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Can Nonprofit Universities Operate as Social Enterprises? Donor Trust, Cross-Sector Philanthropy, and Institutional Sustainability Under Pakistan's Current Public Policy Framework

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Abstract

Purpose. This paper asks under what conditions a nonprofit university can legitimately be described as a social enterprise, and what organizational and policy conditions allow such a university to remain both financially resilient and faithful to its educational mission. It uses Pakistan as a contextual anchor, where public funding for higher education falls well short of recurrent need. **Design/methodology/approach**. Following the theory synthesis approach to conceptual research, the paper integrates social enterprise and hybrid organizing theory, resource dependence theory and the literature on donor trust and philanthropic giving. A practitioner perspective from university advancement informs, but does not substitute for, the analysis of Pakistan's higher education, nonprofit tax and foreign contribution regimes. **Findings**. The paper develops the Mission-Bounded Hybridity (MBH) framework. It argues that nonprofit legal form is necessary but not sufficient for social enterprise status. A nonprofit university becomes a social enterprise only when three conditions hold together: earned income is coupled to the educational mission, surpluses are locked into mission use, and governance gives the mission primacy over revenue. Five capabilities (mission-coupled earning, donor trust capital, revenue portfolio quality, regulatory fit and mission safeguarding governance) jointly shape a dual outcome of financial resilience and mission fidelity. Seven propositions specify these relationships and their boundary conditions. **Research limitations/implications.** The framework is conceptual and its propositions requires empirical testing. A research agenda sets out designs, measures and data sources. Practical implications. The framework gives university boards, advancement offices and regulators a shared vocabulary for judging whether new revenue strengthens or erodes institutional purpose. **Originality/value.** The paper moves the debate from whether universities may earn income to how earned income, philanthropy and regulation interact, and it shows that revenue quality, not revenue quantity, determines whether hybridity sustains a public-benefit mission in a resource-constrained, multi-jurisdictional setting.

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Keywords: nonprofit universities, social enterprise, hybrid organizations, mission drift, donor trust, resource dependence, revenue diversification, higher education policy, Pakistan

Introduction

Nonprofit universities occupy an uneasy position between the market and the public good. They must pay faculty, maintain campuses, fund research and support students who cannot afford full fees, yet they are expected to do so without distributing surplus and without letting financial pressure redefine their purpose. Where public funding is scarce, this tension becomes a defining feature of institutional life rather than a periodic difficulty.

Pakistan illustrates the problem sharply. For fiscal year 2023-24, the Higher Education Commission (HEC) reported a recurrent budget requirement of roughly PKR 120.086 billion for universities, national programs and its secretariat, against a federal allocation of PKR 65 billion for universities (HEC, 2024). The gap has since persisted in nominal terms and widened in real terms. For FY2025-26, the federal government allocated PKR 66.4 billion in recurring funds against the HEC's request for PKR 84.6 billion ("Low Education Budget," 2025), and the FY2026-27 budget left the recurring grant unchanged at PKR 66.4 billion, although the HEC had sought at least PKR 100 billion (Abbasi, 2026). These figures describe the public system, not the finances of any individual private institution. It does, however, define the environment in which private nonprofit universities compete for students, faculty and philanthropic support, and in which the state is unlikely to close funding shortfalls on their behalf (Hoodbhoy, 2009).

Universities respond to such pressure by assembling mixed revenue portfolios: tuition, executive and professional education, contract research, consultancy, individual and corporate philanthropy, foundation grants and, increasingly, cross-border giving channeled through affiliated charities abroad. Scholars have described this movement as the commercialization of the nonprofit sector (Weisbrod, 1998), as academic capitalism (Slaughter & Rhoades, 2004) and as the rise of the entrepreneurial university (Clark, 1998). Each label captures a real trend, but each also leaves a normative question unresolved. When does earning income serve the mission, and when does it begin to replace it?

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The social enterprise literature appears to offer an answer. Social enterprises pursue social goals through trading activity and reinvest surplus in those goals (Dees, 1998; Defourny & Nyssens, 2010). Universities have long been described as hybrid organizations that combine public, market and philanthropic logics (Jongbloed, 2015), and recent work has begun to frame Pakistani universities explicitly as social enterprises (Rabbani et al., 2025). It is tempting to conclude that any nonprofit university that charges fees and reinvests surplus is therefore a social enterprise. This paper argues that the conclusion is too quick. Nonprofit legal form guarantees a non-distribution constraint (Hansmann, 1980), but it does not guarantee that revenue activities are coupled to the mission, that access is protected, or that governance can resist the preferences of powerful funders. Hybrid organizations are vulnerable precisely because the logics they combine pull in different directions (Battilana & Lee, 2014; Ebrahim et al., 2014).

Three bodies of theory bear on the problem, but they are rarely brought together. Social enterprise and hybrid organizing theory explains why mission-driven organizations earn income and how they manage competing logics. Resource dependence theory explains how the sources and concentration of resources shape organizational autonomy (Pfeffer & Salancik, 1978; Hillman et al., 2009). Research on philanthropy explains why donors give and why trust and perceived efficacy matter (Bekkers & Wiepking, 2011; Sargeant & Lee, 2004). Used separately, each lens produces a partial account. Social enterprise theory says little about which revenue sources create dependence. Resource dependence theory treats donors as resource holders rather than as parties whose trust must be earned. The philanthropy literature rarely considers how regulation shapes what a donor can give, to whom and with what tax consequence.

The regulatory dimension is especially underdeveloped. In multi-jurisdictional settings, the same gift may pass through a United States charity, a domestic foundation and a chartered university, each subject to a different legal regime. A US 501(c)(3) affiliate confers no tax status in Pakistan, and Pakistan's foreign contribution policy applies differently depending on the legal form of the recipient (Government of Pakistan, Economic Affairs Division, 2022). These details are not administrative footnotes. They determine which revenue is reachable, at what cost and under what conditions, and therefore enter directly into whether hybridity can sustain the mission.

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This paper addresses one central question: under what organizational and policy conditions can a nonprofit university operate as a social enterprise without compromising its educational mission? Three subsidiary questions follow. First, what distinguishes a nonprofit university that is a social enterprise from one that merely earns income? Second, how do donor trust, revenue portfolio composition and cross-sector partnerships interact in shaping financial resilience and mission fidelity? Third, how does the regulatory environment condition these relationships? The paper makes three contributions. First, it specifies mission-bounded hybridity as a distinct organizational condition, defined by three jointly necessary criteria, and thereby separates social enterprise status from nonprofit legal form. Second, it develops an integrated framework in which five organizational capabilities shape a dual outcome of financial resilience and mission fidelity, and it argues that revenue portfolio quality, rather than the number of revenue sources, is the operative variable. Third, it introduces regulatory fit as a construct that brings jurisdictional and legal-form considerations into theories of nonprofit finance, using Pakistan as an analytically revealing case of a resource-constrained, multi-jurisdictional environment.

Conceptual approach and scope

❖ Research design

This is a conceptual paper. Conceptual articles contribute by integrating existing knowledge in new ways, by offering new constructs or by specifying relationships that can later be tested (Gilson & Goldberg, 2015; MacInnis, 2011). Among the designs Jaakkola (2020) identifies, this paper follows the theory synthesis approach, which integrates several theories to produce a more complete account of a focal phenomenon, and partly the model approach, which specifies constructs and the relationships among them as testable propositions.

Following Jaakkola (2020), the paper distinguishes a domain theory from method theories. The domain is the financing and governance of nonprofit universities. The method theories, which supply the explanatory concepts, are social enterprise and hybrid organizing theory, resource dependence theory and the philanthropy literature on donor trust. Whetten (1989) suggests that a theoretical contribution must specify what factors matter, how they relate, why the relationships hold, and the who, where and when that bound them.

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❖ Pakistan as a contextual anchor

Pakistan is used as a contextual anchor rather than as an empirical case. It is analytically revealing for three reasons. First, the gap between public funding and recurrent need is large and documented (HEC, 2024), which intensifies the pressure to earn and raise income. Second, private nonprofit universities operate within layered legal arrangements involving chartering, nonprofit tax status and, in some cases, affiliated charities abroad. Third, rules on foreign contributions distinguish among recipients by legal form (Government of Pakistan, Economic Affairs Division, 2022). These features make visible relationships between regulation and hybridity that remain implicit in better-resourced, single-jurisdiction systems. Kerlin (2013) argues that the meaning and form of social enterprise vary with institutional context, which makes such contextual anchoring a theoretical necessity rather than a convenience.

❖ Scope

The framework applies to private, degree-awarding universities that operate under a non-distribution constraint and that combine earned income with philanthropic support. It does not address public universities, whose primary dependence is on the state, or for-profit providers, which lack the non-distribution constraint that is central to the argument. Institutions with affiliated charities in other jurisdictions are included as an important variant, because they make the role of regulation especially visible.

❖ Author positionality

The author has worked for more than a decade in university advancement, corporate and foundation relations and partnership development in Pakistani higher education. This experience informed the selection of problems and the identification of mechanisms, in the spirit of reflective practice (Schön, 1983). It is not treated as evidence. No interview, survey or institutional financial data are reported, and no claim in the paper rests on undisclosed internal information. Practitioner insight is used to generate propositions, which are then stated in a form that permits independent empirical testing.

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Theoretical foundations

❖ The nonprofit form and its limits

Hansmann (1980) explains the nonprofit form as a response to contract failure. Where consumers or donors cannot easily verify the quality or quantity of what they pay for, the non-distribution constraint reassures them that surplus will not be captured by those in control. Higher education fits this description well. Students and families purchase a credence good whose quality becomes clear only years later, and donors fund outcomes, such as scholarships or research, that they rarely observe directly.

The non-distribution constraint, however, governs where surplus goes, not how it is generated or what it is spent on. A nonprofit university can grow surplus by raising fees beyond the reach of low-income students, by expanding programs chosen for margin rather than educational value, or by accepting funding whose conditions narrow academic choices. Weisbrod (1998) documented the broader commercial transformation of the nonprofit sector and the risk that commercial activity crowds out mission-related outputs that do not pay. Bok (2003) made a parallel argument about universities, warning that commercial engagements can erode the norms that give academic work its value. Nonprofit form is therefore a necessary safeguard but an incomplete one.

❖ Social enterprise and hybrid organizing

Social enterprise has been defined in several traditions. Dees (1998) placed organizations on a spectrum from purely philanthropic to purely commercial and argued that enterprising nonprofits combine the two. The European EMES tradition developed an ideal type built on economic, social and participatory governance dimensions, including a significant level of economic risk, an explicit social aim and decision-making not based on capital ownership (Defourny & Nyssens, 2010, 2017). Kerlin (2006, 2013) showed that these meanings vary systematically with institutional context, including the role of the state and the structure of civil society. Two lessons follow for universities. First, charging for services is not sufficient. What matters is the relationship between trading activity and social purpose, the treatment of surplus, and who holds decision rights. Second, social enterprise is a matter of degree and configuration rather than a binary legal category.

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The hybrid organizing literature explains why such configurations are fragile. Hybrids combine institutional logics, such as a social welfare logic and a commercial logic, that prescribe different goals, practices and identities (Battilana & Lee, 2014; Thornton et al., 2012). Doherty et al. (2014) identify the management of mission drift, financial resources and stakeholder relationships as the core tensions of hybrid social enterprise. Pache and Santos (2013) show that hybrids can survive by selectively coupling intact elements of each logic, rather than by blending them, which suggests that structure and governance can be designed to contain tension.
Mission drift is the central risk. Ebrahim et al. (2014) argue that hybrids face accountability challenges because they answer simultaneously to beneficiaries and to those who supply revenue, and that governance is the primary mechanism for preventing drift. Grimes et al. (2019) conceptualize drift as a gradual movement away from mission anchors, which may be sanctioned or unsanctioned, and Cornforth (2014) identifies board composition, the separation of commercial and social activities and the measurement of social performance as levers against it. More recent work treats drift as a process rather than an event. Golbspan Lutz et al. (2023) describe the spaces of vulnerability in which tensions between social and financial goals expose a mission without necessarily causing it to drift, while Nkabinde and Mamabolo (2022), drawing on resource dependence theory, find that social enterprises under funder pressure protect their mission through social impact prioritization, strengthened hybrid models and strong leadership and governance. For universities, these insights imply that the question is not whether to earn income but how to bound it.

- **Resource dependence and revenue diversification**

Resource dependence theory holds that organizations depend on external actors for critical resources and that this dependence gives those actors influence over organizational decisions (Pfeffer & Salancik, 1978). Dependence is greatest when a resource is important, when its holder has discretion over it and when alternatives are scarce. Hillman et al. (2009) review the theory's continuing relevance and the tactics organizations use to manage dependence, including diversification, co-optation through boards and the creation of buffering structures.

In the nonprofit literature, diversification has been the dominant prescription. Tuckman and Chang (1991) linked revenue concentration to financial vulnerability, and Chang and Tuckman (1994) found that diversified organizations tend to be financially stronger. Froelich (1999) refined the argument by showing that each

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revenue source carries a distinct profile of volatility, goal displacement and structural effects: private contributions, government funding and commercial income each create different dependencies. Carroll and Stater (2009) found that diversification is associated with greater revenue stability, while the meta-analysis by Hung and Hager (2019) suggests that the overall effect of diversification on financial health is positive but small and varies with how financial health is measured. Evidence from higher education points in a similar direction: in a panel of 20 Malaysian public universities, revenue diversification measured by the Herfindahl index was positively associated with financial sustainability when return on assets was the outcome (Abdullah Jaafar et al., 2023). By contrast, von Schnurbein and Fritz (2017) found that Swiss fundraising charities with more concentrated revenue grew stronger over time, which cautions against treating diversification as universally beneficial.

These findings caution against equating the number of revenue sources with resilience. Diversification has administrative costs, and sources may be correlated: several gifts may originate with one family, or several grants may depend on one policy cycle. Restricted funds may be plentiful while unrestricted operating funds remain scarce. For universities, the relevant property is the quality of the revenue portfolio, which includes its concentration, the share that is unrestricted, the correlation among sources and the conditions attached to each.

- **Donor trust and cross-sector philanthropy**

Bekkers and Wiepking (2011) identify eight mechanisms that drive charitable giving: awareness of need, solicitation, costs and benefits, altruism, reputation, psychological benefits, values and efficacy. For universities, reputation and efficacy are especially salient, because donors fund outcomes they cannot easily observe and must rely on the institution's credibility.

Trust can be specified more precisely. Mayer et al. (1995) define trust as a willingness to be vulnerable to another party based on perceptions of that party's ability, benevolence and integrity. Sargeant and Lee (2004) show that trust is associated with relationship commitment and giving behavior in the voluntary sector, and Sargeant et al. (2006) find that perceived organizational performance and effectiveness shape giving. Becker (2018) provides experimental evidence that voluntary accountability practices can increase trust and donation intentions, although effects are not uniform. The most comprehensive synthesis to date, a meta-

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analysis of 69 effect sizes from studies in 31 countries, confirms a positive but modest association between trust and giving (r = .22). The association is strongest for trust in the specific organization (r = .35) and stronger in non-Western than in Western countries, although all available evidence is correlational (Chapman et al., 2021). In higher education, Drezner (2011) shows that fundraising success rests on cultivated relationships, institutional identity and donors' belief that their gifts make a difference. In Pakistan, Nisar et al. (2023) find that alumni engagement in public universities remains underdeveloped and argue that relationships built on mutual benefit and trust could support long-term financial sustainability.

These literatures imply that trust is not a public relations outcome but an asset built through verifiable conduct. They also imply that trust interacts with dependence: a highly trusted institution may attract unrestricted gifts that reduce dependence, while a distrusted one may face more restrictive conditions that increase it.

Cross-sector philanthropy adds a further layer. Austin (2000) describes a continuum of nonprofit-business collaboration from philanthropic to transactional to integrative, and Austin and Seitanidi (2012) show that value creation increases as partnerships deepen, but so do interdependence and the potential for conflict. Weber et al. (2022) show that cross-sector collaborations last when partners achieve congruence in goals, governance structures, administrative processes and accountability processes. Corporate partners can fund scholarships, laboratories and applied research, yet they may also expect influence over curricula, research agendas or recruitment. Suchman (1995) reminds us that legitimacy is conferred by audiences who judge whether an organization's actions are appropriate, so partnerships that appear to compromise academic independence can reduce the very legitimacy that attracts other donors.

- **Synthesis: why the three lenses need each other**

Each lens explains part of the problem and leaves a blind spot that another lens fills.

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Table 1 summarizes the logic of integration.

Lens	**What it explains**	**Blind spot**	**What it contributes to the framework**
Nonprofit theory (Hansmann, 1980; Weisbrod, 1998)	Why surplus must not be distributed	Says nothing about how surplus is generated or spent	Surplus lock as a necessary condition
Social enterprise and hybrid organizing (Battilana & Lee, 2014; Ebrahim et al., 2014)	How mission and revenue logics are combined and how drift occurs	Treats revenue sources as broadly interchangeable	Mission coupling and mission-primacy governance
Resource dependence (Pfeffer & Salancik, 1978; Froelich, 1999)	How source, concentration and conditions of resources shape autonomy	Treats donors as resource holders rather than trusting parties	Revenue portfolio quality
Donor trust and philanthropy (Bekkers & Wiepking, 2011; Mayer et al., 1995)	Why donors give and what sustains giving	Rarely considers legal form, jurisdiction or tax rules	Donor trust capital
Institutional context (Kerlin, 2013)	Why social enterprise takes different forms in different settings	Rarely specifies the organizational capabilities needed to operate within context	Regulatory fit

The integration yields a simple but consequential claim. Social enterprise status in a nonprofit university is not a property of legal form or of any single revenue stream. It is an emergent property of how earned income, philanthropy, governance and regulation are configured together.

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Contextual anchor: Pakistan's higher education and nonprofit policy regime

The study does not offer legal advice or a complete legal survey here. Its purpose is analytical: to show how the regulatory environment shapes which revenue a nonprofit university can reach, at what cost and under what conditions. Each provision discussed applies according to the legal form of the entity and the nature of the transaction, and provisions are subject to amendment. The analysis reflects instruments in force at the time of writing.

- **Fiscal context**

The HEC's 2023-24 figures show a recurrent requirement of about PKR 120.086 billion against a federal allocation of PKR 65 billion for universities (HEC, 2024). More recent budgets confirm that the gap is structural rather than cyclical. The federal recurring grant has remained close to its 2017-18 level: PKR 66.4 billion was allocated for FY2025-26 against a request of PKR 84.6 billion, and the same amount was retained for FY2026-27 despite an HEC request for at least PKR 100 billion (Abbasi, 2026; "Low Education Budget," 2025). Long-standing critiques of Pakistan's higher education system emphasize chronic underfunding alongside rapid expansion (Hoodbhoy, 2009). For private nonprofit universities, the significance of this context is indirect but real. It limits the prospect of public subsidy, intensifies competition for philanthropic and corporate funds, and raises the stakes of pricing decisions, because tuition increases fall on households with limited capacity to pay. Johnstone (2004) describes the global shift of higher education costs from governments toward students and families. In Pakistan this shift places access at the center of any assessment of whether a nonprofit university's revenue model serves the public good.

Pakistan's philanthropic base, by contrast, is large but weakly institutionalized. The Pakistan Centre for Philanthropy reports that about 73 percent of Pakistanis donated money in 2024, with more than half giving directly to individuals or families in need (Musaddique, 2026). Corporate philanthropy reached about PKR 23.65 billion in 2023, an increase of 41 percent over 2022 (Kiani, 2024). For universities, the opportunity therefore lies less in creating generosity than in converting existing generosity into institutional, recurring and unrestricted support.

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- **Layered legal status**

A nonprofit university's legal identity is typically layered. The degree-awarding institution derives its authority from a federal or provincial charter and HEC recognition. It may be sponsored by a trust, society or not-for-profit company, and it may have affiliated fundraising entities at home and abroad. Each layer carries distinct obligations regarding governance, reporting and the receipt of funds. Analytically, this layering matters because the same gift may be solicited by one entity, received by another and spent by a third, and accountability must follow the money across each boundary.

- **Nonprofit tax treatment**

Under the Income Tax Ordinance, 2001, recognition as a nonprofit organization for tax purposes requires approval by the Commissioner Inland Revenue under section 2(36). Since tax year 2015, the earlier blanket exemption for such organizations has been replaced by a tax credit regime: NPOs approved under section 2(36) are entitled under section 100C to a tax credit equal to 100 percent of tax payable, subject to conditions that include filing returns and meeting withholding obligations (Government of Pakistan, Federal Board of Revenue, 2001; Pakistan Centre for Philanthropy, 2022a). Donors, in turn, may claim tax credits under section 61 for donations to eligible organizations (Pakistan Centre for Philanthropy, 2022b).

The Pakistan Centre for Philanthropy (PCP) plays an intermediary role in this regime. The Federal Board of Revenue designated PCP as a certification agency through S.R.O. 1116(I)/2003 (Pakistan Centre for Philanthropy, 2022a), and it evaluates nonprofit organizations on governance, financial transparency and program performance. Certification of this kind functions as a third-party trust signal, which links the tax regime directly to the donor trust mechanisms discussed in Donor trust and cross-sector philanthropy.

Two analytical points follow. First, nonprofit status in the tax sense is a conditional approval, not an automatic consequence of charitable purpose, and it can lapse if conditions are not met. Second, the donor's tax benefit depends on the recipient's status. A university that cannot clearly explain which entity is eligible to issue tax-creditable receipts imposes uncertainty on donors and weakens one of the cost-benefit mechanisms that motivates giving (Bekkers & Wiepking, 2011).

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❖ **Foreign contributions**

The Economic Affairs Division's Policy for Local NGOs/NPOs Receiving Foreign Contributions (2022) establishes registration, approval and reporting requirements for organizations within its scope. The policy also excludes certain categories, including universities and colleges established or chartered by the federal or provincial governments, according to its terms (Government of Pakistan, Economic Affairs Division, 2022). The exclusion is significant for the framework because it shows that the regulatory burden attached to the same cross-border gift varies with the legal form of the recipient. A chartered university and a sponsoring trust or foundation may face different requirements for an otherwise identical contribution.

❖ **Cross-border structures and US charitable affiliates**

Some Pakistani institutions are supported by affiliated charities in the United States recognized under section 501(c)(3) of the Internal Revenue Code (Internal Revenue Service, n.d.). Such affiliates can make giving more accessible and tax-efficient for US-based donors, including diaspora alumni. Their effect is nonetheless bounded in three ways. First, US charitable status determines US federal tax treatment only. It confers no tax status on the Pakistani university and no exemption from Pakistani regulation. Second, US tax rules require that a domestic charity exercise discretion and control over funds it grants abroad, rather than acting as a mere conduit for gifts earmarked for a foreign organization (Internal Revenue Service, 1963, 1966). The affiliate's board therefore holds genuine decision rights over funds, which introduces a second governance locus. Third, once funds enter Pakistan, the recipient's obligations are determined by Pakistani law according to its own legal form.

The analytical implication is that cross-border structures do not simply add a revenue source. They add a governance relationship, a compliance pathway and a set of donor expectations that must be aligned with the university's own mission and controls.

❖ **Why regulation belongs inside the framework**

Taken together, these provisions show that regulation is not merely a background condition. It shapes the reachable revenue set, the transaction costs of each source, the credibility signals available to donors and the number of governance actors with legitimate claims on funds. Regulatory requirements also serve protective purposes, including preventing misuse of charitable funds and sustaining public trust. The

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relevant question is therefore not whether regulation helps or hinders, but whether an institution has the capability to operate within it efficiently. The Mission-Bounded Hybridity framework, conceptualizes this capability as regulatory fit.

The Mission-Bounded Hybridity framework

❖ The core construct

This paper defines mission-bounded hybridity as the condition in which a nonprofit university combines commercial and philanthropic resource logics while three boundary conditions hold jointly:

1. Mission coupling. Earned-income activities draw on, and feed back into, the university's core educational and research functions. Executive education built on faculty expertise, or contract research that generates publishable knowledge and student training, is coupled. A commercial venture unrelated to teaching or research is not.
2. Surplus lock. Beyond the legal no distribution constraint (Hansmann, 1980), surpluses are committed, through budget rules and board policy, to mission purposes, including access for students who cannot pay full cost.
3. Mission primacy in governance. Decision rights are structured so that, when revenue opportunities conflict with educational purpose, mission criteria prevail. This is the governance mechanism that Ebrahim et al. (2014) and Cornforth (2014) identify as the principal defense against drift.

The conditions are conjunctive. A university that reinvests surplus but earns income from uncoupled activities is a commercialized nonprofit. A university with coupled activities but no governance mechanism to protect access remains exposed to drift whenever financial pressure rises. Only the combination of all three distinguishes a social enterprise from a nonprofit that happens to earn income.

Proposition 1. Nonprofit legal form is a necessary but not sufficient condition for social enterprise status. A nonprofit university exhibits social enterprise characteristics to the extent that mission coupling, surplus lock and mission primacy in governance hold jointly.

❖ Five capabilities and a dual outcome

Whether mission-bounded hybridity is sustainable depends on five organizational capabilities, each grounded in one or more of the theoretical lenses reviewed in Theoretical foundations. They shape a dual outcome: financial resilience, meaning

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the capacity to absorb shocks and fund recurrent commitments, and mission fidelity, meaning the preservation of access, academic autonomy and program integrity. The dual outcome is central to the argument. A model that measured only financial resilience would classify a university that raised fees and narrowed access as successful.

Table 2. Constructs, definitions and indicative indicators

Construct	**Definition**	**Theoretical root**	**Indicative indicators**
Mission-coupled earning	The extent to which earned income derives from activities that use and strengthen core academic functions	Social enterprise; hybrid organizing	Share of earned income from coupled activities; share of surplus from such activities reinvested in academic programs
Donor trust capital	The stock of donor confidence in the institution's ability, benevolence and integrity, built through verifiable conduct	Philanthropy; organizational trust	Donor retention rate; repeat and upgraded gifts; share of unrestricted gifts; validated trust scales
Revenue portfolio quality	The resilience of the revenue mix, reflecting concentration, unrestricted share, correlation among sources and attached conditions	Resource dependence; diversification research	Herfindahl index of revenue sources; top-donor share; unrestricted share; months of operating reserves
Regulatory fit	The alignment of entity structure and fund flows with applicable legal regimes, and the capability to comply efficiently	Institutional context; resource dependence	Clarity of entity and fund-flow mapping; status of tax and certification approvals; compliance cost ratio; approval lead times
Mission-safeguarding governance	Board and policy mechanisms that protect	Hybrid governance; mission drift	Gift acceptance and partnership policies; board oversight of

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	access, academic freedom and correct use of funds		access; academic freedom and IP clauses in agreements
Financial resilience (outcome)	Capacity to absorb revenue shocks and fund recurrent commitments	Nonprofit finance	Operating margin volatility; reserve coverage; recurrent income to recurrent cost ratio
Mission fidelity (outcome)	Preservation of access, academic autonomy and program integrity over time	Social enterprise; higher education policy	Share of students on need-based aid; net price for lowest-income students; independence provisions honored

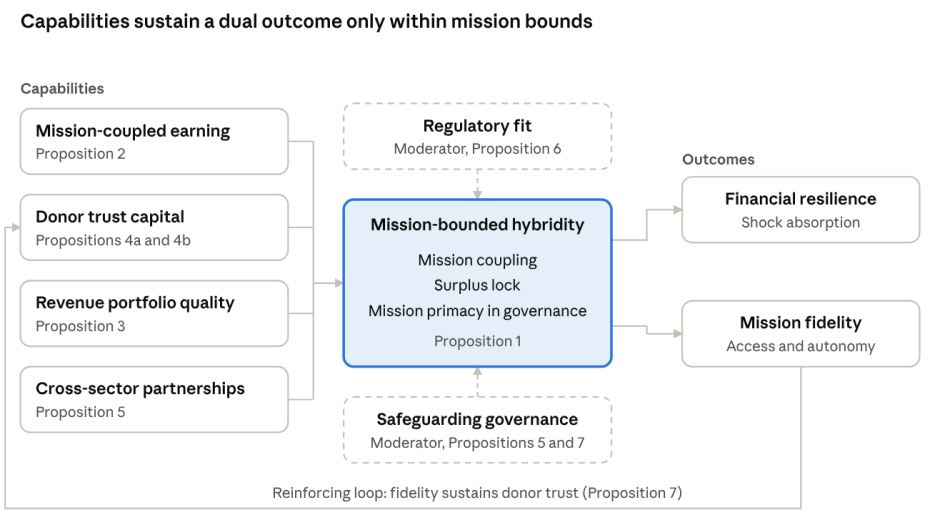


Figure 1. The Mission-Bounded Hybridity framework

Figure 1. The Mission-Bounded Hybridity framework. Capabilities feed the core condition; regulatory fit and mission-safeguarding governance moderate the relationships; mission fidelity feeds back into donor trust. Source: Author's own conceptualization.

❖ **Earned income: coupling determines the trade-off**

Earned income strengthens financial resilience regardless of its source, because it reduces reliance on discretionary gifts. Its effect on mission fidelity, however, depends on coupling. Coupled activities create complementarities: executive education can fund scholarships while exposing faculty to practice, and contract research can fund graduate students while producing public knowledge. Uncoupled activities compete for managerial attention, campus resources and institutional identity, and they can shift priorities toward what pays (Weisbrod, 1998; Bok, 2003). Pache and Santos (2013) suggest that hybrids can protect themselves by coupling elements of each logic selectively rather than blending them, which in universities implies structural separation of commercial units combined with mission tests for their activities.

Proposition 2. *Earned income is positively related to financial resilience. Its relationship with mission fidelity is positive when earned income is mission-coupled and negative when it is not*.

❖ **Revenue portfolio quality, not quantity**

The diversification literature finds modest and context-dependent benefits (Abdullah Jaafar et al., 2023; Carroll & Stater, 2009; Hung & Hager, 2019; von Schnurbein & Fritz, 2017). The framework explains this pattern by distinguishing quantity from quality. Adding sources reduces risk only if the new sources are not correlated with existing ones, if they increase the share of unrestricted funds, and if the administrative cost of managing them does not exceed their contribution. Froelich (1999) shows that sources differ in volatility and in their capacity to displace goals, so the same number of sources can represent very different risk profiles.

Proposition 3. *Revenue portfolio quality, rather than the number of revenue sources, is positively related to financial resilience. Diversification strengthens resilience only to the extent that it reduces concentration and correlation among sources and increases the unrestricted share, net of administrative cost*.

❖ **Donor trust as a portfolio asset**

Donor trust is usually treated as a fundraising outcome. The framework treats it as a portfolio asset. Donors who trust an institution's ability, benevolence and integrity (Mayer et al., 1995) are more willing to give unrestricted funds, to renew gifts and to commit to multi-year or endowment support, all of which improve portfolio quality.

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Distrusted institutions, by contrast, face tighter restrictions and shorter commitments, which increase dependence on donor preferences. Trust is built through verifiable conduct: audited reporting, transparent scholarship criteria, accurate reporting on restricted funds and third-party signals such as PCP certification in Pakistan (Becker, 2018; Chapman et al., 2021; Sargeant & Lee, 2004).
Proposition 4a. Donor trust capital is positively related to revenue portfolio quality, because trusted institutions attract a larger share of unrestricted, recurring and long-term gifts.

Proposition 4b. *Verifiable accountability practices and third-party certification increase donor trust capital, with effects that vary according to donors' motives and relationship history.*

- **Cross-sector partnerships and the governance contingency**

Corporate and foundation partnerships can deliver funds, expertise and employment pathways that tuition cannot. As collaboration deepens from philanthropic to integrative forms (Austin, 2000; Austin & Seitanidi, 2012; Weber et al., 2022), mutual value grows, but so does the partner's capacity to influence curricula, research agendas and recruitment. Resource dependence theory predicts that this influence grows with the importance and non-substitutability of the partner's contribution (Pfeffer & Salancik, 1978). Whether partnerships improve or erode mission fidelity therefore depends on the safeguards written into them: clear purpose, limits on use, academic freedom and publication rights, intellectual property terms, conflict-of-interest provisions and exit clauses.

Proposition 5. *Cross-sector partnerships are positively related to financial resilience. Their relationship with mission fidelity is moderated by mission-safeguarding governance: positive where agreements protect academic autonomy and specify fund limits and accountability, and negative where they do not.*

- **Regulatory fit as a conversion mechanism**

Donor intent does not automatically become revenue. Between a donor's willingness to give and a usable gift lie questions of which entity can receive the funds, whether the donor obtains a tax benefit, what approvals cross-border transfers require and how restricted funds must be reported. Contextual anchor: Pakistan's higher education and nonprofit policy regime, showed that, in Pakistan, these questions are answered differently depending on legal form and transaction

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type. An institution with high regulatory fit, meaning a clear entity map, current approvals and efficient compliance routines, converts more donor intent into gifts at lower cost. An institution with low regulatory fit experiences delays, uncertainty and lost gifts, particularly in cross-border philanthropy. Regulatory fit is not regulatory avoidance. It is the capability to operate within legitimate oversight without incurring disproportionate cost.

Proposition 6. *Regulatory fit positively moderates the relationship between donor trust capital and realized philanthropic revenue. The moderating effect is stronger for cross-border contributions and for institutions with layered legal structures.*

- **Governance and the reinvestment loop**

Financial resilience does not automatically produce mission fidelity. A financially stronger university can choose to expand access, or it can accumulate reserves, expand profitable programs and reduce need-based aid. Governance determines which path is taken. Where boards monitor access, review the mission implications of revenue decisions and enforce partnership policies, financial gains are reinvested in mission. Where they do not, financial success can coexist with gradual, unsanctioned drift (Golbspan Lutz et al., 2023; Grimes et al., 2019). Mission fidelity also feeds back into donor trust, because institutions seen to honor their purpose sustain their legitimacy with donors and the public (Suchman, 1995). The framework therefore contains a reinforcing loop: governance converts resilience into fidelity, fidelity sustains trust, and trust improves portfolio quality and resilience.

Proposition 7. *Mission-safeguarding governance moderates the relationship between financial resilience and mission fidelity, such that the relationship is positive under strong governance and weak or negative under weak governance. Mission fidelity, in turn, is positively related to donor trust capital over time.*

- **A typology of configurations**

Crossing mission coupling with revenue portfolio quality yields four configurations, which help interpret the propositions and locate real institutions for comparative research.

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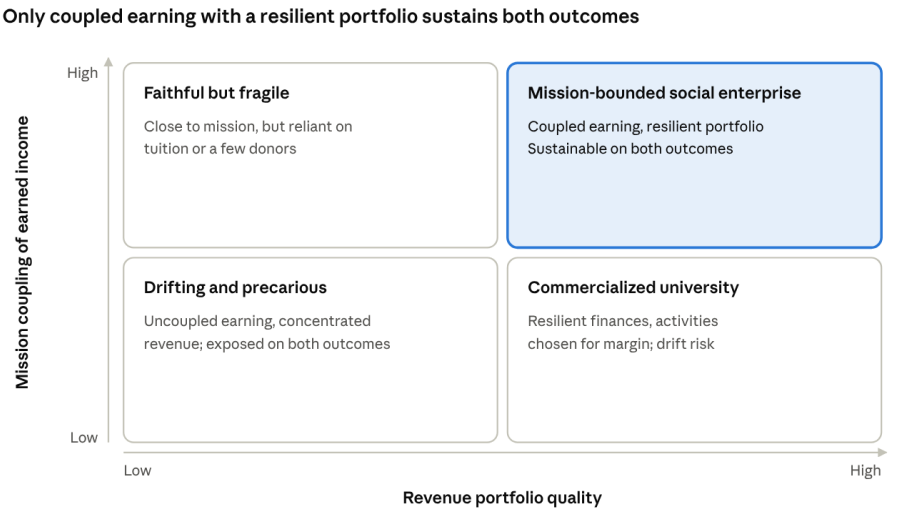


Figure 2. Typology of nonprofit university configurations

Figure 2. Typology of nonprofit university configurations by mission coupling and revenue portfolio quality. Source: Author's own conceptualization.

The mission-bounded social enterprise combines coupled earning with a high-quality portfolio and is the configuration the framework identifies as sustainable on both dimensions. The faithful but fragile institution stays close to its mission but depends on tuition or a few donors, so a single shock can force painful trade-offs. The commercialized university is financially resilient but has drifted toward activities chosen for margin. The drifting and precarious institution has neither protection, and is most exposed to both financial distress and loss of purpose. The typology is analytical. Institutions can move between configurations, and the framework predicts that movement depends chiefly on governance and regulatory fit.

Discussion

❖ Theoretical contributions

Contribution to social enterprise and hybrid organizing theory. Universities are among the oldest and largest hybrid organizations, yet they are rarely analyzed through the social enterprise lens. The paper specifies three conjunctive conditions

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that separate social enterprise status from nonprofit legal form. This reframes the familiar question of whether universities should earn income into a more precise question about how earned income is coupled, how surplus is committed and who holds decision rights when revenue and mission conflict. It also extends the mission drift literature (Grimes et al., 2019; Cornforth, 2014) by identifying access and academic autonomy as observable mission anchors for higher education.

Contribution to resource dependence theory and nonprofit finance. The paper shifts attention from the number of revenue sources to the quality of the revenue portfolio, explaining the modest average effect of diversification reported in meta-analytic work (Hung & Hager, 2019). It also integrates donor trust into resource dependence theory. Classic formulations treat resource holders as actors whose discretion creates dependence (Pfeffer & Salancik, 1978). The framework suggests that trust changes the terms on which resources are given, so that trusted institutions face less restrictive conditions and therefore less dependence for the same volume of funding.

Contribution to the institutional context of social enterprise. Kerlin (2013) shows that social enterprise varies with national context, but the literature rarely specifies the organizational capabilities through which context operates. Regulatory fit fills this gap. It treats legal form, jurisdiction and compliance capacity as determinants of which revenue is reachable and at what cost, and it makes multi-jurisdictional philanthropy, including diaspora giving through foreign affiliates, a theoretically relevant phenomenon rather than an administrative detail.

- **Boundary conditions and rival explanations**

The framework is bounded in several ways. It applies to institutions under a no distribution constraint and does not address for-profit providers. Its predictions are likely to be strongest where public funding is scarce and philanthropic markets are developing, and weaker where stable public subsidy reduces reliance on earned and donated income. Institutional size matters: compliance costs and portfolio management impose relatively heavier burdens on small institutions, which may limit their capacity to diversify efficiently. Founding identity matters too. Institutions with religious, missionary, family or corporate sponsorship may carry distinct mission anchors and donor bases that shape both trust and governance. Cultural context matters as well. Trust appears to be more strongly associated with giving in non-Western settings (Chapman et al., 2021), which suggests that the trust

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mechanisms in the framework may carry more weight in Pakistan than in the Western contexts where most nonprofit finance research has been conducted.
Rival explanations must also be considered in any test. Causality may run in the opposite direction from that proposed: reputable, well-resourced universities may attract diversified, unrestricted funding because of their reputation, rather than becoming resilient because of diversification. Similarly, wealthier institutions can afford better reporting systems, so transparency may be a consequence rather than a cause of donor trust. Longitudinal designs and comparisons among institutions of similar standing are needed to separate these effects.

- **Practical implications**

For university boards, the framework recommends a dual dashboard that reports financial resilience and mission fidelity side by side, so that revenue decisions are judged against access and autonomy as well as margin. Boards should test new ventures against the three boundary conditions before approval, and they should monitor revenue concentration and the unrestricted share rather than total revenue alone.

For advancement and partnership offices, the framework highlights three practices: a written gift acceptance and partnership policy that specifies acceptable conditions and protects academic freedom; donor reporting that distinguishes commitments from receipts and restricted from unrestricted funds; and an up-to-date entity and fund-flow map that tells every donor which entity receives their gift, what it may be used for and whether a tax benefit applies. Promising tax benefits that have not been verified, or reporting pledges as income, erodes the trust capital on which future fundraising depends.

For institutions with foreign affiliates, the framework implies that the affiliate should be treated as a governance partner with its own fiduciary duties, not as a collection account. Written agreements should set out grant-making procedures, reporting obligations and the division of responsibilities across jurisdictions.

- **Policy implications**

For regulators, the analysis suggests that clarity and proportionality matter as much as the existence of oversight. Consolidated guidance that explains how chartering, nonprofit tax approval, certification and foreign contribution rules apply to each type of entity would reduce uncertainty without weakening accountability.

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Proportionate procedures could distinguish among institutions by legal form, size and track record. The HEC and tax authorities could also strengthen the evidence base by encouraging standardized public financial disclosure by private nonprofit universities, which would support both donor trust and research. Such reforms should strengthen, not dilute, safeguards against misuse of charitable funds.

Research agenda

The propositions are designed to be tested with a combination of archival, survey, interview and comparative methods. Table 3 links each proposition to a suitable design and data source.

Table 3. Research agenda for testing the propositions

Proposition	**Suggested design**	**Data sources**	**Key measures**
P1: conjunctive conditions for social enterprise status	Comparative case study or fuzzy-set qualitative comparative analysis across several nonprofit universities	Charters, board policies, budgets, audited statements	Presence and strength of mission coupling, surplus lock and mission primacy
P2: coupled versus uncoupled earned income	Longitudinal panel of institutions	Multi-year audited accounts, program portfolios, financial aid data	Earned income by activity type; reserve change; need-based aid share
P3: portfolio quality versus quantity	Panel regression with portfolio indicators	Audited statements, donor databases	Herfindahl index; unrestricted share; source correlation; operating margin volatility
P4a and P4b: donor trust and portfolio quality	Donor survey combined with gift records; experimental vignettes on accountability signals	Validated trust scales; gift histories; certification status	Trust scores; retention; unrestricted giving share

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P5: partnerships and governance	Document analysis of partnership agreements with interviews	Agreements, partnership policies, interviews with faculty and partners	Presence of autonomy, IP and exit clauses; reported influence on curricula or research
P6: regulatory fit as moderator	Process tracing of gift pathways; comparison of domestic and cross-border gifts	Dated correspondence, approval records, compliance costs	Approval lead times; compliance cost ratio; share of pledged cross-border gifts realized
P7: governance and the reinvestment loop	Longitudinal multi-case design	Board minutes, budgets, access data, donor trust surveys	Board oversight practices; change in net price and aid after surplus years; trust over time

Three further directions deserve attention. First, comparative research across countries with different philanthropic and regulatory regimes, such as other South Asian systems, would test whether regulatory fit operates similarly elsewhere. Second, students and other beneficiaries should be included as respondents, since mission fidelity cannot be judged only by managers and donors. Third, insider research by practitioners can generate valuable access, but it requires explicit reflexivity, institutional permission, informed consent and independent review of coding to manage bias and protect confidential donor information.

Conclusion

Can a nonprofit university operate as a social enterprise? This paper has argued that the answer is conditional and that the conditions can be specified. Nonprofit legal form is necessary but not sufficient. A nonprofit university becomes a social enterprise when its earned income is coupled to its educational mission, when its surpluses are committed to that mission and when its governance gives the mission precedence over revenue. Whether such an institution remains sustainable depends on five capabilities: mission-coupled earning, donor trust capital, revenue portfolio quality, regulatory fit and mission-safeguarding governance.

The Mission-Bounded Hybridity framework makes three moves that existing work has not made together. It separates social enterprise status from legal form, it

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replaces revenue quantity with revenue quality as the operative financial variable, and it brings regulation inside the theory through the construct of regulatory fit. Pakistan, with its large public funding gap, layered legal structures and recipient-specific rules on foreign contributions, shows why these moves matter. In such settings, the sustainability of a nonprofit university is determined less by how much revenue it raises than by how well its revenue, relationships, governance and legal structures fit together.

The framework is conceptual, and its propositions now require empirical testing. Its practical message is nonetheless immediate. University leaders should judge every new revenue source by what it does to access and autonomy as well as to the budget. Donors should look for verifiable accountability rather than reputation alone. Regulators should aim for oversight that is clear and proportionate. If these conditions are met, hybridity need not threaten the public purpose of nonprofit higher education. It can be the means of sustaining it.

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