



Purpose-driven transformation: a holistic organization design framework for integrating societal goals into companies

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Abstract

Companies today are increasingly called upon to address society's issues, such as climate change and inequality, but traditional companies are not up to the task as they are designed primarily for profit maximization. Addressing society's issues requires companies to societally hybridize, meaning introducing societal goals alongside profit goals thereby transitioning to a deeper societal impact commitment. However, extant literature predominantly considers born hybrid organizations and discusses specific design elements or types of hybrid design. Drawing on social–commercial hybrid organization and organization design literatures, this conceptual paper takes a dynamic view of social–commercial hybridity. This paper proposes a framework delineating four stages of societal hybridization based on the degree to which a traditional company realigns its design to pursue dual goals. The paper has practical and theoretical implications with contributions to social–commercial hybrid organization and organization design theories by demonstrating how redesign can enable a company to successfully integrate societal goals and improve multidimensional organizational performance.

Keywords Hybrid organizations · Organization design · Star model · Hybridization · Societal impact · Organization purpose · Purpose-driven company

JEL classification M1: Business administration · M10: General · M14: Corporate culture, diversity, social responsibility

Introduction

Companies today are increasingly called upon to generate both profit and broader societal (social and/or environmental) impact by also addressing escalating issues, such as climate change, biodiversity loss, and rising inequality (Lee and Jay 2015; Margolis and Walsh 2003). Thus, there is a hybridization of the economy, which describes the convergence and reconfiguration of the for-profit and non-profit sectors to increasingly resemble each other (Battilana et al. 2012). This is reflected in the rise of social–commercial hybrid organizations (hereafter hybrids) which pursue both profit and societal purpose. Societal purpose (hereafter purpose) refers to organizational goals beyond profit maximization that intend to benefit society (Gartenberg et al. 2019; Jasinenko and Steuber 2022; Mayer 2021), such as

addressing climate issues and reducing inequality. Existing scholarship has primarily focused on “born” social enterprises, meaning those organizations founded with these dual goals, as the “hybrid ideal” using market practices to support pursuit of a societal goal (Battilana et al. 2012; Doherty et al. 2014).

However, traditional for-profit companies are increasingly committing to integrating societal goals, that is they are hybridizing. The growth and evolution of the certified B Corp movement, which aims to use “Business as a Force for Good,” reflects this trend. B Corp certification is based on the voluntary assessment of an entire company and its practices to meet high standards of environmental and social performance as measured in five areas (governance, workers, environment, community, and customers) and evaluated by the third-party non-profit organization B Lab. What began in 2007 in the US with a few dozen small- and medium-sized enterprises reputed for their societal considerations—such as Seventh Generation, Dansko, and King Arthur Baking Company, has grown to more than 7,380 companies across 92 countries and 161 industries, including multinationals with

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a traditional for-profit history, such as Nespresso (B-Lab 2023).

Recent research indicates that most companies are now to some extent hybrid (Shepherd et al. 2019). In fact, given the prominence of internal and external drivers (Battilana et al. 2017), companies today are more likely to ask *how*, rather than *whether*, to integrate societal goals (Obel and Kallehave 2022). Yet, this practical and theoretical question has not been fully answered.

While scholars have recognized that social enterprises are not the only organizations hybridizing the economy (Battilana et al. 2012; Haigh and Hoffman 2012) and that a continuum exists (Haigh et al. 2015; Holt and Littlewood 2015; Shepherd et al. 2019), different stages of for-profit hybridity have not been sufficiently clarified yet. Typologies are critical to theory development and hybrid typologies are likely to be particularly valuable since the underlying nature of the organization's hybrid activities is often hidden to both internal and external stakeholders; thus, unpacking their differences can enhance our understanding of hybrids (Gamble et al. 2020). A holistic understanding of the role of organization design in hybrids can provide important insight into *how* companies transform to a more balanced pursuit of profit and purpose and thereby provide necessary nuance to the profit-purpose continuum. Unpacking the stages' design variations can help explain important differences in company hybridization trajectories, such as design and implementation challenges as well as consequences in degrees of hybridity and multidimensional performance outcomes.

Although research has examined how various elements of organization design can help born hybrids manage tensions between their divergent goals (Battilana and Lee 2014; Besharov and Smith 2014) and considered specific types of hybrid design (Raghavan 2021; Szerb et al. 2021), it is less clear what might work for traditional companies seeking to integrate societal goals and how they can adapt. If a traditional company is societally hybridizing (meaning introducing societal goals alongside profit goals thereby transitioning to a deeper societal impact commitment), then it will have new, adapted, and/or newly prioritized goals. Importantly, it is unlikely to be designed to achieve these new goals effectively and efficiently. Hybridization requires organizational redesign to shift from alignment for profit maximization towards facilitating multidimensional performance in both profit and societal purpose. As scholarship is only beginning to explore hybridizing companies [see, for example, Radoynovska and Ruttan (2021); Vallaster et al. (2019)], the organization design implications remain unspecified.

The purpose of this conceptual paper is to understand how more traditionally profit-driven companies can deploy organization design to successfully integrate societal goals. Acknowledging that there is not a one-size-fits-all approach to organization design but that it is adapted to

each organization's particular circumstances (Burton and Obel 2018; Galbraith 1973), this paper tailors the seminal Star Model (Galbraith 2014) to hybrids. The Star Model offers a structured approach to holistically align key, inter-related design elements with an organization's strategic aims thereby increasing its effectiveness and efficiency, i.e. performance (Galbraith 2014). The paper extends the emergent, dynamic view of hybrids and theorizes important stages of hybridization of a traditional company based on holistic organization design with a focus on multidimensional performance. In doing so, it expands hybridization beyond simply considering whether the company has a dual mission that is strategically aligned, but if the design of the organization is complementary to supporting both profit and purpose.

The paper proceeds in three steps: first, it applies the Star Model to hybrids. Second, building on the specified model, the paper proposes a framework identifying four distinct stages of hybridization by degree of design. Third, the paper considers hybridization journey dynamics with illustrative examples. Finally, theoretical and practical implications of organization redesign for dual goals are discussed.

Social-commercial hybrid organization continuum

Social-commercial hybrid organizations (hybrids) combine different institutional commercial and social logics—taken for granted social prescriptions that guide actors' behavior—in unconventional ways (Battilana and Dorado 2010; Besharov 2014; Pache and Santos 2010). For example, Patagonia, the outdoor apparel company, aims to address environmental harm and operates from its mission statement of “we're in business to save our home planet.” Tony's Chocolonely, a Dutch chocolate company, ascribes to the mission to end slavery in the chocolate industry. In short, hybridity occurs in organizations engaging in diverse goals to various degrees—a topic which has yet to be sufficiently explored (Battilana et al. 2017).

Diversity among hybrid organizations is pronounced (Battilana et al. 2012; Gamble et al. 2020), that is in terms of why, to what degree, and how organizations seek to achieve their dual goals. Shifts in both the external institutional environment and internal organizational reasons motivate companies to integrate societal goals in various ways (Battilana et al. 2017). For example, regulatory changes, such as new non-financial reporting requirements (Christensen et al. 2021) and the emergence of new legal statuses, such as Benefit Corporations in several countries and Community Interest Corporations in the UK, may open new doors for hybridity (Rawhouser et al. 2015). In addition, cultural factors and isomorphism lead companies to adopt societal goals (Battilana et al.

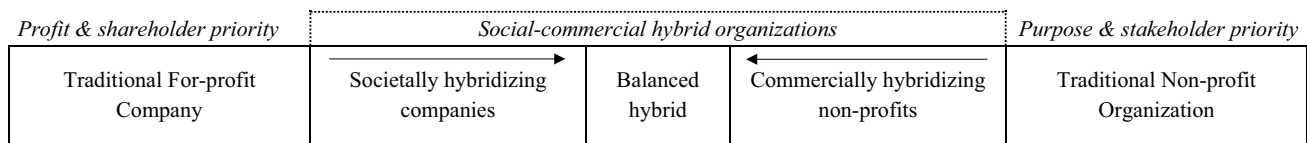


Fig. 1 Profit-purpose organizational continuum

2017; Marquis et al. 2007). Hybridity is also influenced by founders (Tracey et al. 2011) as well as wider organizational members (Battilana and Dorado 2010). There is also a business case for incorporating societal goals—how social and environmental action can increase financial performance (Carroll and Shabana 2010; Kaul and Luo 2018; Margolis et al. 2009). Furthermore, the real challenges associated with an increasing global population, climate change, and resource scarcity mean that societal goals will increasingly be a major driver of company strategy (Obel and Kallehave 2022).

To capture how hybrid diversity is expressed among different organizations, scholars have described a profit-purpose organizational continuum (Alter 2007) acknowledging a broad spectrum considering hybridity as a matter of degree (Gamble et al. 2020; Serres et al. 2022; Shepherd et al. 2019). At one end of the spectrum are commercial organizations that focus on profit maximization (traditional for-profit companies). While at the other end, are non-enterprising charity organizations solely operating based on grants and donations. Hybrids make up most of the middle ground blurring the boundaries between for-profit and non-profit organizations (see Fig. 1).

There have been several contributions to categorize and delineate distinctions among this heterogeneous group of hybrids. Parameters applied include: organizational perspective and sustainable contribution (Dyllick and Muff 2016), governance (Serres et al. 2022), business model typology (Gamble et al. 2020), forms of property (Peredo et al. 2018), combining principles of interest and resources mix (Defourny and Nyssens 2017), integration or differentiation between beneficiaries and customers (Ebrahim et al. 2014), and degree of activity and motivation (Alter 2007). A vast continuum exists and hybrids differ along many different elements, but the prevailing factor is the degree to which they prioritize either a profit or societal logic or if they strive to balance the two goals (Shepherd et al. 2019) and how this manifests in the organization (Santos et al. 2015). Organization design, the means by which organizations formally translate strategy into action (Chandler 1962), is a meaningful approach to shed light on how dual goals manifest in companies and corresponding stages of hybridization within the broader continuum.

Hybrid organization design

Organization design theory is a relevant and important area to extend knowledge of hybrid organizing, particularly for traditional companies later adopting societal goals. While it is accepted that organizations face a myriad of challenges today, less recognized is the fact that “the most urgent and pervasive among these challenges can only be addressed by the continual and deliberate orchestration of organization design on an ongoing basis” (Greenwood and Miller 2010: 79). Indeed, many large companies collapsed in the 1990s due to organizational design failures (Bryan and Joyce 2007). Hybrids are often described as more difficult and unstable than more traditional organizations (Battilana and Dorado 2010; Santos et al. 2015); thus, it is especially important for them to pay careful attention to design.

Battilana and Lee (2014) explicitly call for research on hybrid design, as hybrid organizing leads to unique possibilities in terms of design and tension management. Although studies have dealt with the design of hybrids, they tend to either explore select subsets of elements, such as governance or structure (Ebrahim et al. 2014; Moroz and Gamble 2021; Ramus et al. 2020; Santos et al. 2015), or they take a holistic perspective but applied to specific design types, such as social enterprise franchise (Raghavan 2021; Szerb et al. 2021).

However, hybrids are diverse in how they organize to impact society (Mair et al. 2012) and that diversity should be embraced rather than tamed (Mair et al. 2020). An overarching framework that can guide redesign choices towards an “organization of a particular character”—one that considers societal and commercial objectives—rather than a predetermined design type (Parrish 2010) is appropriate for hybridizing companies. Thus, the Star Model for organization design (Galbraith 2014), which offers a flexible—rather than prescriptive—framework, is suitable to tailor to hybrids.

Ultimately, organization design is about “how to organize people and resources to collectively accomplish desired ends” (Greenwood and Miller 2010: 78). As a hybridizing company expands its “desired ends” to include societal goals it is likely to have misfits in its design. Misfits, which are misalignments in the organization design components, can lead to decreased performance and, therefore, are a starting point for change and “the engine of the organizational design process” (Burton et al. 2020: 13). Thus, redesign is critical

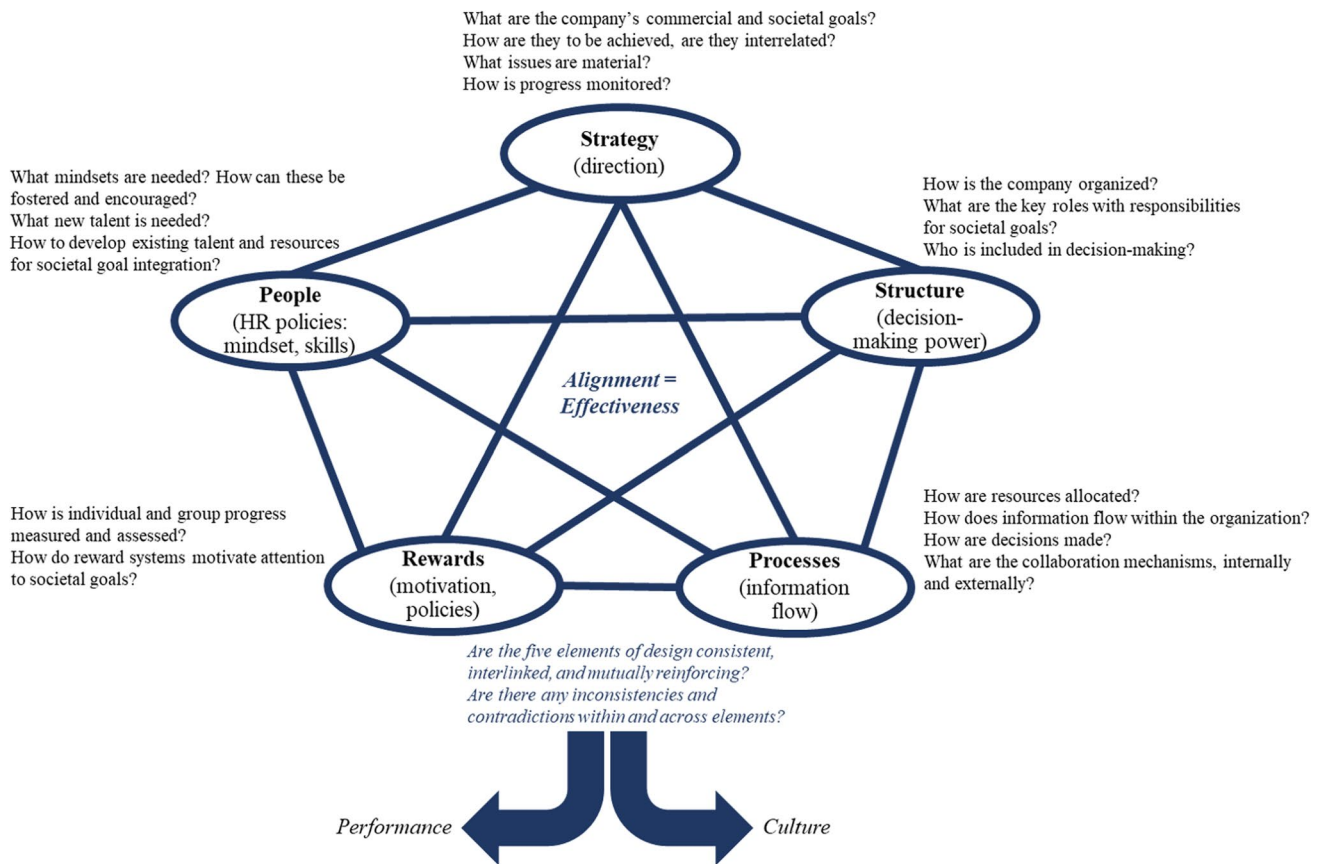


Fig. 2 Star model for social–commercial hybrid organizations (adapted from Galbraith (2014); Kates (2009))

to how a hybridizing company can seek multidimensional performance.

An important area which has not yet been sufficiently addressed is how organization (re)design can help transitioning hybrids manage the tensions and inconsistencies between new dual, often conflicting, goals. Building on prior research about design of born hybrid organizations, this paper addresses the research question: how is organization design implicated at different stages of integrating societal goals into a more traditionally profit-driven company? To answer the research question, the subsequent section tailors the Star Model (Galbraith 2014) to the specific context of hybridizing companies.

Star model for hybrids

The Star Model provides a foundation for companies to base their design choices and address potential misalignments between their goals and design (Galbraith 2014). Given its broad applicability, scholars have adapted it to specific emergent contexts, such as knowledge management (Mohrman et al. 2002) and project-based organizations (Miterev

et al. 2017); it is also a pertinent tool to evaluate and address hybridization (re)design—that is updating a company's design to support its new goals.

The Star Model is comprised of five elements (strategy, structure, processes, rewards, and people) which make up the points of a star centered around alignment between these interconnected elements reinforcing the idea that the activities of each design element should be consistent and mutually reinforcing to drive multidimensional performance (Galbraith 2014). This section summarizes the core questions that a hybridizing company should reflect on within the Star Model and elaborates on key components of each design element (see Fig. 2).

Strategy

Strategy determines the direction of the company by specifying its goals and objectives in alignment with its values and mission (Galbraith 2014). A company introducing societal goals needs to consider the following core questions to understand, assess, and adapt its strategy: what are the company's commercial and societal goals and how are they to be achieved? What issues are material? How will progress be

monitored? Answers to these strategy questions are critical as it impacts which hybridization stage a company falls in and how deeply (extent of organization implicated) within that stage.

First, in terms of the goals themselves: it can be quite challenging for an older company to move from its original commercial strategy to an integrated commercial and societal strategy. For example, in their study of the integration of social and environmental missions with revenue model in hybrids, Gamble et al. (2020) found that developing an integrated strategy may be difficult and that B Corp certification could be an alternate way to demonstrate consideration of societal issues, particularly for older companies which are significantly more likely to have non-integrated strategies.

A materiality assessment helps a company to identify the most relevant and significant social and environmental issues for the company and its stakeholders (Calabrese et al. 2016). It can be influential in shaping a company's strategy through identification of key sustainability issues (Green and Cheng 2019), stakeholder engagement (Beske et al. 2020), prioritizing actions and setting goals (Calabrese et al. 2016), and generally integrating societal issues into the overall company strategy. Yet, materiality assessment is a subjective process: companies conduct them in different ways which is influenced by different perspectives and results can also be skewed by different perspectives, such as only searching for "win-win" scenarios versus those that embrace tensions (Garst et al. 2022).

Furthermore, a company can focus its societal strategy on its operations and/or its outward societal impact, which together comprise its holistic societal performance (Hertel et al. 2022). There is a notable difference between the two. Societal operations describes the extent to which inputs and internal activities support social and environmental goals and standards (Hertel et al. 2022). Whereas, societal impact captures the net effect of company operations on external parties, such as target beneficiaries, society and the environment (Hertel et al. 2022). Operations takes place at the company level (or within departments, groups, or products), whereas societal impact can occur at the immediate local level up through systems and ecosystem levels of analysis. For example, "the pursuit of social goals may hence require a company to take actions both inside the company, like improving the eco-efficiency of production, and outside the company, such as investing in local communities that surround the company's operations" (Battilana et al. 2022: 238). Furthermore, while operational activities tend to be simpler to measure, societal impact can be trickier to measure and assess (Hertel et al. 2022). Yet, both are important to understanding the full societal performance of a company. Recently, the B Corp assessment also captures the difference of these complementary types of attention to societal goals through its recognition of "operations" activities distinct

from "impact business models" which are designed to have an external impact in various ways.

To ensure multidimensional performance, hybrids need to monitor both commercial and societal impact key performance indicators (KPIs) (Santos et al. 2015). This builds on the adage that "you can't manage what you don't measure," which holds true for societal performance. Selection of KPIs is integral to a company's strategy, and while financial KPIs have become largely routinized, the selection and measurement of societal KPIs is less developed (Hertel et al. 2022; Hristov and Chirico 2019). Effective use of societal KPIs requires expertise and skills (Arvidson et al. 2013) to both design and implement measurement systems as well as analyze and interpret the results (Reynolds et al. 2018). Results from assessing societal KPIs can be reinserted to refine and improve the company's strategy and practices (Nicholls 2018). Overall, strategy is essential to the design process as it sets the company's priorities and thus provides the basis for how the additional design elements are shaped (Galbraith 2014).

Structure

Structure represents the location of decision-making power and includes governance as well as specializations, organization shape, distribution of power, and departmentalization (Galbraith 2014). A hybridizing company needs to consider the following core questions regarding where and how decisions are made: how is the company organized? What are the key roles with responsibilities for societal goals? Who is included in making decisions?

These various components of structure are important as they determine the location of tensions (Battilana and Lee 2014) and who deals with them—whether different goals are addressed by the same people or compartmentalized into different groups (Battilana and Lee 2014; Pratt and Foreman 2000). Structure determines if small, isolated teams address societal goals or if it is dispersed throughout and influenced by the entire company as well as how and what information is gathered in the process. Initially, at early stages of hybridization, a specific team dedicated to pursuit of societal goals is highly relevant, but over time, ownership of the goals can be increasingly dispersed throughout the company (Risi et al. 2023; Wickert et al. 2022). Research has called for simultaneous top-down (initiated at the strategic level) and bottom-up (initiated at grass-roots levels) approaches to integrating societal goals into every level of a company (Asif et al. 2013). Deciding how to structure decision-making is a complicated task and requires consideration of centralization or decentralization (Epstein and Roy 2007). It is often taken for granted that a more hierarchical, centralized structure may be able to enforce new goals with top-down directives but is slow-moving; whereas, a flatter structure with

dispersed decision-making, can open possibilities for quick decisions, innovation, and bottom-up solutions (Hales 1999). Yet, in reality a flatter approach may be more challenging for a mature, historically hierarchical company or a larger company to later adopt—as it may reflect formal changes without actual changes in behavior (Hales 1999).

In general, leadership has a strong influence on strategic change, and this includes integration (or not) of societal goals (Du et al. 2013). The presence of societal top management team roles can have a positive effect on adoption and integration of societal goals, even beyond the specific tenure of that position (Strand 2014). Ultimately, one of the essential functions of the board is to ensure that the company adheres to its stated mission and objectives (Ebrahim et al. 2014). Thus, governing boards play a key role in supporting and focusing attention on dual goals (Ebrahim et al. 2014). The boards of directors of companies more committed to societal goals are more likely to be formally responsible for societal performance (Eccles et al. 2014). In considering societal issues that affect different groups of stakeholders, hybrids can adopt inclusive governance involving internal and external stakeholders which contributes to recognizing an organization's responsibilities beyond its own boundaries (Serres et al. 2022; Vallaster et al. 2019).

Processes

Processes refer to the flow of information, both vertical allocation of resources and lateral workflows. While Galbraith (2014) primarily emphasized internal processes, purpose-driven companies also engage in external processes of collaboration with partners to address complex societal issues (Ambos and Tatarinov 2023; Vallaster et al. 2019). A hybridizing company needs to consider the following core questions regarding how information is shared and collected: how are resources allocated? How does information flow within the organization? How are decisions made? What are collaboration mechanisms, internally and externally?

Resource allocation plays an important role in the pursuit of societal goals and eventual societal impact performance (Moizer and Tracey 2010). Companies operate with scarce resources and thus face trade-offs between investing in profit-oriented activities and societal impact activities (Godfrey and Hatch 2007; Zerbini 2017). Win–win scenarios are rare and social–commercial trade-offs are often inescapable (Gulati 2022), but different organizations in the same institutional setting will experience the trade-offs to varying degrees of intensity depending on organizational attributes (Battilana et al. 2022). When faced with financial difficulties, some companies might adhere to their dual goals regardless of bankruptcy risk, whereas many companies will revert to a profit driven strategy (Gulati 2022). Yet, neither of these approaches serves long-term pursuit of dual goals (Gulati

2022). For hybrids, the focus is not on removing purposeful tension but embracing it as a starting point and proceeding to find synergies to produce both societal and economic benefit long-term (Hahn et al. 2015; Haigh and Hoffman 2014; Margolis and Walsh 2003). Finding a satisfactory solution to difficult problems of balancing dual goals, requires significant resources—time, people, and financing (Gulati 2022). Depending on a company's overall priorities and motivation, strategy and decision-making processes influence how resources are allocated throughout the company, including to pursuit of societal goals.

Internal coordination is essential to integrating societal goals which requires a broad set of people to work together across a company (Asif et al. 2013; Quitzau et al. 2022; Risi et al. 2023; Soderstrom and Weber 2020). Successful implementation is not limited to the team dedicated to societal goals, but requires relationships between the dedicated teams and broader departments where practices are enacted (Wickert et al. 2022). By their nature, gathering information about and addressing societal goals often spans company departments, functions, and geographies. For example, introducing a goal, such as reducing a company's carbon footprint, and its corresponding metrics, requires considerable effort to gather the data and find the appropriate people to provide the relevant information. Yet, if the societal goals team is small and isolated and/or if the company tends to operate in silos generally, then this will be all the more challenging.

Conversely, hybridization can be complicated by the development of subcultures and factions within a company—with different groups valuing different goals (Battilana and Dorado 2010; Kok et al. 2019; Pache and Santos 2013). An important element for managing the emergent paradoxical tensions is creating opportunities for constructive dialogue and debate for people to better understand divergent goals and to find creative solutions (Farjoun and Fiss 2022; Raisch et al. 2018). In general, hybrids require safe spaces and channels for information flow and feedback without fear of making mistakes or harsh responses, but rather open dialogue to discover how to enable the dual goals (Battilana 2018).

Lateral processes also cover company messaging, such as what are the company's stated goals and priorities, and what is the identity of the company. Educating others about new objectives is a relevant aspect of redesign (Dunbar and Starbuck 2006). Particularly in the case of hybridization, communication plays an important role in explaining both the new goals and the reasoning behind subsequent changes (Gulati 2022). When hybridizing, a company will need to redefine and frame success in regards to its new goals (Vallaster et al. 2019). However, if a company says one thing, but its design supports something else, then this sends mixed messages. For example, a company might have an excellent communication strategy telling a story about

striving for both profit and societal goals, but if employees are only rewarded based on how they meet financial targets, this sends a mixed message on what the company actually cares about.

External collaboration to address societal issues is also prevalent among hybrids (Ambos and Tatarinov 2023; Vallaster et al. 2019). Given the complex nature of grand challenges, such as climate change and hunger, collective action from a diverse range of actors is essential to address them (George et al. 2016) and thus a customary activity for hybrids. Solutions to societal issues are often not readily apparent and so hybrids also engage in sharing best practices and working together to find remedies, as evident in the B Corp community.

Many hybrids also seek institutional, systems change (Bhatt 2022; Sakarya et al. 2012). This is an area where the traditional notion of organization design being about fitting the organization to its environment does not hold for hybrids. Dunbar and Starbuck (2006: 175) highlight that “the prescription to match an organization to its environment does not indicate whether it would be better to try to change the organization, or better to try to change its environment, or both.” As hybrids do not fit a standard organization type, the external environment and institutional settings are often not best suited to support them (Battilana et al. 2022; Waddock 2020). Thus, for hybrids it may be necessary and is often a part of their efforts to change the external environment to better support them. For example, the B Corp movement has been involved in several policy campaigns, such as creating the Benefit Corporation legal status in the United States and Italy (Marquis 2020).

Rewards

Rewards and reward systems influence people’s motivation and behaviors towards organizational goals (Galbraith 2014). A hybridizing company needs to consider the following core questions regarding how it encourages employees to strive for its dual organizational goals: how is individual and group progress measured and assessed? How do reward systems motivate attention to societal goals?

Incentive systems, which determine how outcomes are measured and rewarded, can be used to alter behaviors towards those desired in hybrids (Battilana and Lee 2014). In general, it is important to align individual and company interests (Gottschalg and Zollo 2007). Companies increasingly consider societal performance metrics in their incentive systems (Al-Shaer and Zaman 2019), but how so varies greatly across companies (Spierings 2022). Companies that are more committed to societal issues are more likely to link executive compensation to societal performance metrics (Eccles et al. 2014). Yet, it is a process which takes time to evaluate whether the goals and data are truly relevant to the

company, to build management and employee buy-in, and to determine what metrics are best and how to gather the necessary data (Renwick et al. 2013; Spierings 2022). Research indicates that collective pay for performance also has desirable outcomes (Nyberg et al. 2018). Incorporating societal goals into promotion consideration may be another effective approach to motivate employees (Spierings 2022). Research also demonstrates that employees learn and adapt to new incentive systems over time as employees need to relearn which actions have the best outcomes for them (Obloj and Sengul 2012).

Employees can be motivated by formal and informal incentives (Kaplan and Henderson 2005). Research indicates that CEOs may not only be motivated by financial incentives, rather they may be willing to accept lower compensation in exchange for personal feelings of reward for attending to societal issues (Francoeur et al. 2017). Similarly, in companies where commitment to societal goals is deemed genuine by employees, formal, financial incentives may not be necessary; however, companies that place seemingly less importance on societal goals may require financial incentives to motivate their employees (Spallek et al. 2023). Appraisals—both positive and negative reinforcements—can also motivate employees (Renwick et al. 2013). Furthermore, company practices such as promoting work–life balance and health and safety policies may help engage employees in productively contributing to the company’s goals (Flammer and Luo 2017). Overall, engaging employees in societal goals can foster a sense of meaning for employees, in their lives and work (Glavas 2016). A vast array of tools to incentivize and reward employees towards organizational goals exist, and companies should carefully decide which to adopt based on their unique circumstances and objectives (Kaplan and Henderson 2005).

People

People encapsulates employees’ mind-sets and skills and encompasses human resources policies (Galbraith 2014). A hybridizing company needs to consider the following essential questions regarding its people: what mindsets are needed and how can these be fostered and encouraged? What new talent is needed? How to develop existing talent and resources for societal goal integration?

Employees are resources, not constraints, and companies can benefit by leveraging human development (Keidel et al. 1994). Research indicates that managers’ mindsets and perceptions affect how a company addresses societal issues (Maon et al. 2008). Embracing conflicting goals requires an open mind to see the world differently, consider new ideas, and update processes accordingly. In particular, organizations adopting new goals need to attract organizational

members who are willing to learn and process new information and ideas (Vallaster et al. 2019).

Existing scholarship has examined how hybrids can manage the tension between profit and purpose and avoid "mission drift" favoring one goal over the other (Ebrahim et al. 2014; Grimes et al. 2020; Smith et al. 2013). "Strategic satisficing" is a tool for balancing inevitable trade-offs to explicitly and deliberately achieve multiple goals, that is "strategically identifying levels of both quantitative and qualitative outcomes that were deemed satisfactory, and managing operations to ensure those targets were met on a continuous basis" (Parrish 2010: 518). Paradox framing moves beyond limited either/or thinking towards more integrative both/and approaches (Schad et al. 2016; Smith and Lewis 2011), which can be generative as organizations expand their thinking to explore new possibilities (Raisch et al. 2018). Adopting a long-term perspective can reveal synergies over time rather than short-term contradictory demands (Ramus et al. 2021). Promoting systems thinking, which emphasizes the big picture and interconnections between economic and societal systems, encourages employees to think about the impact of organizational activities (Vallaster et al. 2019) as well as different time horizons. Many societal issues are multifaceted requiring innovative solutions and a long-term time frame to see impact and change, yet, the market that most traditional companies operate in pressure short-term thinking and quick results. Thus, an organization design that fully supports dual commercial and societal purpose goals is essential to increasing an organization's likelihood to marry its goals and actions and perform multidimensionally.

Hiring and socialization play an important role in hybrids (Battilana and Dorado 2010). Prior cases have shown that a company with dual goals needs to consider recruitment of talented staff who are committed to the societal purpose (Schroeder and DeNoble 2014). In a hybridizing company, the majority of existing staff may not possess the necessary skills to meet the demands of the newly introduced societal goals but do have deep knowledge of the company and its products and processes. Training and professional development is an opportunity to significantly impact an organization's integration of societal goals—increasing employees' awareness of and skills to address societal issues is a key intervention method (Renwick et al. 2013). Purpose advocates can be recruited from within the existing staff who can help authentically drive the change internally (Santos et al. 2015).

Yet, people can also present a challenge to the hybridization process. Within a company integrating seemingly incompatible goals, factions may emerge of those set in the "old" ways and those moving on into the "new" ways with the two groups fighting against each other in support of their preferred goals (Pache and Santos 2013). A common organizational identity plays a crucial role in handling tensions and

can prevent subgroups from forming and becoming divisive (Battilana and Dorado 2010). Pluralist managers who hold both societal and commercial values also help reduce the risk of organizational fault lines (Besharov 2014).

Alignment

Alignment between the design elements is an important characteristic of the Star Model: "For an organization to be effective, all the policies must be aligned and interacting harmoniously with one another", and in this way, design influences organizational culture and performance (Galbraith 2014: 5). The lines connecting the different design categories (see Fig. 2) indicate the interconnection and mutually reinforcing nature of different activities to support pursuit of dual goals within a company. The more that the design elements—strategy, structure, processes, rewards, and people—work together to encourage decisions and behaviors towards the overall mission, the better off an organization is to perform well (Kates 2009).

A hybridizing company needs to take a step back and assess its alignment holistically with the following key questions: are the five elements of design consistent, interlinked, and mutually reinforcing? Are there any inconsistencies and contradictions within and across elements?

For example, strategy and people's mind-sets have important interdependence: how organizations frame contradictions—as either incompatible and thus an either/or trade-off or as paradoxical and thus navigable as both/and—is likely an important determinant of their strategy and governance approach (Ocasio and Radoynovska 2016). For a non-profit organization that became a non-profit-business hybrid, successful maintenance of organizational hybridity was attributed to a combination of structured flexibility via leaders' paradoxical frames and stable guardrails (Smith and Besharov 2019). Information sharing and an open mindset is important for the process of "selective synthesis" in which an organization develops integrated societal and commercial activities overtime (Battilana and Lee 2014). Creating separate, isolated sustainability teams has been shown to be ineffective as it generally hampers processes of information flows, whereas societal goal integration requires coordination across structural silos and rewards systems that incentivize achieving both sets of goals (Obel and Kallehave 2022). Whereas integrating the process of societal stakeholder feedback into leadership governance considerations can facilitate integration of additional perspectives into decision-making (Santos et al. 2015). A social enterprise successfully navigated tension between societal and commercial goals through a unique design combining entrepreneurial autonomy with formal hierarchy and informal controls to protect its mission during growth (Szerb et al. 2021). Thus,

it is evident that there is not one-size-fits-all organization design for hybrids, but the various elements should be consistent and mutually reinforcing at all levels of the company.

Following the Star Model, hybridization is determined by the extent to which all five elements of organization design are implicated and aligned to encourage pursuit of both profit and purpose. For hybrids, *alignment* captures how the overall organization is designed (or not) to support dual goals. Ideally, the integration of the different design elements of the Star Model prevents isolated decisions which lead to poorer performance. While the adaptation of the Star Model for hybrids presents the ideal of a company fully using all five elements of design and aligning them to be mutually reinforcing towards a balanced pursuit of profit and purpose, reality is unlikely to be as straightforward. Thus, stages of hybridization along the profit-purpose continuum become evident when viewed through an organization design lens.

Hybrid organization design stages

This section delineates different stages of hybridization along the left-hand side of the profit-purpose continuum based on degree of design for dual goals (see Table 1). The introduction of societal goals is not a distinct event but rather a process that unfolds over time (Cappellaro et al. 2020) and likely occurs in stages (Maon et al. 2010). Similarly, organization design is an ongoing process which “includes short-term, routine changes and intermittent, larger-scale changes” (Burton et al. 2020: 7). Within these processes, distinct stages are identifiable.

As a prelude, it is important to note that these stages are broad generalizations representing typologies. Companies within the stages are not identical, but represent a similar constellation of attributes. There is important within-stage diversity, particularly in the middle stages, which can be captured by the concept of “*depth of design*.” *Depth* refers to what extent both societal and profit goals permeate the people and practices, i.e. culture, of the company. For example, are just 10% versus 50% versus 100% of the people involved in considering societal goals? Does it affect daily work and decision-making or only occasionally? Is the company deeply hybridized with the majority of people involved in consistently considering societal goals or only shallow with a tiny fraction of people involved intermittently? Prior research has noted that the integration of societal goals could result in sub-cultures of a company versus a dominant culture (Maon et al. 2010) and that subunits of a company can vary in the degree to which they adopt societal practices (Jacqueminet and Durand 2020). Thus, *depth* considers to what extent attention to societal goals permeates (or not) the entire company culture.

Stage 1: Ornamental hybrid

In general, a company in the earliest stage of hybridization has added societal goals to its mission but those goals are separate and subordinate to its primary commercial goals. It is defined by a uniquely commercial motivation somewhat supported by the business case for sustainability. Thus, this type of company incorporates responsible practices when it benefits the bottom line, but not systematically, which is reflected in its organization design.

In terms of strategy, this type of company rarely considers societal goals as it is not its focus and thus has not done a materiality assessment and uses commercial KPIs almost exclusively. Its structure is comprised of a small, separate and isolated team with little power and its board is unlikely to consider societal issues. In terms of processes, resources to pursue societal goals are highly at risk and information is not easily shared due to the silo-ed structure and perceived relative unimportance of societal goals. Rewards are aligned with commercial performance and the company’s people have a predominant commercial mindset. As such, its design is only faintly aligned to support dual goals and a company at this first stage of hybridization can be described as an “*Ornamental Hybrid*.”

In summary, an “*Ornamental Hybrid*” has two distinct societal and commercial strategies and its organization design primarily supports commercial goals with some separate elements for societal goals. Overall, it engages in an “ad hoc” business case for societal goals, cherry-picking “win-wins” that benefit society and also demonstrably increase profits. Meanwhile, its overall mission speaks to grand societal goals. Thus, an “*Ornamental Hybrid*” likely experiences a great deal of tension between its seemingly conflicting goals with this tension often resolved by prioritizing commercial objectives.

Stage 2: Patchwork hybrid

In a slightly more advanced stage, a company is still primarily motivated by profit maximization, but recognizes the business case for integrating societal goals (for example, water efficiency can reduce costs and increase profit margins). Thus, this type of company systematically considers societal goals in so far as it benefits the bottom line. This type of company is focused internally, that is on how pursuit of societal goals helps the company.

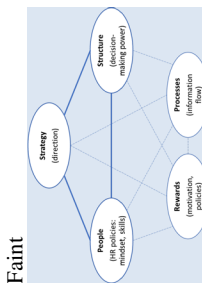
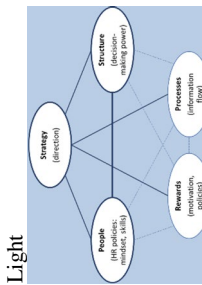
In terms of strategy, the company occasionally considers societal goals, but they are not a priority in decision-making. It may have conducted a materiality assessment but not fully incorporated the results and the company likely only considers some societal operations impact. As such, the company primarily relies on commercial KPIs but also includes

Table 1 Stages of hybridization by degree of organization design

	Stage 1: ornamental hybrid	Stage 2: patchwork hybrid	Stage 3: aspirational hybrid	Stage 4: resolute hybrid
Strategy (direction: goals)	Rarely consider societal goals, not a focus No materiality assessment Commercial KPIs	Occasionally consider societal goals, not a priority in decision-making Materiality assessment possible Commercial KPIs + most relevant business case societal KPIs	Consistently incorporate societal impact into decision-making Materiality assessment Operations and some impact performance Commercial and systematic societal KPIs	Societal impact always factored into decision-making Materiality assessment widely integrated Operations and impact performance Commercial and systematic societal KPIs
Structure (decision-making power)	Small, separate, isolated, low-power team/person Board unlikely to consider societal issues	Relatively small, silo-ed team. Few if any roles 100% dedicated to societal goals Board may consider some societal issues (predominantly those affecting profits)	Societal purpose team + dispersed roles Separate societal impact board/advisory group Hierarchy important, powerful people to drive changes Some stakeholder inclusion/participation	Societal purpose team (varying sizes) + integrated into everyone's roles Board considers societal issues Stakeholder inclusive governance involving internal and external actors for collaborative decision-making and distribution of monitoring
Processes (flow of information)	Vertical: Resources highly at risk in economic downturn Lateral: Siloed	Vertical: Resources at risk in economic downturn since not a priority Lateral: Slightly porous silos Lateral: inconsistent internal messaging External: partnerships internally focused	Vertical: Resources more secure in economic downturn as aligned Lateral: Breaking down silos Lateral: communicating internally a coherent message/identity External partnerships: collaborate for industry best practices and to address external societal issues External: systems change	Vertical: Resources secure: integrated, priority Lateral: internal information sharing, established collaboration methods Lateral + External: clear identity External partnerships: collaborate for industry best practices and to address external societal issues External: systems change
Rewards (motivation and policies towards goals)	Commercial performance goals only	Commercial performance goals predominantly Limited non-financial benefits	Performance goals aligned with societal goals for many employees Rewards tied to societal performance for some employees	Performance goals aligned with societal goals for all employees Rewards tied to societal performance for all employees Comprehensive non-financial benefits
People (HR policies: mindsets and skills)	Commercial mindset	Win-win mindset A few job descriptions include societal performance Training includes societal issues tied to business case	Increasing non-financial benefits Increasingly strategic satisficing; both/and mindset; systems thinking; open to learning; resilience and problem-solving/innovation mindset; creativity Job descriptions increasingly include societal performance	Strategic satisficing; both/and mindset; systems thinking; resilience and problem-solving/innovation mindset; creativity Job descriptions incorporate societal performance, at all levels Hiring for societal/dual goals Specific, formal training implemented into new and ongoing employee and manager training Performance reviews systematically incorporate societal issues

Table 1 (continued)

	Stage 1: ornamental hybrid	Stage 2: patchwork hybrid	Stage 3: aspirational hybrid	Stage 4: resolute hybrid
Alignment (linkages among elements)	Faint	Light	Moderate	Strong
Depth (extent of company)	Shallow	Shallow-Moderate	Moderate-Deep	Deep



some societal KPIs, likely only those tied to win–wins and financial impact. Regarding structure, although the number of team members with responsibilities connected to societal goals increases, few if any of them are solely focused on societal goals—it is likely subordinate to their primary responsibilities. At this stage, it becomes possible that the Board of Directors considers societal issues and receives some information about those KPIs.

In general, societal goals receive marginal resources and are still largely compartmentalized with minimal information sharing. There is likely also an inconsistent internal message regarding claims of societal goals and actions towards them. Processes in this stage expand beyond the bounds of the company; however, external partnerships are still largely focused on how it can help the company (rather than how to impact society). Rewards are still explicitly linked to commercial objectives but there are also some non-financial benefits, such as support for low environmental impact commuting. People generally have a win–win mindset and only consider societal goals that are in clear alignment with increasing profit margins. Some job descriptions will include societal performance components and training also includes societal issues but primarily those with clear links to supporting the financial performance of the company. As such, its design lightly supports dual goals and this type of company can be described as a “*Patchwork Hybrid*.”

Diversity between different companies becomes apparent in this stage as some companies move *deeper* with consistent consideration of societal issues and shift from mere commitments to more actions. In terms of *depth*, while some *Patchwork Hybrids* may still only dedicate a small team for societal goals, others may have diffused responsibility for societal goals further throughout the organization, encompassing different levels and departments. “*Patchwork Hybrids*” are faced with different types of redesign: easier, low-hanging fruit which are more short-term, routine changes versus more intermittent, larger scale, bigger impact changes (Burton et al. 2020; Sharma et al. 2018). Thus, in this stage, redesign becomes critical and there is likely to be a range of activities and performances varying by company. For example, the certified B Corporation Skandinavisk had generally good intentions for its business to be responsible; however, when it first sought B Corp certification, it only just met the criteria. This triggered deep reflection and change internally for the company to significantly improve how it acted and, upon recertification three years later, earned a much stronger performance.

It may seem that this stage and the business case for integrating societal issues alongside profit is becoming the norm for companies today (Winston 2022). However, in practice, many companies are still resistant or lagging, meaning they acknowledge the importance of societal issues, but have not yet managed to sufficiently act on them (Bhattacharya and

Jekielek 2023; Gulati 2022). Less than a third of US employees surveyed reported that their company embedded societal goals into actual practices (Bhattacharya and Jekielek 2023). For example, although the impact of climate change is becoming increasingly clear and the Taskforce on Climate-related Financial Disclosure (TCFD) has recommended that companies integrate both physical and transition risks of climate change into their planning, many companies do not do so adequately (Haanaes et al. 2022). In 2019, PG&E, California’s largest utility, had to file for bankruptcy after insufficiently considering the increased risk from climate change-related wildfires (Haanaes et al. 2022). Thus, there is much room for improvement in most companies to move further in the “*Patchwork Hybrid*” stage.

In summary, a “*Patchwork Hybrid*’s” societal and commercial goals are somewhat unified into a single, partially aligned strategy. However, its action is semi-directed, such that only some elements of organization design are implicated. This company may also occasionally act seemingly outside the “business case” and instead respond to social norms and pressures; it is likely to engage in isomorphism, that is selectively imitating societal actions of others. Actions towards societal goals beyond the business case are probably rare but increase as a company moves deeper within this stage of hybridization.

Stage 3: Aspirational hybrid

In a considerably more advanced stage, a company has a more integrated mission where its stated goals and actions are mostly connected and backed by senior leadership. This does not necessarily require a new mission but a reinterpretation of what the mission means in consideration of societal goals. Notably, this type of company is increasingly motivated by contributing to societal good. Its focus is shifting externally: it is moving from a predominantly inward focus on how pursuit of societal issues can help the company itself to also outward looking and how the company can address societal issues (Dyllick and Muff 2016).

At this stage, a company begins to consistently incorporate societal impact into decision-making and systematically includes both commercial and societal KPIs in accordance with its materiality assessment. Thus, the company likely considers societal operations systematically and some societal impact performance. All places of decision-making begin to consider societal issues. There is likely a separate societal impact board or advisory group which directly updates the company board of directors who are responsible for societal and commercial performance. At this critical stage, where societal goals are being integrated into the core of the company, hierarchy matters. Successful integration of societal goals requires a powerful coalition to champion

it. Decision-making also begins to incorporate views from diverse stakeholders.

Processes are influential and become more robust in this stage. Vertically, an increasingly significant amount of resources is dedicated to pursuit of societal goals, and these resources are more likely to be secure in an economic downturn as the goals become integrated into the core of the company. Thus, laterally, internal silos are breaking down, such that key information is shared throughout the organization which also facilitates responsible innovation and new practices. In addition, there is a more coherent, consistent message about the company's identity and pursuit of dual goals. Externally, a company has established partnerships to collaborate for industry best practices that address external societal issues and it may advocate for external systems change.

The rewards system is increasingly aligned to support the transition to integrating societal goals throughout the company. Importantly, within this stage, people are developing mindsets and skills that support finding new practices and solutions that respect societal goals as well as profit margins, which further supports development and progress in the other elements of design. Dual goals are increasingly considered in hiring and socialization and development practices.

Overall, this type of company's design moderately supports dual goals and this type of company can be described as an "*Aspirational Hybrid*." An "*Aspirational Hybrid*" is notably different from prior stages with a much stronger design for dual goals starting to include all design categories and building stronger reinforcing interconnections. This stage comprises a range of companies, from those that do a few design activities in each category to others that are more extensive in their design for dual goals. For example, while a company may have societal performance goals for their top executives, it may not be included for the board of directors or lower level employees. Whereas another company may consistently include societal goals for all employees, thereby, incentivizing everyone to contribute.

In general, an "*Aspirational Hybrid*" has promising signs and shifts in design towards integration of societal goals, but its design may not yet be completely coherent for dual goals. These important changes take time to develop and crystalize within the company. The hybridization process requires continuous transformation with ongoing design and reconfiguration to respond to environmental changes and to adapt to stakeholders' evolving expectations (Vallaster et al. 2019). Thus, a company may enter the "*Aspirational Hybrid*" stage shallowly and then continue to improve, augment and expand its design moving *deeper* into this stage of hybridization.

In general, an "*Aspirational Hybrid's*" societal and commercial goals are unified into a single partially or fully

aligned strategy, and its action is consciously directed accordingly which is evident in a holistic, but not completely actualized organization design. Consequently, as the goals become more embedded in the company and supported by design elements, the *depth* of hybridity increases as more people become involved. In summary, an "*Aspirational Hybrid*" is generally designed to support dual goals and is establishing a reputation as such supported by design and actions, but likely still has room for improvement and requires time to entrench consideration of societal goals throughout the company.

Stage 4: Resolute hybrid

The final hybridization stage is achieved over time by a company with a dual mission consistently and cohesively coupled with action. This type of company is defined by an externally focused motivation to make a positive societal impact, a fully aligned strategy with directed action that is comprehensively considered in the organization design, such that hybridity is fully operationalized permeating the entire company: its goals, decision-making, operations, people, and culture. It has reached the furthest degree of hybridity (serving societal goals as well as profit goals) while falling on the left side of the profit-purpose continuum. The company looks outwardly to see how it can help address societal issues (Dyllick and Muff 2016), it demonstrates values consistent with supporting both goals (Battilana et al. 2012), and it has cultivated a consistent culture (Battilana and Lee 2014). For a hybrid at this advanced stage, this state is well established having persisted over-time and become broadly recognized both internally and externally and backed by its organization design.

This type of company almost always factors societal impact into decision-making, widely integrates its materiality assessment, such that it systematically considers both operations and impact performance as well as tracks commercial and societal KPIs. Depending on the company's size, it likely has a team specifically dedicated to the company's societal purpose. However, consideration of societal goals is also integrated in everyone's roles within the company, including the board of directors. The company also practices stakeholder inclusive governance involving internal and external actors for collaborative decision-making. In terms of processes, resources are secured for societal goals which are a company priority and there is widespread internal information sharing through established collaboration methods. The company also has a clear internal and external identity around its dual goals. The company is also highly engaged in external collaboration. At this stage, all employees have performance goals aligned with societal goals and rewards tied to societal performance. In addition, the company offers comprehensive non-financial benefits. People

within the company have mindsets adapted to pursuit of both profit and purpose and often display resilient problem-solving and creativity for innovative solutions. Dual goals are implicated in hiring and socialization and development practices. As such, its design strongly supports dual goals and this type of company can be described as a “*Resolute Hybrid*.”

The boundary between “*Aspirational*” and “*Resolute*” hybrids is somewhat fuzzy. At a certain *depth* of stage 3 it becomes difficult to judge the difference between stage 3 and 4. A company enters the “*Resolute*” hybridization stage once it has gone very deeply into the prior stage, meaning it is fully designed to support pursuit of profit and purpose such that the vast majority of the organization is involved, and then continues to maintain this status over time. After a significant period of time with the design entrenched, the dual goals become embedded throughout the organization such that it would become difficult (although not impossible) to reverse or drift away from societal purpose. Consequently, through consistent action the company builds a reputation, internally and externally, for its long-standing commitment and fits the *Resolute Hybrid* type.

In summary, a “*Resolute Hybrid*” has comprehensively operationalized pursuit of both societal and profit goals and is congruently designed accordingly. All five design categories are strongly implicated and interconnected, such that they reinforce the overall aligned mission. The organization design is not just holistic, but also comprehensive, meaning all five categories are implicated in just about every way and affects everyone in the organization. There is a well-established company culture and values around the dual goals. There is a clear, consistent message internally and externally that the company responsibly pursues profit as well as purpose, which has been proven over time through actions and performance.

This is not to imply that this type of company’s hybridization journey is complete, but rather that it has almost everything lined up to support dual goals and it permeates the entire company thereby directing its decision-making processes and subsequent performance. This stage is not a static endpoint but a continual process to improve and maintain its hybrid status. Even a company like Patagonia, which is typically heralded as a leader in responsible practices seeking dual goals to make a profit while “saving our home planet,” is continually evolving and reconstructing (Farjoun and Fiss 2022).

Summary of hybridization stages

Overall, applying the Star Model for hybrids to the profit-purpose continuum the design becomes more comprehensive and aligned moving from left to right further into a higher degree of hybridization—that is integration of societal goals

into the core of the company. Diversity within the stages also becomes apparent. “*Ornamental Hybrids*” and “*Resolute Hybrids*” are each likely to be more homogenous stages with companies that fall in each of these stages engaging in similar activities, at opposite ends of the for-profit continuum. However, the inner stages of “*Patchwork*” and “*Aspirational Hybrids*” are more likely to exhibit within-stage heterogeneity as some companies at these stages have more shallow design implicating only a small subset of its people whereas other companies have a deeper design implicating a significant portion of their people.

These four broad stages generally capture the hybridization design features of companies integrating societal goals. However, in practice, it is complex as the subsequent section explains with illustrative examples of company journeys.

Hybridization stage dynamics

While the proposed progressive hybridization stages are straightforward, in practice, company transformations are complicated and depend on various factors. Integrating societal goals into a company is a significant challenge (Hahn et al. 2015), thus, a hybridizing company is unlikely to jump from being designed for profit maximization to being equally and consistently designed to pursue both profit and purpose. The B Corp certification also illustrates the dynamics of hybridization as a company must recertify every three years with a goal of continually improving its societal performance—some do so more gradually and others make large leaps. It is likely that companies adopt some elements of hybrid design, but not all at once.

A company might move deeper within a hybridization stage then progress stepwise to the subsequent stage or leapfrog to a further stage. The hybridization journey may also be affected by moderators, such as a company’s motivation, where it starts from, where it ultimately wants to go, its business model and product(s), its size, its ownership, and resistance to change. This is evident through Nespresso’s journey over time.

Nespresso, the global capsule coffee company, is an example of a company that has gradually transformed from a traditional profit maximizing company to an early stage “*Aspirational Hybrid*”. Nespresso is also a multi-billion-dollar global company fully owned by Nestlé producing a single-use product in an industry rife with human rights concerns. Consequently, its hybridization journey is not straightforward and has received a lot of criticism and skepticism.

The company was founded in 1986 by an employee within Nestlé “with a simple idea: enable anyone to create the perfect cup of espresso coffee—just like a skilled barista” (Nestle-Nespresso 2023). While the first half of the company’s history is marked by product, customer, and

branding innovations, the last two decades demonstrate progressive integration of societal objectives and gradual organization design changes. In 2003, in collaboration with The Rainforest Alliance, Nespresso created its internal AAA Sustainable Quality Program to encourage sustainable coffee farming. In 2009, it introduced its first sustainability strategy which sought to consolidate and diffuse its societal goals throughout the company. The company conducted a materiality assessment and established sustainability goals accordingly. In 2013, it formed a Sustainability Advisory Board to bring together topical experts and help improve Nespresso's long-term strategy. It also launched a sustainability innovation fund.

Recently, the company has communicated its vision that “every cup of coffee should have a positive impact” and the belief that Nespresso's large size enables it to be a transformative force. In 2022, Nespresso verified its actions through attaining B Corp certification (a process it started in 2019). According to its 2022 B Corp certification assessment, Nespresso currently seems to be a shallow *Aspirational Hybrid*, in that it has begun implicating all design elements towards dual goals, but there is still room for improvement to consistently encourage performance for both profit and purpose. For example, while manager role descriptions incorporate societal tasks, less than half of managers have societal responsibilities or expectations and there are no performance reviews incorporating societal measures. In addition, while the CEO's compensation is linked to societal performance, it is not for other members of the executive team. Yet, all employees receive training on societal issues. Its most recent goals look towards circularity and how its employees can play a central role in external impact, specifically shaping communities and preserving the natural world. Thus, the company's claims and B Corp certification indicate that it is rethinking its product in terms of societal goals, involving more of its people in dual goals, and is in the early phases of shifting its focus towards its external societal impact.

Yet, Nespresso's claims and actions have not come without criticism and skepticism. The company's hybridization journey and perceptions of its journey seem to be complicated by its size, ownership, product, and past actions. For example, shortly after Nespresso became a certified B Corp, about thirty B Corps signed an open letter claiming that “The B Corp Standard is at Risk.” Traditional press media have also picked up on the contestation with recent headlines, such as “The struggle for the soul of the B Corp movement” (Raval 2023) and “The backlash against B Lab” (Toussaint 2022). In general, the backlash touches upon Nespresso's ownership, prioritization of societal goals, size of the company, its track record of potential human rights abuses, its business model, and concerns about greenwashing. While these are valid concerns, the trajectory and duration of

Nespresso's design changes for dual goals seems to indicate real change in the company. However, only time will tell how it ultimately continues. Thus, Nespresso is an interesting, complex example of the dynamics and challenges in a company's hybridization journey. While the stages and design changes may seem straightforward, implementation, particularly for a company with a long history, is more complicated.

Bailey's, the global spirits brand, is another interesting example from within the certified B Corp community that raises further questions. In particular, how far companies of controversial products, such as alcohol, can go in terms of hybridization and seeking to make a positive external impact on society?

Founded in 1974, the producers of Bailey's Irish Cream Liqueur have historically treated their dairy farmers well while focusing on profits. More recently, the company seems to have entered the *Patchwork Hybrid* stage. It has focused on environmental efficiencies such as reducing water usage and switching to renewable electricity and also providing employees with a living wage and “leading” benefits. Yet, the organization design only lightly supports their societal goals. For example, according to Bailey's 2022 B Corp assessment, on one hand, manager job descriptions incorporate societal performance, the board of directors review societal performance, selected impact metrics are tracked, over half of employees participate in company ownership, and there are good health and safety practices as well as local sourcing. Yet, at the same time, performance reviews and compensation are not connected to societal performance goals, employees do not receive training related to societal issues, the advisory board does not include external stakeholders, and there has not been a materiality assessment. Thus, despite earning B Corp status, the company seems only lightly designed to support dual goals.

While a company's hybridization focuses on efforts to move further into integrating societal goals alongside profit goals at the core of the company, prioritization dynamics can shift in either direction. That is, movement in the opposite direction—away from societal goals—is also possible. This has been demonstrated in prior studies on born social enterprises' risk of mission drift away from societal purpose in favor of commercial needs and objectives (Grimes et al. 2019). It could also happen that a company deprioritizes societal goals compared to profit, as in the cases of Danone and Etsy.

Danone, the multinational dairy and water company, was founded with strong family values in 1919. Over its history, it has built a strong reputation for responsible and sustainable practices. During his tenure as CEO and Chairman of Danone, Emmanuel Faber deepened the company's commitment to its “dual project of economic success and

social progress” through sustainability actions and organization design. In 2015, Danone announced its commitment to becoming B Corp certified across the entire company. As of 2022, over 70% of the company’s turnover is certified. Danone legally became a purpose driven business adopting France’s “société à mission” legal entity status when it was created in 2020.

But, in 2021, Emmanuel Faber was ousted as Chairman and CEO of Danone by the group’s board following activist pressure that the company was focusing too much on societal goals and not enough on profits. It is unclear if Danone will keep its dual goals as such under new management or if it may move backwards towards prioritizing profits more. Will the ousting of the stakeholder capitalism championing CEO be sufficient to throw Danone off course or are enough of the design elements embedded into the organization to keep it on track pursuing its “dual project of economic success and social progress”?

Etsy, an online marketplace for artisanal goods, was established in 2005 and claimed to have roots in ethical business operations upholding high standards. The initial mission of the company was to help craftspeople sell their handmade wares online. In 2012, Etsy became a certified B Corp, but was required to still update its legal structure by adopting the new Benefit Corporation status, which is designed to support stakeholder capitalism and not only shareholder interests. However, Etsy did not change its legal status before going public in 2015 and then shareholders did not support the change and the company subsequently ceded its B Corp certification in 2017. The company began focusing on growth and in 2013 allowed sales of mass-produced items, which was at odds with its initial commitment to individual craftsmen. Soon after, the initial founder CEO was replaced and the new CEO seemingly prioritized short-term profits over societal goals.

Thus, importantly, hybridization movement is not necessarily unidirectional towards further integration of societal goals alongside profit: a company can also move in the opposite direction decreasing its attention to societal goals.

Further variables may also explain differences in hybridization journeys and performance. Companies may have different objectives: sustainable practices versus an impact business model that focuses externally. Different endpoints may also be envisaged: respecting a business case for responsibility that finds win–win scenarios, keeping societal goals at the periphery of the company, or integrating societal goals at the core of the business and finding strategic satisficing solutions. Thus, depending on various moderators, a company’s hybridization journey will vary in how it develops its organization design for dual goals, moving both within and across stages.

Discussion

Although social enterprises may be considered the ideal hybrid by combining social and commercial logics at their core, increasingly, alternative organizations are enacting hybrid organizing, which requires organization redesign to support pursuit of both profit and societal purpose—a topic which has not been fully explored. Thus, this paper brings together literature on social–commercial hybrid organizations and organization design to better understand *how* traditionally profit-driven companies can integrate societal goals, i.e., hybridize. In doing so, it adapts the Star Model to hybrids and develops a framework identifying distinct stages of hybridization by extent of organization design for dual goals. Furthermore, it considers dynamics of the hybridization process and potential moderators as demonstrated through illustrative examples. From a theoretical perspective, the consolidated, holistic framework contributes to the social–commercial hybrid organizations literature in three meaningful ways.

First, it introduces a structured, nuanced understanding of the stages of hybridizing companies within the profit-purpose continuum. In doing so, it extends the emerging discussion on different types of hybridizing companies besides the ideal born social enterprise. As Sengul (2021: 2) points out, “understandably, previous studies into hybrid organizations have focused on the differences between regular and hybrid organizations, but important differences exist between different forms of hybrid organizations as well.” This paper extends theorizing in this direction and the identified stages offer a new perspective for further analysis of differences between for-profit hybrids. Providing boundaries to the hybridization stages is a necessary first step to begin explaining important differences between these types of companies—how they operationalize pursuit of dual goals, variations in their journeys, and different outcomes. Thus, this paper adopts a dynamic perspective and provides a necessary framework for future studies into hybridization dynamics. Future conceptual and empirical research applying a dynamic perspective is needed to uncover more precisely how the hybridization process unfolds within and between stages.

Second, the paper offers an important holistic view of hybrid organization design with a focus on overall design alignment for multidimensional performance, that is in terms of both profit and purpose. Thus, the paper moves the conceptualization of hybridization beyond simply considering whether the company has a dual mission that is strategically aligned and how it is structured, to if the entire design of the company is complementary to supporting both profit and purpose. Furthermore, it includes

consideration of both internal operational and external societal impact into a comprehensive multidimensional company performance. Alignment is vital for hybridizing companies as it captures how the overall organization is designed (or not) to support dual goals. This paper contends that the key challenge to hybridization is a holistic, consistent approach to organization design and fostering a corresponding mindset to unlock pursuit of dual goals throughout the company.

Third, the framework develops theorization of hybrids beyond a two-dimensional continuum as called for by prior studies (Battilana et al. 2017; Shepherd et al. 2019). The paper introduces the concept of organizational design “*depth*”. It is important to consider how much of a company is involved in the dual goals, how it changes over time, and how it impacts outcomes. Future investigation into the relationship between organization design elements and hybridity *depth* is needed.

In addition, the paper contributes to organization design theory by emphasizing multi-dimensional performance, both societal purpose and profit. It also adapts the Star Model and essential design considerations to the emergent and relevant context of societally hybridizing companies. This will become increasingly important as more and more companies adopt societal goals and seek to further integrate them into the core of the company, i.e., move within the different stages of hybridization. Thus, this paper contributes to the organization design discussion on redesigning for societal goals. In addition, the paper builds on new theory around external processes and in particular seeking to change the external, institutional environment rather than conform and fit. Finally, it opens up consideration of organization design depth—if there are different layers of an organization affected by different elements of design.

Overall, the dynamic, design perspective of hybridization stages opens up multiple future research avenues. For one, it would be impractical to redesign all categories at once, thus how might a company progress through the stages? Which design elements may be most effective in which conditions? In particular, what role does mindset have on the process? There is also a need to understand rewards systems that incentivize lower levels of employees towards dual goals. What are the main challenges to companies aligning their organizational design with dual goals of profit and purpose? At which stages are companies more likely to falter or progress? How does the hybridization redesign process unfold? Is there a relationship between overall design alignment and decoupling or perceptions of empty promises from hybridizing companies, that is does the company say it does one thing for societal goals but in action perform differently? In addition, how do holistic design and alignment impact multidimensional performance over time? To date, extant

research has primarily focused on the inward-looking societal operations rather than outward-looking impact (Hertel et al. 2022). How does design impact attention towards overall societal performance? Do more complementary linkages within a company’s design create a stronger, more resilient company pursuing both profit and purpose over time? Are certain elements and interconnections more impactful than others?

From a managerial perspective, the framework describes key activities as well as the holistic interconnections, rather than isolated activities and grand societal goals without practical tools, to steer the company towards multidimensional performance. Managers can first take an inventory of their company and think about where they are starting from and where they want to go in terms of integrating societal goals. Then, they can go through the Star Model for hybrids considering the key questions for each element—what is already in place, what needs to be changed and when. In addition, managers can consider if their design is comprehensive, aligned and reaching appropriate depths of the company. Finally, as hybridization and redesign are processes, the framework offers some first ideas on how a company might progress within and across stages and different opportunities and challenges based on a company’s unique circumstances.

Future research avenues

While the scope of this paper is on organization design of hybrids, the identified stages and framework opens up many additional broader avenues for research to better understand these transitioning companies.

The more controversial examples—companies with mixed histories and/or potentially harmful products—raise interesting and important questions for future research. What is the end goal of integrating societal goals into a more traditional company? Can all companies become hybrids? Do some products or business models hamper genuine integration of societal goals? How can a company overcome its past irresponsible actions and prove its commitment to societal goals? Are certain industries or company sizes stigmatized and viewed differently for similar actions?

In general, how is hybridization perceived by different audiences and stakeholders? Importantly, many of the identifying design activities are only visible to select, privileged audiences and can be challenging for a broad range of stakeholders to identify. Thus, degree of hybridization may not be directly apparent to all stakeholders, particularly external audiences. How does this impact companies? How does it impact social evaluations and perceptions of companies? How can this be addressed? How do transparency and feedback affect external audience’s perception of an organization’s hybridization process?

Future hybrid studies should also focus on multidimensional performance. Currently, much of the literature focuses on how hybrids can survive, but not on their actual performance. Questions could include: how are hybridizing organizations impacting society? What moderating effects does design have on multidimensional performance?

For companies that reach a further stage of hybridization, thereby successfully integrating societal goals into their culture and operations, how does it affect other aspects of the business? Are there additional positive, unexpected outcomes? Are there negative outcomes? What is the role of mindsets in this process? Are particular mindsets more impactful?

Another important area for consideration is the scope of societal issues, that is social and or environmental issues, that a hybridizing company addresses. This also presents the possibility for another dimension to consider the variation in hybrids, further layering the diversity considerations of heterogenous hybrids. It is a pertinent question for many companies—which issues to attend to and to what extent. Does a company address only environmental issues or also social issues? Does it address only easier, low-hanging fruit or also more important, impactful issues based on a materiality assessment? Does this vary by stages? By *depth* of stage? These are relevant strategic questions for hybridizing companies to consider, as well as for strategy research to investigate.

Future research is needed to better understand the above areas and generally which companies are more likely to embark on hybridization and what are the factors for success. This paper calls for research beyond the large literature on well-established, born hybrid organizations and to consider companies adopting societal goals later on. Hybridizing companies offer a rich context for further theoretical and practical insights to important questions that impact our world.

Conclusion

Addressing major societal issues that we face today requires the attention of all types of organizations. Thus, the integration of societal goals into traditional companies is important, albeit complex and challenging. The organization design stages of a societally hybridizing company offer a framework to better understand the nuances of the profit-purpose organizational continuum and to analyse how a company's design is aligned (or not) with its goals. The framework is based on a perspective that social–commercial hybrid organization research must develop practical models and tools to understand how organizations succeed in performing against both profit and societal goals and to encourage

more traditional companies to transform in this way and to evaluate performance multidimensionally. For companies to genuinely move deeper integrating societal goals into their core, it requires holistic, interconnected organization (re) design towards dual goals of profit and purpose.

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Declarations

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