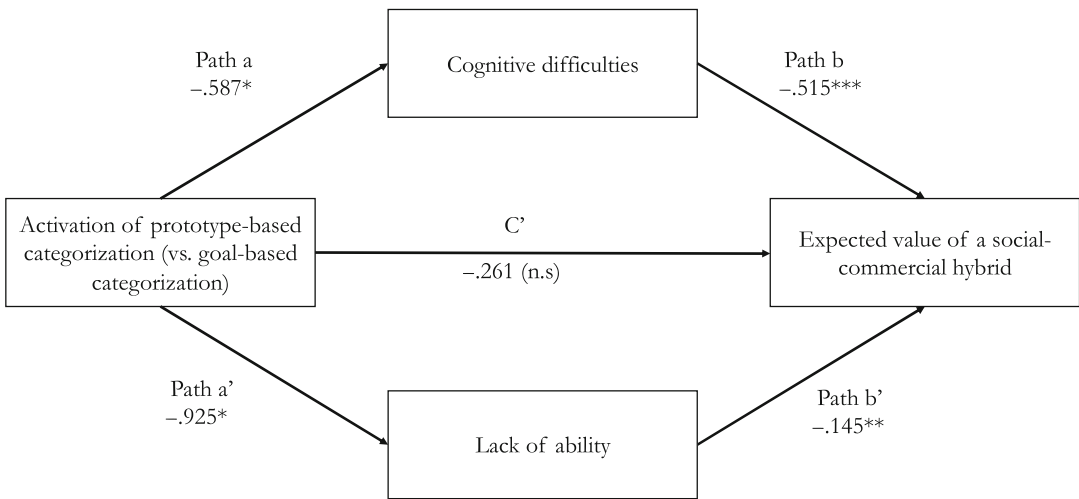
I conducted a 2 (social-commercial vs. commercial-social)  $\times$  2 (prototype-based categorization vs. goal-based categorization) ANOVA on *expected value*, which yielded a significant interaction ( $F(1, 237) = 6.64, p = .011$ ). Figure 3 shows the means across conditions.

Consistent with the previous study, the activation of prototype-based categorization (vs. goal-based categorization) positively impacted the expected value of a social-commercial hybrid ( $M_{\text{prototype-based categorization}} = 7.97, SD = 1.29$  vs.  $M_{\text{goal-based categorization}} = 7.40, SD = 1.47$ ;  $t(1, 116) = 2.24, p = .03$ , two-tailed test; Cohen's  $d = .41$ , 95% CI [0.05; 0.77]). In contrast, prototype-based categorization (vs. goal-based categorization) decreased the expected value of a commercial-social hybrid ( $M_{\text{prototype-based categorization}} = 7.24, SD = 1.55$  vs.  $M_{\text{goal-based categorization}} = 7.63, SD = 1.45$ ;  $t(1, 121) = -1.44, p = .15$ , two-tailed test; Cohen's  $d = -.26$ , 95% CI [-0.61; 0.09]). Thus, these results show a pattern consistent with the previous study: the activation of prototype-based categorization positively impacted the expected value for a social-commercial hybrid, while it negatively impacted the expected value of a commercial-social hybrid.

#### 5.4.3 | Prototype-based categorization and the legitimacy challenges faced by social-commercial hybrids

I then ran a mediation model to test whether the positive effect of prototype-based categorization on the expected value of a social-commercial hybrid could be accounted for by a reduction in customers' cognitive difficulties and the venture's perceived lack of ability, that is, the legitimacy challenges faced by social-commercial hybrids. To do so, I ran a model with two simultaneous mediators<sup>13</sup> (see Hayes, 2017—Model 6).

As shown in Figure 4, when the participants evaluated a social-commercial hybrid, the activation of prototype-based categorization had a negative effect on cognitive difficulties (path a,  $\beta = -.587, p = .05, CI [-1.1643; -.0093]$ ) and perceived lack of ability (path a',  $\beta = -.925, p = .02, CI [-1.6881; -.1626]$ ). In turn, both cognitive difficulties and perceived lack of ability had a significant negative impact on expected value (path b,  $\beta = -.515, p = .000, CI [-0.6385; -.3929]$  and path b',  $\beta = -.145, p = .003, CI [-0.2374; -.0518]$ ,



**FIGURE 4** Mediation analysis and the expected value of a social-commercial hybrid—mediation via cognitive difficulties and perceived lack of ability (Study 2). Prototype-based categorization decreases the legitimacy challenges faced by social-commercial hybrids by negatively impacting customers' cognitive difficulties (path a, beta =  $-.587$ ,  $p = .05$ , CI [ $-1.1643$ ;  $-0.0093$ ]) and perceived lack of ability (path a', beta =  $-.925$ ,  $p = .02$ , CI [ $-1.6881$ ;  $-0.1626$ ]). In turn, both cognitive difficulties and perceived lack of ability have a significant negative impact on the expected value of a social-commercial hybrid (path b, beta =  $-.515$ ,  $p = .000$ , CI [ $-0.6385$ ;  $-0.3929$ ] and path b', beta =  $-.145$ ,  $p = .003$ , CI [ $-0.2374$ ;  $-0.0518$ ], respectively) \* $p = 0.05$ ; \*\* $p = 0.01$ ; \*\*\* $p = 0.001$ .

respectively). The total indirect effect via cognitive difficulties or perceived lack of ability was thus positive for a social-commercial hybrid when prototype-based categorization was activated (indirect effect =  $0.3026$ , CI [ $0.0135$ ;  $0.5874$ ] via cognitive difficulties and indirect effect =  $0.1338$ , CI [ $0.0213$ ;  $0.2732$ ] via perceived lack of ability). The direct effect of prototype-based categorization on the expected value of a social-commercial hybrid became nonsignificant when cognitive difficulties and perceived lack of ability were accounted for in the model, meaning that both of these items fully mediated the direct effect of prototype-based categorization on the expected value of a social-commercial hybrid. Notably, as expected, when the participants evaluated a commercial-social hybrid, the activation of prototype-based categorization did not significantly impact either cognitive difficulties or perceived lack of ability.

Finally, in Study A (see Appendix C), I replicated the main results of Study 2 using a mindset priming procedure and wording similar to that provided in this study to describe the social-commercial and commercial-social hybrids. However, I changed the context of evaluation to a cleaning business (similar to Study 1). I report similar results, providing evidence that my results are consistent regardless of the context of evaluation faced by customers (cleaning business vs. bakery).

## 6 | STUDY 3

While I showed that priming prototype-based categorization positively (negatively) impacts the expected value of a social-commercial hybrid (commercial-social hybrids), I still need to investigate whether the effect changes with different audiences. Hence, to account for within-audience heterogeneity, I explore whether I can report variations across a group of less versus more knowledgeable customers (H2). To do so, I replicate Study 2 with the addition of a knowledgeability measure to discriminate the participants based on their level of knowledgeability about social enterprises.

## 6.1 | Participants

Consistent with Study 2, the participants were tasked with imagining that “they were in the mood to buy [their] favorite brownie.” I recruited 400<sup>14</sup> participants paid 0.35 pounds for the task. All participants were required to speak English as their first language and to have an approval rate > 95%. Overall, 66% of the participants were female, and their average age was 29.57 years ( $SD = 9.09$ ). The participants took 391 s, on average, to complete the experiment ( $SD = 327$ ). In line with the previous studies, I included an IMC, and 71 participants (approximately 17%) failed to correctly respond to the attention check. The results remained robust and comparable when these participants were excluded from the analyses. Additionally, to have a better understanding of who the participants were, I asked them about their business experience (expressed in years), and the participants had 5.90 years ( $SD = 6.68$ ) of business experience, on average. Finally, I asked the participants about the industry in which they completed most of their work experience, building on the 10 Standard Industrial Classification (SIC) codes traditionally used to classify industries in the United States. The three most represented industries among my participants were (a) services (31% of the sample), (b) retail trade (17.50%), and (c) public administration (9.50%).

### 6.1.1 | Manipulations of social-commercial versus commercial-social goals and prototype/goal-based categorization

The manipulations were exactly the same as those used and presented in Study 2.<sup>15</sup>

### 6.1.2 | Dependent measures and mediators

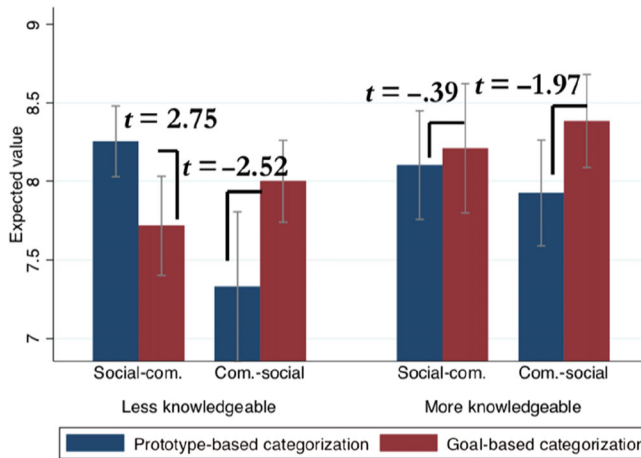
To capture expected value, following the presentation of the vignettes, the participants were asked whether they liked Brownies and Co. (similar to Study 1) and about their WTP (similar to Study 2). Notably, I grouped these two variables together to create my measure of expected value and obtained results that were to those presented below if the two variables are taken independently ( $\alpha = .80$ ). Across conditions, this score had a mean = 7.97 ( $SD = 1.23$ ). Additionally, in this study, I simultaneously measured the mediators related to both inconsistency between stated goals and organizational actions (legitimacy challenges associated with commercial-social hybrids) and cognitive difficulties/perceived lack of ability (legitimacy challenges associated with social-commercial hybrids).

## 6.2 | Results

### 6.2.1 | Exploring the variation among less knowledgeable versus more knowledgeable customers

To measure knowledgeability, I asked four items that tested the participants' knowledge on topics related to sustainability and social enterprises. I disclose these four items in Appendix D. I then created a continuous measure that takes into account the number of “good” answers made by the participants. Out of four possible “good” answers, the median value of this score was 2. Therefore, to create my knowledgeable subgroup, I took participants who correctly responded to at least 3 of the items, that is, participants who were strictly above the median value of my ad hoc continuous measure of knowledgeability. Conversely, the less knowledgeable subgroup consisted of participants who correctly responded to two or fewer items.

To test the reliability of my split among different knowledgeability levels, I asked the participants two items to test their self-reported knowledge of sustainability and social enterprises. First, I asked the participants how familiar



**FIGURE 5** Means of expected value by conditions across less versus more knowledgeable participants (Study 3). Among less knowledgeable participants, prototype-based categorization increases the expected value of a social-commercial hybrid ( $t(1, 121) = 2.75, p = .007$ ) and decreases the expected value of a commercial-social hybrid ( $t(1, 112) = -2.52, p = .01$ ). Among more knowledgeable participants, prototype-based categorization decreases, albeit nonsignificantly, the expected value of a social-commercial hybrid ( $t(1, 75) = -.39, p = .69$ ) and decreases the expected value of a commercial-social hybrid ( $t(1, 84) = -1.97, p = .05$ )

they were with the term “corporate social responsibility” (CSR) and how much they knew about social enterprises; both variables were rated on a 10-point scale ( $\alpha = .79$ ). I then tested whether the mean of the self-reported knowledgeability score differed across knowledgeability conditions, and as expected, I observed that more knowledgeable evaluators reported higher knowledgeability of CSR and social enterprises than less knowledgeable customers ( $M_{\text{more knowledgeable}} = 5.04, SD = 2.44$  vs.  $M_{\text{less knowledgeable}} = 4.46, SD = 2.58$ ;  $t(1, 398) = 2.24, p = .02$ , two-tailed test).

I then conducted a 2 (social-commercial vs. commercial-social)  $\times$  2 (prototype-based categorization vs. goal-based categorization)  $\times$  2 (less vs. more knowledgeable) ANOVA on *expected value*, which yielded a significant interaction ( $F(1, 392) = 3.01, p = .08^{16}$ ). Figure 5 shows the means across conditions. As shown, there was a significant difference among less vs. more knowledgeable subgroups when they evaluated a social-commercial hybrid and prototype-based categorization was activated. For less knowledgeable customers, the activation of prototype-based categorization positively impacted the expected value of a social-commercial hybrid ( $M_{\text{prototype-based categorization}} = 8.25, SD = .91$  vs.  $M_{\text{goal-based categorization}} = 7.72, SD = 1.24$ ;  $t(1, 121) = 2.75, p = .007$ , two-tailed test; Cohen's  $d = .5, 95\% \text{ CI } [0.14; 0.85]$ ). Notably, this effect among less knowledgeable customers differed significantly from that found in the more knowledgeable subgroup. In fact, among the more knowledgeable subgroup, the effect essentially disappeared and became nonsignificant ( $M_{\text{prototype-based categorization}} = 8.10, SD = 1.10$  vs.  $M_{\text{goal-based categorization}} = 8.21, SD = 1.29$ ;  $t(1, 75) = -.39, p = .694$ , two-tailed test). Thus, the positive effect of priming prototype-based categorization for a social-commercial hybrid was significant only among a pool of less knowledgeable customers and not among more knowledgeable ones.

Finally, note that in Appendix E, I report analyses related to (a) the main effects, as well as mediation analyses, on the entire sample without a split among less vs. more knowledgeable customers, and (b) mediation analyses across less vs. more knowledgeable customers. These results are in line with the results of previous studies and my hypothesized effects.

## 7 | DISCUSSION

This research examines the categorization processes that influence how customers evaluate WISEs that emphasize either their social goal (social-commercial hybrids) or commercial goal (commercial-social hybrids) first. Social-

commercial hybrids benefit from a higher expected value when they activate prototype-based categorization in their customers' mind, which leads to a knowledge transfer between the hybrid entity under evaluation and prototypical members of the category, hence reducing the legitimacy challenges faced by such ventures. In contrast, activating prototype-based categorization decreases the expected value of commercial-social hybrids because it increases the legitimacy challenges faced by such ventures by positively impacting the perceptions of inconsistency between the ventures' stated goals and actions. These results contribute to the literature in multiple ways.

First, my findings contribute to the literature on cognitive and strategic entrepreneurship (Demil, 2020; Grégoire et al., 2011; Lee et al., 2019; McMullen & Warnick, 2016; McMullen & Bergman, 2017; Parhankangas & Renko, 2017; Shepherd et al., 2019; Wry and Zhao, 2018; Zimmerman & Zeitz, 2002) by connecting how the activation of different categorization processes can decrease (increase) a WISE's legitimacy challenges and ultimately impact its capacity to create value (Battilana & Lee, 2014; Deephouse & Suchman, 2008). Past entrepreneurship research has highlighted that communication strategies and, in particular, the use of linguistic frames are key for (social) entrepreneurs to create value with key stakeholders such as customers (Moss, Renko, Block, & Meyskens, 2018; Parhankangas & Renko, 2017; Shepherd & Zacharakis, 2003, p. 151; Zott & Huy, 2007, p. 73). For instance, authors have studied how social enterprises can use linguistic positioning in online narratives to drive capital allocation (Moss et al., 2018, p. 644). Similarly, Parhankangas and Renko (2017, p. 217) have shown that specific "linguistic styles [can] make [social enterprises'] campaigns more *comprehensible* to their target audiences" (*emphasis added*). Taken together, the results of previous research highlight how critical the use of precise language is for the understandability and, therefore, the legitimacy of (social) enterprises (Parhankangas & Renko, 2017, p. 221). In fact, Shepherd and Zacharakis (2003) establish a connection between how well customers understand a venture, legitimacy and purchase decisions, such that when customers' capacity to understand a venture is incomplete, they are less likely to purchase because of the venture's low perceived legitimacy (Shepherd & Zacharakis, 2003, p. 152).

In summary, understandability and acceptability have been theorized as being key for the capacity of (social) enterprises to create value for their main stakeholders due to their impact on legitimacy (Parhankangas & Renko, 2017; Shepherd & Zacharakis, 2003; Suchman, 1995). Therefore, in this work, I theorize and show how category priming is key for social enterprises to create value in competitive environments because it has a direct influence on the key questions that can challenge a venture's legitimacy and acceptability (Battilana & Lee, 2014; Conger, McMullen Jr., Bergman, & York, 2018; Loosemore, 2015; McMullen & Warnick, 2016). In particular, my work shows that for one type of WISE in particular (social-commercial hybrids), its legitimacy can be challenged because it is not easily understandable, especially for an audience that is not knowledgeable about social enterprises. Therefore, because activating prototype-based categorization can have the virtue of highlighting the commonalities between the venture under evaluation and an established prototype, it can alleviate a social-commercial hybrid's lack of understandability and lack of "appropriateness" (e.g., quality concerns), which can threaten the organization's legitimacy in the eyes of customers. In contrast, the same categorization process can be harmful to the legitimacy of another ideal type of WISE (commercial-social hybrids) because it is then perceived as pursuing an action that is potentially less suitable, meaning that it can be perceived as excessively focusing on its commercial goal to the detriment of its overall mission.

Second, my work contributes to the literature on categories (Durand & Paoella, 2013; Vergne & Wry, 2014). WISEs are atypical organizations because they span two established market categories. Previous research has established that hybrid entities are perceived as less legitimate than full-fledged category members, which negatively impacts their evaluation and performance (Hannan et al., 2007; Hsu et al., 2009; Negro & Leung, 2013). Scholars in this area of research have shown that the discount related to spanning categories can be mitigated by the distance between categories (Kovács & Hannan, 2010; Kovács & Hannan, 2015), by different categorical orderings (Jensen & Kim, 2011; Wry et al., 2014), or by the activation of a different categorization process such as goal-based categorization (Durand & Paoella, 2013; Paoella & Durand, 2016). To date, however, no study has tested whether prototype-based categorization can be beneficial for hybrids such as WISEs because it redirects the audience's attention to "what" makes the hybrid entity comparable to other prototypical members of the category (Gregan-Paxton &

Moreau, 2003; Moreau et al., 2001; Murphy & Ross, 1994). By revealing the critical role played by prototype-based and goal-based categorization in conjunction with how WISEs combine different organizational goals, my work bridges a gap in the category literature by accounting for *why* and *how* certain category combinations can be valued more positively than others. Previous studies have established that category combinations can be positively valued when meanings change (Ruef & Patterson, 2009) or when audiences have certain preferences (Pontikes, 2012; Wry et al., 2014), causing audiences to “view particular mixes as appropriate” (Vergne & Wry, 2014, p. 76). I complement these findings by causally identifying the conditions under which customers value a certain type of goal combination for WISEs as a function of the activation of prototype-based categorization (vs. goal-based categorization).

In doing so, my work moves the scale and the locus of category research from emphasizing how audiences such as customers react to and evaluate organizational hybridity to emphasizing the implications for organizations: to receive a higher expected value, WISEs have agency in how they use and activate different categorization processes (prototype-based categorization vs. goal-based categorization) and cognitive processes (central tendency vs. conceptual combination) in their customers' mindset (Barsalou, 1985, 1991; Vergne & Wry, 2014). As my experimental results show, the expected value of WISEs flips, conditional on the type of categorization process primed prior to evaluation (prototype vs. goal-based categorization). Hence, I build upon the findings of Lee, Adbi, and Singh (2020), who show that priming prototype-based categorization (in Lee and colleagues' case, priming labels such as “for-profit company,” “charity,” or “social enterprise”) drives audiences' evaluation of social enterprises. However, I also contextualize this finding, as prototype-based categorization negatively impacts the expected value of commercial-social hybrids but positively impacts the expected value of social-commercial hybrids.

Finally, my studies contribute to the literature on hybrid organizing. Scholars have extensively studied the intraorganizational tensions associated with venture hybridity (Battilana et al., 2015; Battilana & Dorado, 2010; Smith, Gonin, & Besharov, 2013) or considered the antecedents of organizational imprinting (Battilana et al., 2012; Battilana & Lee, 2014; Lee & Battilana, 2020). However, there are unresolved questions regarding the strategies that social enterprises can use to sustain their activities over time. Social enterprises have been theorized as entities disconnected from market dynamics, yet hybrid entities must compete, like any other for-profit organization or otherwise, to attract customers and resources (Fosfuri et al., 2016; Wry & Zhao, 2018). This work thus extends the current theorization of hybrid organizations by thoroughly studying the conditions under which WISEs are perceived and evaluated, directly addressing the performance implications of hybrid organizing (Battilana, Besharov, & Mitzinneck, 2017, p. 153).

In fact, the question of how different types of category priming influence performance is key for WISEs (Lee et al., 2020). Social enterprises can change their organizational focus over time; consequently, it is critical to understand how the activation of different categorization processes can impact a WISE's capacity to create value for its main stakeholders, conditional on its organizational focus at a particular point in time (Radoynovska & Ruttan, 2022). For example, Cornelissen, Akemu, Jonkman, and Werner (2021) reported that the social enterprise “Fair Phone” found after several years of operations that its social goal was its priority.<sup>17</sup> Similarly, my own investigations have shown that social enterprises can change their organizational focus over time, which is reflected in ventures' communication and marketing strategy. For example, one of the very first impact investment funds in France, a hybrid private equity fund that was created in 2007 to exclusively invest in firms operating in the urban disadvantaged areas of France, accentuated its focus on its commercial goals over time. In 2012, the CEO summarized the fund's new strategy from 2010 onward:

*“We started with an approach that focused on social goals, and now we have a business-oriented focus that serves social goals<sup>18</sup>.”*

Hence, my work underlines the agency of social enterprises to create the conditions that reduce the threats to their legitimacy by activating the “right” category priming, conditional on their organizational focus. Because hybrid ventures can change such a focus over time, social entrepreneurs have flexibility in mobilizing different categorization

processes in their targeted audience's mind to influence how their venture is being perceived and understood (Lee et al., 2019). Thus, my work calls for better research on the cognitive underpinnings that influence the acceptability of social enterprises, conditional on their own decision on the integration of multiple and competing organizational goals into the organization (Battilana et al., 2015).

Finally, my results have implications for practice. First, WISEs must compete like any other organization to attract resources to grow and sustain their activities over time (Battilana et al., 2017). Therefore, providing a template that connects the activation of different categorization processes to the type of WISE under consideration (social-commercial vs. commercial-social) can help social entrepreneurs tailor and define different strategies to increase their legitimacy, attract resources and ultimately increase their odds of success. My work also shows that different audiences of customers (less knowledgeable vs. more knowledgeable customers) can have divergent reactions to the activation of prototype-based categorization. In fact, Study 3 shows that only less knowledgeable customers positively react to the activation of prototype-based categorization regarding the expected value of social-commercial hybrids. This finding is key for social entrepreneurs: not only do they need to consider the interplay between their venture's organizational goals and the type of categorization process activated by their customers, but they also need to factor in “who” their customers are (less knowledgeable vs. more knowledgeable).

Before concluding, I outline four limitations of this study. First, I did not factor in the influence of third parties, although it is likely that they can impact an evaluator's judgment. For instance, Aaker, Vohs, and Mogilner (2010) found that endorsement by a high-status third party impacts the expected value of nonprofit organizations. Second, I focus and test my hypotheses on WISEs, which are only a subset of social enterprises. Further research could investigate whether these results hold for other types of social enterprises (Wry and Zhao, 2018) or for social enterprises that combine organizational goals beyond social and commercial goals (Battilana & Lee, 2014). Third, in my study, I theorized and tested my approach on an audience of customers; whether my results can be expanded beyond customers as a stakeholder group remains to be tested. Notably, in Appendix F, I replicated Study 2 with an audience of investors sampled on Prolific, and I found results that were consistent with those presented in Studies 1–3. However, I could not access professional investors for my study; therefore, future research could replicate my experimental protocol with professional investors (Pontikes, 2012) or other stakeholder groups, such as suppliers or government officials, to test whether my findings hold beyond an audience of customers. Finally, my study discriminates an audience of customers based only on their level of knowledgeability. Arguably, there exist multiple ways to discriminate subgroups within an audience (Vergne & Wry, 2014). Hence, future research could, for instance, explore variations based on the status of customers, their ideology, or their professional identities (Hafenbrädl & Waeger, 2017; Jones, Maoret, Massa, & Svejenova, 2012; Phillips, Turco, & Zuckerman, 2013).

To conclude, this paper contributes to our understanding of the cognitive underpinnings that impact the expected value of social enterprises such as WISEs. As WISEs are essentially hybrid ventures that depart from established prototypes, they must engage in cognitive strategies that better favor their valuations. Hence, when a WISE emphasizes its social goals (social-commercial hybrids), the venture receives a higher expected value by activating prototype-based categorization when targeting customers. However, a WISE that emphasizes its commercial goals (commercial-social hybrids) receives a higher expected value by activating goal-based categorization, thus turning off the prototype-based categorization in its customers' mind.

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## ENDNOTES

- <sup>1</sup> WISEs are social enterprises that “hire the long-term unemployed to produce goods or services in low-skilled industries such as construction, catering, gardening, or recycling, which are then sold at market prices” (Battilana, Sengul, Pache, & Model, 2015, p. 1,660).
- <sup>2</sup> I define the categorization process as essentially the activation of a cognitive mechanism that associates the observed features of an entity with a superordinate class that can be labeled.
- <sup>3</sup> That is, (a) WISEs are compared against one another and not against a typical member of the category; (b) the social enterprise under evaluation is different from the established category prototype in a given industry; and (c) the evaluator is tasked with focusing her attention on classifications and abstractions, which then push the evaluator to see the common attributes shared between the prototype and the hybrid entity under evaluation.
- <sup>4</sup> Notably, WISEs offer a perfect context for testing our theory of how and why the activation of different types of category priming can temper customers' concerns about the legitimacy of such social enterprises. First, the distinction between social-commercial vs. commercial-social hybrids is an established classification that allows strict comparability across WISEs; a social-commercial hybrid and a commercial-social hybrid can pursue the exact same social goal, only the focus on the commercial goal can differ (Battilana et al., 2015). Second, WISEs usually evolve in mature industries and are therefore not a taken-for-granted type of organizational form, i.e., they usually compete with traditional for-profit organizations that can serve as a reference category for the evaluator. Finally, in WISEs, employees, who are also the direct beneficiaries of such social enterprises' actions, are in direct contact with customers. Thus, this close beneficiary-customer interaction makes salient the potential legitimacy concerns that can arise in the context of a business exchange (Deephouse & Suchman, 2008; Wry & Zhao, 2018).
- <sup>5</sup> Freedom Bakery “is aiming to produce luxury bread and cakes which are competitive in the food industry. *To that end the marketing of the business will reflect the product*, not the social outcomes that it is aiming for” (*emphasis added*) (source: <https://www.theguardian.com/social-enterprise-network/2014/feb/12/freedom-bakery-new-social-enterprise>).
- <sup>6</sup> The following example, Ares, provides a direct illustration of this mechanism in the context of the evaluation of a social-commercial hybrid. Ares, which was created in 1991, is clearly a *social-commercial hybrid*. Its main mission is to help all excluded workers find a decent job. The organization's motto is “nobody is unemployable,” and the organization allows 500+ people to return to employment every year. Ares is clearly a social enterprise with a strong emphasis on its social goal. Nonetheless, it works closely with established French corporations and clearly signals this commitment to its customers. For instance, it consistently signals in its market interactions that it is competitive and performant because it is subject to the same conditions and obligations as any other business. One procurement officer with a large corporation, who at the time had been working for 5 years with Ares, declared, “Now we consider Ares like any other conventional business, Ares provides a service equivalent to their competitors, and even better, on every aspect!” (source: Ares website, retrieved in June 2018).
- <sup>7</sup> In fact, a UK-based social enterprise mentioned the challenge of having its customers make such a mental shift: “it can often be challenging for contractors to make the mind-shift from treating us like a charity to treating us like any other business. We do not want to be treated like a charity” (Loosemore, 2015, p. 471).
- <sup>8</sup> Hybrid entities can suffer from legitimacy challenges because (a) they have “difficulty understanding or viewing illegitimate actors that do not fit clearly into culturally shared categories” and because such organizations are also usually perceived as having (b) “poorer quality and performance for actors who try to do many different things at once” (Leung & Sharkey, 2014, p. 173).
- <sup>9</sup> Notably, Studies 1–3 and Study A use customers as the main targeted audience, whereas Study B uses investors as the main targeted audience.
- <sup>10</sup> Prolific samples a more diverse and younger set of participants than the Amazon Mechanical Turk (MTurk) (Peer et al. 2017; Palan & Schitter 2018).
- <sup>11</sup> This result means that there was a difference of 0.4 SD between the group primed on prototype-based categorization versus that primed on goal-based categorization—and approximately 66% of the observations in the prototype-based condition group were above the mean in the goal-based categorization group when customers evaluated a social-commercial hybrid.
- <sup>12</sup> Indeed, Grégoire et al. (2019, p. 286) write the following: “methodological ideals of external validity encourage the use of real-life cases in designing a study's material.”
- <sup>13</sup> Consistent with Study 1, I also ran a moderated mediation analysis using the PROCESS macro in SPSS developed by Hayes (2015, 2017—model 7) using a bias-corrected bootstrap model based on 10,000 bootstrap samples. The index of moderated mediation was negative when cognitive difficulties was used as a mediator (−0.50), and the CIs were strictly



below zero  $[-0.9144; -0.1061]$ , excluding the possibility of a null effect of the entire model. Notably, the effect remains consistent when using perceived lack of ability as a mediator, albeit with less statistical power.

- <sup>14</sup> Notably, to have sufficient power to run my analyses, I increased the sample size to 400 participants in this study.
- <sup>15</sup> Although I did not set a minimum time limit in Studies 1 and 2 for reading the description of the venture or for completing the mindset priming task, in this study, the participants had to spend at least 6 s on completing the task and at least 8 s on reading the description of the venture. I implemented the same restrictions in Study B.
- <sup>16</sup> Notably, I ran a similar test discriminating less vs. more knowledgeable customers with participants who scored higher than the median value of both the self-reported knowledgeability measure concerning CSR and social enterprises and the knowledgeability score using the four items presented in Appendix E. I also report a significant interaction using this measure ( $F(1, 396) = 3.73, p = .05$ ).
- <sup>17</sup> “I felt we had a breakthrough a couple of weeks ago in terms of acceptance that we are not a phone company. That we are a company that is trying to create impact through making a phone...that we are a platform that attracts people and I think everyone has come on board in this” (Cornelissen et al., 2021, p. 1,321).
- <sup>18</sup> Author's interview.
- <sup>19</sup> Notably, I also provided another item to capture the willingness to hire the company, and the participants responded with their willingness to hire Clean and Co. on a 10-point scale. I created another expected value score, which was the average of these two items ( $\alpha = .81$ ). This alternative score of expected value had a mean = 7.06 (SD = 1.56).
- <sup>20</sup> I found a significant interaction with the alternative score of expected value ( $F(1, 240) = 8.59, p = .004$ ).
- <sup>21</sup> Using the alternative measure of expected value, I found the following result: ( $M_{\text{prototype-based categorization}} = 7.47, SD = 1.12$  vs.  $M_{\text{goal-based categorization}} = 7.02, SD = 1.26; t(1, 112) = 2.00, p = .06$ , two-tailed test, Cohen's  $d = .37, 95\% CI [0.004; 0.745]$ ).
- <sup>22</sup> Using the alternative measure of expected value, I find the following result: ( $M_{\text{prototype-based categorization}} = 6.54, SD = 1.88$  vs.  $M_{\text{goal-based categorization}} = 7.24, SD = 1.65; t(1, 128) = -2.26, p = .03$ , two-tailed test, Cohen's  $d = -.40, 95\% CI [-0.74; -0.05]$ ).

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## APPENDIX A

### A.1 | SOCIAL-COMMERCIAL HYBRIDS VERSUS COMMERCIAL-SOCIAL HYBRIDS: STUDY 1

#### A.1.1. | Social-commercial hybrid

*#Inclusive employment and sustainability for all by “Clean & Co.” cleaning solution and checklist*

At Clean & Co., we did not start as a company, we started as a campaign; first and foremost, our social mission is to return our workforce back to employment. We believe in lasting social change, and our organization rests on two pillars: inclusive employment and environmental sustainability. First, our workforce is almost exclusively made of long-term unemployed people or employees with disabilities, that is, employees who would have struggled to find a job otherwise. Our main mission is to train them and give them access to the job market. Second, we are one of the only cleaning companies to use only environmentally responsible or sustainable cleaning products.

Additionally, our social mission does not prevent us from being one of the leaders in our domain. Clean & Co. was established 25 years ago, and we have worked with more than 40,000 customers across the United States. Our customer's level of satisfaction is an astonishing 96%; that is, more than 96% of our customers reported that we were “extremely professional.” Our Clean & Co. solution and checklist ensure that nothing is missed when your

home is thoroughly cleaned. We also provide the names and photos of key personnel authorized to be on our customers' premises to prevent the usual revolving door of unfamiliar faces.

### A.1.2. | Commercial-social hybrid

*#Inclusive employment and sustainability for all by "Clean & Co." cleaning and solution checklist*

Clean & Co. is recognized as a leader in the cleaning business. Our company has been, first and foremost, focusing on building a lasting relationship with our customers. The company was established 25 years ago, and we have worked with more than 40,000 customers across the United States. Our customers' level of satisfaction is an astonishing 96%; that is, more than 96% of our customers reported that we were "extremely professional." Our Clean & Co. solution and checklist ensure that nothing is missed when your home is thoroughly cleaned. We also provide the names and photos of key personnel authorized to be on our customers' premises to prevent the usual revolving door of unfamiliar faces.

In addition to our business focus, we are an inclusive business striving to address pressing social and environmental issues. We believe in lasting social change, and our organization rests on two pillars: inclusive employment and environmental sustainability. First, our workforce is almost exclusively made of long-term unemployed people or employees with disabilities, that is, employees who would have struggled to find a job otherwise. Second, we are one of the only cleaning companies to use only environmentally responsible or sustainable cleaning products.

## APPENDIX B

### B.1 | SOCIAL-COMMERCIAL HYBRIDS VERSUS COMMERCIAL-SOCIAL HYBRIDS: STUDIES 2 AND 3

#### B.1.1. | Social-commercial hybrid

*Brownies and Co.: A bakery that bridges the for-profit and nonprofit worlds*

We are a bakery that simultaneously pursues two goals: (a) a social goal of promoting the inclusion of workers facing long-term exclusion and (b) a business goal of delivering the best brownie and the best service.

First and foremost, we actively seek to hire individuals who may have had trouble finding a job otherwise, for example, people with disabilities and those who have been out of the job market for a long time.

Second, when it comes to delivering the best service and the best brownie, we have got you covered. We have the experience and know-how to create the perfect brownie, and we always deliver.

*At the end of the day, because we are a social enterprise, we need to fulfill our social goal first. We always say: "we do not hire people to bake brownies, we bake brownies to hire people."*

#### B.1.2. | Commercial-social hybrid

*Brownies and Co.: A bakery that bridges the for-profit and nonprofit worlds*

We are a bakery that simultaneously pursues two goals: (a) a business goal of delivering the best brownie and the best service and (b) a social goal of promoting the inclusion of workers facing long-term exclusion.

First and foremost, when it comes to delivering the best service and the best brownie, we have got you covered. We have the experience and know-how to create the perfect brownie, and we always deliver.

Second, we actively seek to hire individuals who may have had trouble finding a job otherwise, for example, people with disabilities and those who have been out of the job market for a long time.

*At the end of the day, because we are a social enterprise, we believe that if we do not fulfill our business goal first, we cannot sustain our social mission. We always say: “we need to bake the best brownies first, and then, we can think about hiring people.”*

## APPENDIX C

### C.1 | STUDY A—A CLEANING BUSINESS AS A CONTEXT FOR EVALUATION

compared to Study 1, I reduced the level of information given to the participants in a way that was consistent with Study 2. The vignettes presented in Study 1 were dense and gave many indications, for instance, about the size or the location of the venture (i.e., “more than 40,000 customers across the United States”), which might have introduced a bias and indirectly favored WISEs that emphasize their commercial goal first, i.e., a commercial-social hybrid. To address this issue, I rewrote the vignettes and simplified them to a core where ventures emphasized either their social or commercial goal first, and I therefore removed any indication related to the venture's size or location.

#### C.1.1. | Participants

Two hundred forty-four participants successfully completed the experiment on MTurk. Overall, 51% of the participants were male, and their average age was 38.86 years ( $SD = 12.71$ ). The participants took 281 s to complete the experiment, on average ( $SD = 148$ ). In line with the previous studies, I included an IMC, and 18 participants (approximately 7%) failed to correctly respond to the attention check. The results remained robust when these participants were excluded from the analyses.

#### C.1.2. | Manipulations

##### C.1.2.1. | Social-commercial versus commercial-social

I used a priming technique similar to Study 2, and I explained to the participants that the organization was “simultaneously pursuing two goals,” a social goal, that is, “to promote the inclusion of workers facing long-term exclusion”, and a commercial goal, i.e., “to be the best cleaning business in [their] area.” Depending on the conditions, either social-commercial or commercial-social, the order in which the social goal was presented differed—and the commercial goal came either first or second. Additionally, depending on the conditions, the organization ultimately emphasized its commitment to its “social” or “commercial” goal. In summary, consistent with Studies 1 and 2, my manipulation ensured that (a) the quality of the service provided by the hybrid venture was held constant across conditions, as the exact same information is present across conditions and only the ordering of the presentation of the organizational goals differs, and (b) I manipulated only whether the hybrid organization emphasized its social or commercial goal first when communicating to customers.

Notably, I used the same mindset priming procedure as that presented in Study 2.

##### C.1.2.2. | Dependent variable

I used the same item presented in the context of Study 1 to construct my measure of expected value. Across conditions, this score had a mean = 7.24<sup>19</sup> ( $SD = 1.50$ ).

### C.1.3. | Results

#### C.1.3.1. | Testing the main effects

I conducted a 2 (social-commercial vs. commercial-social)  $\times$  2 (prototype-based categorization vs. goal-based categorization) ANOVA on *evaluation*, which yielded a significant interaction ( $F(1, 240) = 7.92, p = .005$ ).<sup>20</sup> Figure 3 shows the means across conditions.

Consistent with the previous studies, the activation of prototype-based categorization (vs. goal-based categorization) positively impacted the expected value of a social-commercial hybrid<sup>21</sup> ( $M_{\text{prototype-based categorization}} = 7.56, SD = 1.52$  vs.  $M_{\text{goal-based categorization}} = 7.28, SD = 1.31; t(1, 112) = 1.22, p = .23$ , two-tailed test; Cohen's  $d = .23$ , 95% CI  $[-0.14; 0.60]$ ). In contrast, prototype-based categorization (vs. goal-based categorization) decreased the expected value of a commercial-social hybrid<sup>22</sup> ( $M_{\text{prototype-based categorization}} = 6.68, SD = 1.83$  vs.  $M_{\text{goal-based categorization}} = 7.46, SD = 1.46; t(1, 128) = -2.69, p = .008$ , two-tailed test; Cohen's  $d = -.47$ , 95% CI  $[-0.82; -12]$ ). Therefore, consistent with the findings of Study 1, the activation of prototype-based categorization positively impacted the expected value of a social-commercial hybrid and negatively impacted the expected value of a commercial-social hybrid.

Additionally, I ensured that my manipulations did not change the perceptions of the venture itself, i.e., the venture was still considered a social enterprise across all conditions, by asking the participants whether they considered Clean and Co. to be a social enterprise (rated on a 10-point scale), and I was unable to detect any difference across conditions after running a 2x2 ANOVA on this score ( $F(1, 240) = .00, p = .99$ ).

### C.1.4. | Vignettes used for manipulating social-commercial hybrids versus commercial-social hybrids: Study A

#### C.1.4.1. | Social-commercial hybrid

*“Clean and Co.”: A residential cleaning business that bridges the for-profit and nonprofit worlds*

We are a cleaning organization that simultaneously pursues two goals: (a) a social goal of promoting the inclusion of workers facing long-term exclusion and (b) a business goal of being the best cleaning business in our area, providing the highest quality service to our customers.

First and foremost, we actively seek to hire individuals who may have had trouble finding a job otherwise, for example, people with disabilities and those who have been out of the job market for a long time.

Second, when it comes to delivering the best service, we design a unique cleaning plan for each client, recognizing that no two homes are exactly the same. We bring everything you'd need: supplies, equipment, and a smiling, capable team.

*Clean and Co. is unique because of our goals, and we would not be who we are without our commitment to our social goal!*

#### C.1.4.2. | Commercial-social hybrid

*“Clean and Co.”: A residential cleaning business that bridges the for-profit and nonprofit worlds*

We are a cleaning organization that simultaneously pursues two goals: (a) a business goal of being the best cleaning business in our area, providing the highest quality service to our customers, and (b) a social goal of promoting the inclusion of workers facing long-term exclusion.

First and foremost, when it comes to delivering the best service, we design a unique cleaning plan for each client, recognizing that no two homes are exactly the same. We bring everything you'd need: supplies, equipment, and a smiling, capable team.

Second, we actively seek to hire individuals who may have had trouble finding a job otherwise, for example, people with disabilities and those who have been out of the job market for a long time.

*Clean and Co. is unique because of our goals, and we would not be who we are without our commitment to our business goal!*

## APPENDIX D

### D.1 | ITEMS FOR DISCRIMINATING BETWEEN LESS AND MORE KNOWLEDGEABLE CUSTOMERS (STUDY 3)

Q1. *How would you define greenwashing?*

- 1/When a firm claims to be green when it actually is not
- 2/When a firm uses green energy
- 3/When a firm meets its green targets
- 4/When a firm works with green suppliers

Q2. *What does BoP mean?*

- 1/Bottom of the property
- 2/Bottom of the pyramid
- 3/Battles of the property
- 4/Behind the pyramid

Q3. *What does ESG stand for?*

- 1/Environmental, social and governmental
- 2/Excellence, social and governance
- 3/Environmental, social and governance
- 4/Excellence, social and governmental

Q4. *What is the main characteristic of the stakeholder approach?*

- 1/That firms need to maximize shareholder value
- 2/That firms need to grow out of their market niche
- 3/That firms need to always pursue an environmentally friendly agenda
- 4/That firms impact multiple constituencies with their activities

## APPENDIX E

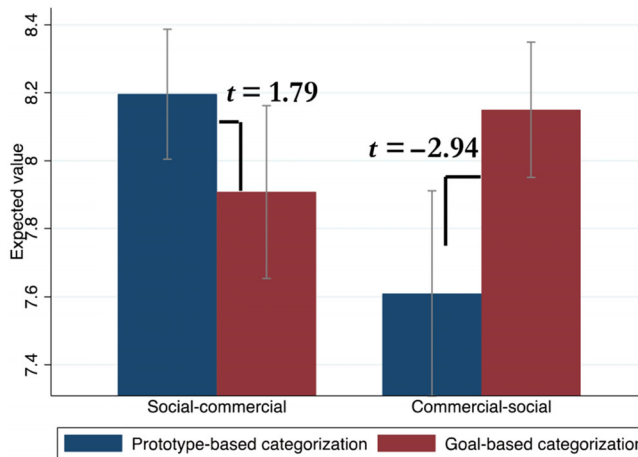
### E.1 | SUPPLEMENTARY ANALYSES OF STUDY 3

#### E.1.1. | Testing the main effects on the full sample

I conducted a 2 (social-commercial vs. commercial-social)  $\times$  2 (prototype-based categorization vs. goal-based categorization) ANOVA on *expected value*, which yielded a significant interaction ( $F(1, 396) = 11.48, p = .0008$ ). Figure E1 shows the means across conditions.

Consistent with the previous studies, the activation of prototype-based categorization (vs. goal-based categorization) positively impacted the expected value of a social-commercial hybrid ( $M_{\text{prototype-based categorization}} = 8.20, SD = .98$  vs.  $M_{\text{goal-based categorization}} = 7.90, SD = 1.28; t(1, 198) = 1.79, p = .07$ , two-tailed test; Cohen's  $d = .25$ , 95% CI  $[-0.02; 0.53]$ ). In contrast, activating prototype-based categorization (vs. goal-based categorization)





**FIGURE E1** Means of expected value by conditions (Study 3). Prototype-based categorization increases the expected value of a social-commercial hybrid ( $t(1, 198) = 1.79, p = .07$ ) and decreases the expected value of a commercial-social hybrid ( $t(1, 198) = -2.94, p = .004$ )

decreased the expected value of a commercial-social hybrid ( $M_{\text{prototype-based categorization}} = 7.61, SD = 1.53$  vs.  $M_{\text{goal-based categorization}} = 8.15, SD = 1.01$ ;  $t(1, 198) = -2.94, p = .004$ , two-tailed test; Cohen's  $d = -.42$ , 95% CI  $[-0.69; -0.13]$ ). Thus, these results show a pattern consistent with the previous studies.

### E.1.2. | Mediation analyses on the full sample

I now report the mediation analyses on the full sample; please note that I find results that are in line with those found in Studies 1 and 2.

First, consistent with Study 1, I report the mediating effect of inconsistency between stated goals and organizational actions on the expected value of a commercial-social hybrid. Notably, running a moderated mediation analysis, I report the same effect as that reported in the context of Study 1, that is, the difference between the conditional indirect effects was negative ( $-0.28$ ), and the CIs were strictly below zero  $[-0.5676; -0.0219]$ , excluding the possibility of a null effect of the entire model and indicating a difference in terms of indirect effects via inconsistency when prototype-based categorization was activated and the participants evaluated either a social-commercial or commercial-social hybrid. Therefore, the activation of prototype-based categorization had a positive effect on the perceptions of inconsistency for a commercial-social hybrid (path a,  $\beta = .3900, p = .08, CI [-0.0491; 0.8291]$ ). In turn, my inconsistency coefficient had a significant negative impact on expected value (path b,  $\beta = -.448, p = .000, CI [-0.5454; -0.3505]$ ), providing evidence that the activation of prototype-based categorization increased perceived inconsistency for a commercial-social hybrid, which in turn negatively impacted its expected value. The total indirect effect via inconsistency was thus negative for a commercial-social hybrid when prototype-based categorization was activated (indirect effect =  $-0.1747, CI [-0.4003; 0.0143]$ ). Notably, in unreported models, the effects of inconsistency when the participants evaluated a social-commercial hybrid became nonsignificant. Hence, these results replicated the findings of Study 1 with a different priming technique (direct priming in Study 1 vs. mindset priming in Study 3).

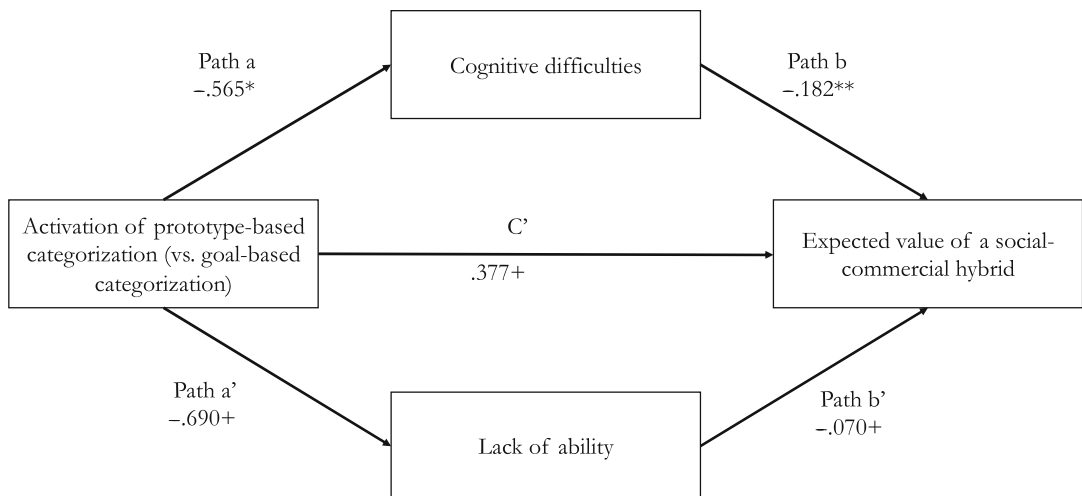
Second, I examined the mediating effect of both a reduction in cognitive difficulties and perceived lack of ability on the expected value of a social-commercial hybrid. When the participants evaluated a social-commercial hybrid, the activation of prototype-based categorization had a negative effect on cognitive difficulties (path a,

beta =  $-.3541$ ,  $p = .06$ , CI [ $-0.7267$ ;  $0.0184$ ]) and perceived lack of ability (path a', beta =  $-.702$ ,  $p = .03$ , CI [ $-1.3671$ ;  $-0.0374$ ]). In turn, both cognitive difficulties and perceived lack of ability had a significant negative impact on expected value (path b, beta =  $-.217$ ,  $p = .000$ , CI [ $-0.3313$ ;  $-0.1029$ ] and path b', beta =  $-.092$ ,  $p = 0.005$ , CI [ $-0.1559$ ;  $-0.0279$ ], respectively). The total indirect effect of the entire model, that is, when both mediators were included, was thus positive (indirect effect =  $0.1414$ , CI [ $0.0309$ ;  $0.2772$ ]), and the CIs were strictly above zero, allowing us to rule out a null effect of the entire model. The total indirect effect via cognitive difficulties or perceived lack of ability was thus positive and comparable for a social-commercial hybrid when prototype-based categorization was activated (indirect effect =  $0.0769$ , CI [ $-0.0024$ ;  $0.1803$ ] via cognitive difficulties or via perceived lack of ability, indirect effect =  $0.0645$ , CI [ $0.0009$ ;  $0.1778$ ]). In unreported models, I found that these effects were substantially reduced in size and were not significant at conventional levels when the participants evaluated a commercial-social hybrid. Hence, these results replicated those presented in Study 2.

### E.1.3. | Exploring mediation analyses among less versus more knowledgeable customers

#### E.1.3.1. | Prototype-based categorization and the legitimacy challenges faced by social-commercial hybrids among less versus more knowledgeable participants

In Figure E2, when less knowledgeable customers evaluated a social-commercial hybrid, I find that the activation of prototype-based categorization had a negative effect on both cognitive difficulties (path a, beta =  $-.565$ ,  $p = .02$ , CI [ $-1.0640$ ;  $-0.0661$ ]) and perceived lack of ability (path a', beta =  $-.690$ ,  $p = 0.10$ , CI [ $-1.5325$ ;  $0.1521$ ]). In turn, both cognitive difficulties and perceived lack of ability had a significant negative impact on expected value (path b, beta =  $-.182$ ,  $p = .009$ , CI [ $-0.3174$ ;  $-0.0456$ ] and path b', beta =  $-.070$ ,  $p = 0.09$ , CI [ $-0.1517$ ;  $0.0116$ ], respectively). The total indirect effect of the entire model was positive (indirect effect =  $.1602$ , CI [ $0.0332$ ;  $0.3396$ ]).



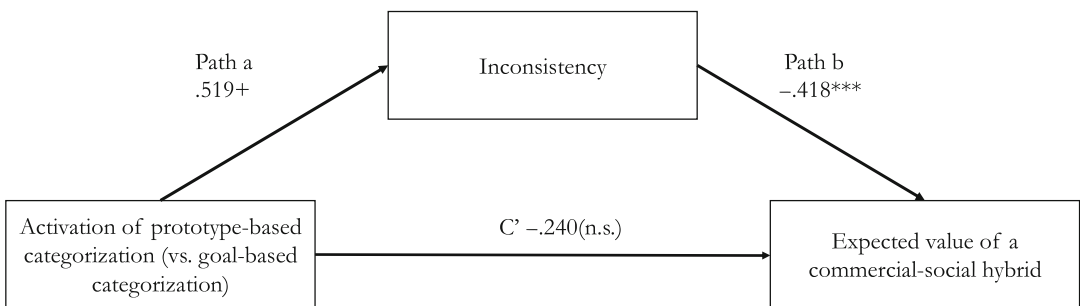
**FIGURE E2** Mediation analysis and the expected value of a social-commercial hybrid—mediation via cognitive difficulties and perceived lack of ability for less knowledgeable participants (Study 3). Prototype-based categorization decreases the legitimacy challenges faced by a social-commercial hybrid because it has a negative effect on customers' cognitive difficulties (path a, beta =  $-.565$ ,  $p = .02$ , CI [ $-1.0640$ ;  $-0.0661$ ]) and perceived lack of ability (path a', beta =  $-.690$ ,  $p = .10$ , CI [ $-1.5325$ ;  $-0.1521$ ]). In turn, both cognitive difficulties and perceived lack of ability have a significant negative impact on the expected value of a social-commercial hybrid (path b  $-.182$ ,  $p = .009$ , CI [ $-0.3174$ ;  $-0.0456$ ] and path b', beta =  $-.070$ ,  $p = .09$ , CI [ $-0.1517$ ;  $0.0116$ ], respectively)

However, the total indirect effect via cognitive difficulties was stronger and more significant for less knowledgeable customers when prototype-based categorization was activated (indirect effect = 0.1026, CI [0.0049; 0.2573]) compared to the indirect effect via perceived lack of ability (indirect effect = 0.0484, CI [-0.0132; 0.1556]). Consequently, among the pool of less knowledgeable customers, the activation of prototype-based categorization substantially reduced customers' cognitive difficulties, thus helping them make the organization more understandable and ultimately reducing the legitimacy challenges faced by the social-commercial hybrid. Notably, I could not detect any significant effect of the activation of prototype-based categorization on the mediators previously mentioned among the more knowledgeable subgroup who evaluated the social-commercial hybrid.

### E.1.3.2. | Prototype-based categorization and the legitimacy challenges faced by commercial-social hybrids among less versus more knowledgeable participants

Among the group of less knowledgeable customers who evaluated the commercial-social hybrid, the activation of prototype-based categorization had a positive but nonsignificant impact on inconsistency (path a, beta = .3276,  $p = .32$ , CI [-0.3246; 0.9798]). In turn, my inconsistency coefficient had a significant negative impact on expected value (path b, beta = -.449,  $p = .000$ , CI [-0.5758; -0.3229]). Therefore, the total indirect effect via inconsistency was negative for a commercial-social hybrid when prototype-based categorization was activated (indirect effect = -0.1472, CI [-0.4884; 0.1304]), but the CIs included zero, preventing me from ruling out a null effect of the entire model. Thus, for less knowledgeable customers, perceived inconsistency between stated goals and organizational actions did not mediate the negative effect of prototype-based categorization on the expected value of commercial-social hybrids.

In contrast, Figure E3 shows that among the group of more knowledgeable customers, the activation of prototype-based categorization had a positive effect on the inconsistency of a commercial-social hybrid (path a, beta = .519,  $p = .07$ , CI [-0.0450; 1.0846;]). In turn, my inconsistency coefficient had a significant negative impact on expected value (path b, beta = -.418,  $p = .000$ , CI [-0.5736; -0.2620]), providing evidence that the activation of prototype-based categorization increased inconsistency for a commercial-social hybrid, which in turn negatively impacted its expected value when customers were more knowledgeable. The total indirect effect via inconsistency was thus strictly negative for a commercial-social hybrid when prototype-based categorization was activated (indirect effect = -0.2172, CI [-0.4505; -0.0032]). In summary, I could account for only a negative effect of prototype-



**FIGURE E3** Mediation analysis and the expected value of a commercial-social hybrid—Mediation via inconsistency for more knowledgeable participants (Study 3). Prototype-based categorization increases the legitimacy challenges faced by a commercial-social hybrid because it positively increases the perceived inconsistency of a commercial-social hybrid (path a, beta = .519,  $p = .07$ , CI [-0.0450; 1.0846]). In turn, inconsistency negatively impacts the expected value of a commercial-social hybrid (path b, panel B, beta = -.418,  $p = .000$ , CI [-0.5736; -0.2620])

based categorization on the expected value of commercial-social hybrids via inconsistency between stated goals and organizational actions among a group of more knowledgeable customers and not among less knowledgeable customers.

## APPENDIX F

### F.1 | STUDY B—REPLICATING MY FINDINGS WITH AN AUDIENCE OF INVESTORS

In this study, I want to investigate my treatment effects on expected value for a stakeholder group different from customers, that is, investors “willing to invest in a bakery that is expanding nationally” (cover story given to the participants).

#### F.1.1. | Participants

I recruited 237 participants on Prolific who were paid 0.35 pounds for the task. All participants were required to speak English as their first language and to have an approval rate > 95%. Additionally, only participants who responded “yes” to the following screening question on Prolific were selected for the study: “Have you ever made investments (either personally or through your employment) in the common stock or shares of a company?” Overall, 58% of the participants were female, and their average age population was 27.91 years ( $SD = 7.84$ ). The participants had 7.97 years ( $SD = 6.09$ ) of business experience, on average. Finally, the three most represented industries among my participants were (a) services (30% of the sample), (b) retail trade (17%) and (c) finance, insurance and real estate (10%).

#### F.1.2. | Dependent measures

First, building on Murnieks and colleagues (2011, p. 1,545), I asked two items responded to on a 10-point scale to measure the participants' willingness to invest in the venture. Specifically, I asked, “How likely would [they] be to invest in Brownies and Co.?” (with responses ranging from *very low* (0) to *high likelihood* (9)) and “How much money would [they] invest in Brownies and Co.?” (with responses ranging from *not a lot of money* (0) to *a lot of money* (9)). Across conditions, my expected value score, composed of the average of these two items, had a mean = 5.18 ( $SD = 2.09$ ). Finally, I asked the participants a binary question, i.e., would they invest in the venture (yes/no).

#### F.1.3. | Results

In line with the previous studies, I ran a 2 (social-commercial vs. commercial-social)  $\times$  2 (prototype-based categorization vs. goal-based categorization) ANOVA on *expected value*, which yielded a significant interaction ( $F(1, 233) = 10.64, p = .001$ ). Thus, priming prototype-based categorization (vs. goal-based categorization) positively impacted the expected value of a social-commercial hybrid for investors ( $M_{\text{prototype-based categorization}} = 5.89, SD = 1.83$  vs.  $M_{\text{goal-based categorization}} = 4.84, SD = 2.18; t(1, 119) = 2.87, p = .005$ , two-tailed test, Cohen's  $d = .52$ , 95% CI [0.16; 0.88]). In contrast, for investors, activating prototype-based categorization (vs. goal-based categorization) decreased the expected value of a commercial-social hybrid ( $M_{\text{prototype-based categorization}} = 5.37, SD = 1.89$  vs.  $M_{\text{goal-based categorization}} = 4.70, SD = 2.17; t(1,114) = 1.78, p = .08$ , two-tailed test, Cohen's  $d = -.33$ , 95% CI [-0.69; 0.04]).

Regarding the willingness to invest in a social-commercial hybrid asked in a binary way, while 88.52% of the participants were willing to invest in a social-commercial hybrid when primed on prototype-based categorization, only 65.00% were willing to do so when primed on goal-based categorization ( $X^2 [1, N = 121] = 9.411, p = .002$ ). Similarly, when the subjects were asked about their willingness to invest in a commercial-social hybrid, while 80.70% of the participants were willing to invest in a commercial-social hybrid when primed on goal-based categorization, only 66.10% were willing to do so when primed on prototype-based categorization ( $X^2 [1, N = 116] = 3.16, p = .07$ ).