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The New Heretics: Hybrid Organizations and the Challenges They Present To Corporate Sustainability

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THE NEW HERETICS: HYBRID ORGANIZATIONS AND THE CHANGING FACE OF CORPORATE SUSTAINABILITY

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ABSTRACT

Corporate sustainability has gone “mainstream”; reaching into all areas of business management. Yet, despite this progress, large-scale social and ecological issues continue to worsen. In this paper, we examine how corporate sustainability has been operationalized as a concept that supports the dominant beliefs of strategic management rather than challenging them to shift business beyond the unsustainable status quo. Against this backdrop, we consider how hybrid organizations (organizations at the interface between for-profit and non-profit sectors that address social and ecological issues) are operating at odds with beliefs embedded in strategic management and corporate sustainability literatures. We offer six propositions that further define hybrid organizations based on challenges they present to the assumptions embedded in these literatures, and position them as new heretics of mainstream strategic management and corporate sustainability orthodoxy. We conclude with the implications of this heretical force for theory and practice.

Key words: *hybrid organization, corporate sustainability, strategic management*

THE NEW HERETICS: HYBRID ORGANIZATIONS AND THE CHANGING FACE OF CORPORATE SUSTAINABILITY

Corporate sustainability has gone “mainstream.” Firms develop sustainability strategies, create sustainable products and operations (Unruh & Ettenson, 2010), produce sustainability reports (GRI, 2013), and appoint Chief Sustainability Officers who tout sustainability to be part of their core mission (Elkington & Love, 2011). Additionally, business school Deans promote sustainability as core to their curricula, and scholars pursue sustainability as their research domain (Bansal & Hoffman, 2011). Indeed, corporate sustainability (a term we use here to describe the various strategies and initiatives firms use to engage with nature and society) has reached into all areas of business management and scholarship. Where sustainability was once considered “heresy” – an idea at variance with the dominant orthodoxy of business - it has now become “dogma” – accepted, legitimate and even required (Hoffman, 2001). Many good things have come from this increased pursuit of sustainability, such as reduced pollution and waste, environmental management initiatives, and a greater focus on corporate citizenship and social responsibility.

However, social inequities and the erosion of many ecological systems continue to worsen despite progress made. There is a growing argument that sustainability has been subverted by corporate interests such that it has lost its meaning and does not go far enough as presently envisaged (Sandelands & Hoffman, 2008). Critics have argued that corporate sustainability has become merely a label for strategies actually driven by standard economic and institutional mechanisms (Jacobs, 1993). As a result, sustainability is everywhere, but exists as a demoted and diluted notion within the realms of business practice (Colby, 1991) and business research (Gladwin, 2011).

As a concept, sustainability has taken many forms, and is still evolving (Montiel & Delgado-Ceballos, 2014). One recent definition, which we employ in this article, highlights the extent to which the mainstreaming of sustainability has gone astray. Ehrenfeld (2008: 6) and Ehrenfeld and Hoffman (2013) describe sustainability as "the possibility that humans and other life will flourish on Earth forever" and redirects proponents away from being "less unsustainable" towards becoming "more sustainable." This is at once a simple shift in thinking and a magnificent leap forward in practice; yet mainstream corporate sustainability practice and scholarship has thus far failed to grasp it. In this article, we describe how hybrid organizations are striving to make that leap, and in the process are becoming a new brand of heretics challenging the status quo, as pollution prevention advocates challenged the status quo in the 1970s and 1980s (Hoffman, 1999).

We use the term "hybrid organization" to mean organizations that exist at the interface between for-profit and non-profit sectors, and use that position to address social and ecological issues. Alternatively labeled as fourth sector or social enterprises, these enterprises may be legally structured as for-profit or non-profit and combine elements of both domains; maintaining a mixture of market- and mission-oriented beliefs and rationale (Alter, 2007; Boyd, Henning, Reyna, Wang, & Welch, 2009; Smallbone, Evans, Ekanem, & Butters, 2001).

The academic literature studying this new form of organization is multiple and approaches hybrids from different viewpoints and frameworks. One body of work on hybrid organizations exists within the institutional literature, which focuses on organizations embedded within multiple fields with competing logics, from which develop hybrid logics to reconcile tensions between the fields (Battilana & Dorado, 2010; Mars & Lounsbury, 2009; Murray, 2010;

Powell, 1987; Tracey, Philips, & Jarvis, 2010). Another body of work on hybrids exists within the social entrepreneurship literature, which focuses on the emergence of social enterprises, the identification of opportunities for social entrepreneurs and scholars studying them (Corner & Ho, 2010; Dacin, Dacin, & Matear, 2010; Mort, Weerawardena, & Carnegie, 2003; Perrini, Vurro, & Costanzo, 2010), and the ability of social enterprises to solve societal issues (Fowler, 2000; Smith, Barr, Barbosa, & Kickul, 2008; Sud, VanSandt, & Baugous, 2009; VanSandt, Sud, & Marmé, 2009). Further work examines hybrid organizations more critically by studying their uncertain survival rates, their ability to generate various levels of earned income (Gras & Mendoza-Abarca, 2014), the degree to which their generating earned income can impact their strategic orientation (Weerawardena & Mort, 2012), and the definitional boundaries of what might be considered a social enterprise and the legitimacy of what may be termed social entrepreneurs (Williams & K'Nife, 2012). Indeed, many hybrid organizations have failed as the form is still in its development.

In this paper, we delve into the strategic management and corporate sustainability literatures to examine the role that hybrid organizations have in pushing corporate sustainability beyond the dominant norms of strategic management and truly address the systemic sustainability issues that society now faces. We define hybrid organizations in relation to these literatures by identifying ways in which their beliefs about economic growth, profit, and nature differ from those evident throughout these literatures. As such, we see hybrids as locales for innovation on the norms of corporate sustainability strategy, and therefore sources of vitality in both conceptualizing and operationalizing corporate sustainability beyond its present focus on doing ‘less bad’ (or reducing negative environmental and social impacts) to incorporating a focus on doing ‘more good’ (or increasing positive environmental and social impacts). While the entirety of the hybrid form may or may not be successful, specific innovations in their sustainable management practices can diffuse from this innovative periphery to the core of management science and practice. That is how the success of hybrid models can be best assessed.

MAINSTREAM CORPORATE SUSTAINABILITY

Since the Brundtland Commission Report popularized "sustainable development" as "meeting the needs of the present without compromising the ability of future generations to meet their own needs" (Brundtland & WCED, 1987: 43), the concept of sustainability has been socially constructed and reconstructed through social, political and economic processes involving a wide range of constituents (Hoffman, 1999). The business community has constructed and enacted sustainability in ways that have led to significant improvements in how businesses engage with environmental and societal issues, and in the understanding of the relationship between business, nature and society (Aragon-Correa, 2013). Research has found that pursuing sustainability has enabled firms to increase their water and energy efficiency (Johnson, 2012), reduce their pollution by refocussing on pollution prevention rather than end-or-pipe solutions (Berrone & Gomez-Mejia, 2009), and reduce their carbon emissions (Carbon Disclosure Project, 2014; Sangwon, Shivira, Leighton, & Kneifel, 2014).

However, the influence of business on how sustainability has been socially constructed has also led people to feel that current economic concerns are still treated as singularly important in decision-making frameworks such as triple bottom line reasoning (Milne & Gray, 2013; Norman & MacDonald, 2004) and that social and ecological concerns remain a much lower priority (Banerjee, 2011). More diplomatically, Tregidga et al. (2013: 102) stated that "organizational construction of sustainable development "accommodates" current organizations and systems of organizing." Research on corporate sustainability has shown deference to business orthodoxy as scholars strive to prove the business case for sustainability and, in doing so, fit it into the dominant beliefs embedded within business literature. For instance, environmental management (Albertini, 2013; Horváthová, 2010; Menguc & Ozanne, 2005; Russo & Fouts, 1997), corporate social responsibility (CSR) and corporate citizenship (Margolis & Walsh, 2003; Orlitzky, Schmidt, & Rynes, 2003) have all been justified to the extent they are of strategic or economic benefit to the firm. Some have gone as far as to argue that corporate sustainability may have become a mere witness to ongoing ecological and social problems without the ability to address the deeply held beliefs accompanying them (Bazerman & Hoffman, 1999; Schnaiberg & Gould, 2000). The signal that this is true is the continued persistence and, in many cases, worsening condition of environmental and social issues around the world.

Sustainability as an Ongoing Challenge to the Status Quo

Humans have changed Earth's ecosystems more in the past 50 years than in any comparable historical period and have increased species extinction rates by up to 1,000 times over rates typical for Earth's history (Millenium Assessment, 2005). Almost 25% of the world's most important marine fish stocks are depleted or over-harvested, while 44% are fished at their biological limit and remain vulnerable (World Resources Institute, 2000). Further, the richest 20% of the population consumes over 75% of all private goods and services, while the poorest 20% consumes just 1.5% (World Bank, 2008), and in the developing world, almost 60% of people lack access to safe sewers, 33% have no access to clean water, 25% lack adequate housing and 30% have no modern health services (Crossette, 1998).

These statistics provide a compelling backdrop to a growing collection of systemic failures that mainstream conceptions of corporate sustainability fail to address (Walsh et al., 2010) that include: The BP oil spill in the Gulf of Mexico (Hoffman & Jennings, 2011); Royal Dutch Shell's dealings with the repressive Nigerian regime (Wheeler, Rechtman, Fabig, & Boele, 2001); Nike's sub-contractor labor practices which approach slavery (Saporito, 1998); Wal-Mart's sexual discrimination, low wages, damage to local economies, and inadequate health care (Besen & Kimmel, 2006; Hemphill, 2005); Coca-Cola's over-use and contamination of water in India (Ghoshray, 2007); and corporate governance failures at WorldCom, Arthur Andersen, Enron, and banks at the center of the 2008 financial crisis (Boerner, 2011). This sobering situation led Gladwin (2011: 657) to posit that:

> *"The past half-century has been marked by an exponential explosion of environmental knowledge, technology, regulation, education, awareness, and organizations. But none of this has served to diminish the flow of terrifying scientific warnings about the fate of the planet."*

In the face of this growing list of problems, innumerable people are advocating the need for business to become more sustainable and the worldwide protests (such as the Occupy movement and World Trade Organization protests) can be seen as a manifestation of societal frustration with the status quo (Bapuji & Riaz, 2011). Advocates include scholars who have argued the limitations of mainstream corporate sustainability, and have called for reform in leadership, governance, forms of organizing (e.g. Cohen & Winn, 2007; Ehrenfeld, 2008; Gladwin, 2011; Hoffman & Haigh, 2011) and argue for business that creates "blended value" (Miller, Dawans, & Alter, 2009), "shared value," or creates "economic value in a way that also creates value for society by addressing its needs and challenges" (Porter & Kramer, 2011: 4). Business leaders have also recognized the need for reform, including CEOs of well-known firms who have stated that their companies need a broader sense of value creation, yet believe they cannot embed sustainability into their business models due to prevailing economic and competitive models and their underlying assumptions that limit their latitude for deviation (Accenture & UNGC, 2010). These results support other research finding that, while their rhetoric states otherwise, concern for sustainability is not a top issue for most CEOs, and that 70% of large companies are not actively pursuing it (Elkington & Love, 2011).

From an organizational point of view, the agreed need for reform points to opportunities to reconceptualize firms and their objectives, and to create business models that actively address ecological and social issues while remaining economically viable (Harding, 2004; Thompson & Doherty, 2006). Work in this area identifies hybrid organizations as incubator for managerial innovations that create the adjustments necessary to correctly address sustainability issues at firm and industry levels (Haigh & Hoffman, 2012; Hoffman, Badiane, & Haigh, 2012). Below, we describe hybrid organizations in detail, and identify ways they challenge existing norms and beliefs within strategic management and corporate sustainability literatures, and "contribute positively to some of humanity's most pressing challenges" in economically viable ways (Boyd et al., 2009: 1).

THE NEW HERETICS: DEFINING HYBRID ORGANIZATIONS IN RELATION TO CORPORATE SUSTAINABILITY AND STRATEGIC MANAGEMENT

Hybrids often generate income in ways that are consistent with a for-profit model, but abide by substantial social and ecological missions, which have traditionally been more aligned with non-profit models (Smallbone et al., 2001). Their business models have been termed "sustainability-driven" (Hoffman et al., 2012) because they design their business around the alleviation of a particular set of sustainability issues (Nielsen & Samia, 2008). One example of a hybrid organization is Kiva, a non-profit operating under the U.S. IRS' non-profit 501(c)(3) category that is alleviating poverty by facilitating microfinance for people in developing countries who wish to start or grow a business. The organization uses a crowd-sourcing model, where any individual can go to the Kiva website and loan money to people seeking small loans. Kiva also seeks grants, philanthropic funds and corporate sponsorship, and by the end of 2013 had distributed $408 million in loans (Waghorn, 2013). A for-profit example is Eden Foods, which is a U.S.-based natural food company with annual revenues of $45 million that seeks to have "a strong, positive impact on farming practices and food processing techniques throughout the world" (Boyd et al., 2009: 94).

The growing prominence of hybrids as an organizational innovation is evident in the growing number of U.S. states (23 at the time of writing) that have altered their tax categories to accommodate L3Cs (low-profit limited liability company), Benefit LLCs, Benefit Corporations and other similar structures (Collins, 2008; Tozzi, 2010) that can protect hybrids from potential shareholder litigation demanding the prioritization of profit over mission. Hybrids have also helped develop (and are buoyed by) the growing demographic recognized as LOHAS (Lifestyles of Health and Sustainability) consumers that buy according to sustainability values rather than price (The Natural Marketing Institute, 2008). The U.S. LOHAS demographic was estimated at $290 billion in 2011 (LOHAS, 2011); having grown from $209 billion in 2008 (LOHAS, 2009). Further, hybrids are part of and benefit from growth in socially responsible investing, which now accounts for $3 trillion in assets, or 12% of professionally managed funds in the U.S. (USSIF, 2010). From this base, hybrid organizations often have influence that outweighs their size (Haigh & Hoffman, 2012) and in concurrence with sustainability management theory (Starik & Kanashiro, 2013) have been successful at having the issues on which they focus addressed at multiple levels by relevant industry and market institutions (Hoffman et al., 2012).

By challenging the notion of trade-offs between economic, ecological and social systems (Hoffman, 2000) and instead working on a model that recognizes synergies among them, hybrids cultivate mutually enriching connections that allow for-profit activities to be undertaken in ways that address sustainability concerns (Haigh & Hoffman, 2012). Below, we review the literature on hybrid organizations and develop six propositions for defining them based on the ways they challenge deeply held assumptions embedded within the strategic management and corporate sustainability literatures. These propositions fall into three categories: (1) their *beliefs* about social, ecological and economic systems, (2) their *rationale* for addressing issues within these systems, and (3) the way in which they *enact* sustainability to address issues. Table 1 provides quotes exemplifying hybrid organizations' beliefs, rationale and enactment of sustainability. In aggregate, these propositions identify ways in which hybrids are currently distinct from concepts advocated by corporate sustainability and strategic management literatures, and point to how hybrids may influence them.

INSERT TABLE 1 ABOUT HERE

Beliefs: Economic, Social and Ecological Systems as Mutually-Supportive

Hybrids challenge four traditional business beliefs demonstrated throughout strategic management and corporate sustainability literatures. We cover each below.

Challenging the Assumed Need for Perpetual and Unlimited Economic Growth

The assumed need for increasing and unlimited economic growth is entrenched in the strategic management literature where competitive advantage is based on ever-increasing market share (Penrose, 1959; Porter, 1979). To this end, strategy studies remain focused on growth and its enabling factors (e.g. Leavy, 2010; O'Regan, Ghobadian, & Gallear, 2006; Zander & Zander, 2005). Strategy and sustainability literature advocates that the creation of shared societal and firm value creates growth by “open[ing] up many ways to serve new needs, gain efficiency, create differentiation, and expand markets” (Porter & Kramer, 2011: 7).

Hybrids strive to remain economically sustainable, but they often deliberately deviate from the norms of perpetual growth. For example, Clif Bar is a for-profit company that donates the time and energies of staff to work in direct-action volunteer initiatives, while becoming a successful organic food company that aims to “grow slower, grow better and stick around longer” (Hoffman et al., 2012). Clif Bar also remains a privately owned and funded company, which is often the case with for-profit hybrids, as they seek to avoid venture capitalist funding (who may want equity and more control) and instead develop their business and work towards their environmental, social and economic goals at their own pace (Boyd et al., 2009). Though not all hybrids avoid growth, 72 per cent of hybrid organizations studied by Boyd et al. (2009) sought either “patient capital” or “below market-rate” financing to facilitate slower development. The key point is that the many hybrids following Clif Bar’s example present a challenge to the prevailing assumption that companies require perpetual growth to remain viable. This distinctive element of the hybrid organization leads us to our first proposition:

Proposition 1: Hybrid organizations decouple organizational success from the assumed need for perpetual economic growth.

Subordinating Profit

The essence of the landmark Dodge v Ford case, which determined that the primary purpose of a firm is to create profit for shareholders ("Dodge v. Ford Motor Company", 1919), has remained firmly ingrained in strategic management logic. So too has Friedman’s (1970) well-publicized argument that a firm’s social responsibility is to increase its profits. Both models look to government to solve societal problems. Even though society's norms have changed since 1919 and 1970 and there is a notable trend in growing shareholder activism on sustainability issues (Esty, 2007; Wood, 2007), profit maximization continues to be a key performance indicator advocated and tracked by strategists. The focus on profit maximization is evident in both early studies of corporate success metrics (Chandler, 1962; Grinyer, Yasai-Ardekani, & Al-Bazzaz, 1980; Hill & Pickering, 1986; Teece, 1981) and more recent studies (Lenox, Rockart, & Lewin, 2010; McGahan & Porter, 2003; Silverman, Nickerson, & Freeman, 1997; Teece, Pisano, & Shuen, 1997; Weir, 1996).

A strong focus on profit also exists within the corporate sustainability literature, even after the development of social and environmental metrics within the triple bottom line (Elkington, 1997). This is observable in the continued drive to prove the business case for sustainability and in the way that supports profitability and competitive advantage (e.g. Branco & Rodrigues, 2006; Husted & De Jesus Salazar, 2006; Lagoarde-Segot, 2011; Porter & Kramer, 2006; Porter & van der Linde, 1995).

Hybrid organizations challenge the notion that firms are capable of more than just generating profit and drive their missions to that effect (Ridley-Duff, 2007). This often takes the form of voluntarily limiting the distribution of profits to shareholders in favor of reinvesting them to address their social or environmental issues (Defourny, 2001), or foregoing profit entirely. For example, through its Common Threads Initiative, Patagonia (2011) encourages customers to buy second-hand Patagonia clothing via eBay rather than buying from Patagonia stores, and donates at least 1% of its sales revenue ($5.5 million in 2013 and over $55 million in total) to initiatives that restore and protect local habitat. Not all hybrids choose to manage their profits in such ways; however, there are a growing number of these kinds of practices, which stand in contrast to the traditional assumption that profit maximization is the top priority of firms. Hybrids strive to develop business models that extend their interests and responsibilities beyond maximizing profit, and thus we propose that:

Proposition 2: Hybrid organizations adopt innovations that subordinate profit and create shared value.

Internalizing Social and Ecological Systems

Firms have traditionally externalized social and ecological systems to the greatest extent possible. Strategic management literature in particular has a history of framing natural and social systems as domains from which firms operate autonomously or at least separately. For instance, Miles framed growing scientific knowledge and societal experience regarding the health effects of smoking as an “externally imposed stress and crisis” caused by “those who believed that the smoking habit contributes to the ill health of the ultimate consumer” (Miles, 1982: viii). Miles provides an extreme example and language in recent work is more tempered; however strategic management literature remains focused on conceptualizing an internal—external dichotomy to examine ways in which firms relate to the systems within which they exist (e.g. Chattopadhyay, Glick, & Huber, 2001; Porter & Reinhardt, 2007; Porter & van der Linde, 1995).

Similarly, corporate sustainability literature also refers to “external stakeholders” (Unruh & Ettenson, 2010) and has instructed managers to look “inside out” and “outside in” to remain competitive in the face of sustainability issues (Porter & Reinhardt, 2007; Winn & Kirchgeorg, 2005). This led Hart (2007: 21) to argue that:

> *“As long as multinational corporations persist in being outsiders – alien to both the cultures and the ecosystems within which they do business – it will be difficult for them to realize their full commercial, let alone social, potential.”*

Hybrid organizations challenge the assumption that organizations are “disassociated” (Gladwin, Kennelly, & Krause, 1995) from social and ecological systems, since their focus on addressing particular issues within these systems are often core to their mission. By default, then, hybrid organizations appear more likely to internalize relationships with the natural habitat and communities in which they operate in the course of building and operating a viable business. In this way, hybrids become “indigenous” (Hart, 2007) to what have traditionally been seen as external contexts. For instance, rather than sourcing from suppliers based on price alone and maintaining a strictly transactional relationship, hybrids often internalize relationships with suppliers and their communities, and invest in a deep understanding of local social, economic, and ecological systems. Guayakí (maker of herbal teas) is one example. Guayakí’s business model drives mutual benefit and trust by developing close personal relationships with its suppliers (predominantly small indigenous farmers). It pays the farmers above what are very low market rates for their produce (i.e. a living wage) and shows signs of being an ‘ecological citizen' (Crane, Matten, & Moon, 2008; Shrivastava & Kennelly, 2013) by devoting time and resources to understanding local ecosystems and training farmers in sustainable farming techniques that produce quality organic produce while reforesting local land (Boyd et al., 2009). In the case of Guayaki, these relationships also provide hybrids with the high quality supplies they need to meet customer expectations and remain economically viable.

Hybrids strive to develop business models that create shared value (Porter & Kramer, 2011) by extending their interests and responsibilities beyond monetary gain to include the creation of mutually beneficial relationships between firm, society, and the environment (Hoffman et al., 2012), and thus we propose that:

Proposition 3: Hybrid organizations create shared value by cultivating close relationships with social and ecological systems in which they operate .

Considering Nature's Intrinsic Value

An extension of hybrids' tendency to internalize social and ecological systems is their view that nature provides more than "natural resources," defined as "materials or substances such as minerals, forests, water, and fertile land that occur in nature and can be used for economic gain" (Oxford Dictionary, 2014). Strategic management literature depicts nature in ways that infer it has little inherent value beyond that of its utility value, as it explains how firms generate economic rents using such resources (Amit & Schoemaker, 1993; Sirmon, Gove, & Hitt, 2008); the attainment and scarcity of which can be addressed for a price through factor markets (Barney, 1986). In particular, scarcity is viewed as a valuable resource attribute that competitors may overcome through acquisition, substitution or imitation (Barney, 1991). However, the exhaustion of natural resources is not considered within this literature, and as a result, nature is depicted as a limitless source of natural resources and a bottomless sink to absorb waste (Cohen & Winn, 2007; Hart, 1995).

Hybrids strive for a more holistic understanding that nature's value extends beyond providing extractable resources and assimilating waste, and seek to understand their relationship with nature both as steward and as student. Some seek "biologically inspired" business models that actively use an understanding of nature to enhance their business (Lovins, Lovins, & Hawken, 1999). For instance, Fluid Earth uses "biomimicry" (Benyus, 2002) and ecologically friendly materials to manufacture performance surfboards. Specifically, Fluid Earth uses the design and function of the humpback whale fin, which has tubercles (or bumps) on the leading edge, to develop surfboards that are more maneuverable and perform better than boards made using traditional designs (Fluid Earth, 2013). This feature of humpback whale fins increases lift and decreases drag, and has also proven valuable in the design of fans, turbines and pumps (AskNature, 2013). To be sure, non-hybrid companies have also used biomimicry, and not all hybrids use it. But biomimicry represents an example of how an appreciation of nature's intrinsic value can manifest more direct modeling of natural systems. Another manifestation of this would include Patagonia's grant scheme supporting the restoration and protection of local habitat. Following these observations, we propose that:

Proposition 4: Hybrid organizations strive for an understanding of the intrinsic value of nature that goes beyond utility resource value.

Rationale: Challenging Competitive Practices

These ways in which hybrid organizations challenge business orthodoxy drive them beyond the status quo. They 'stir things up' (Hirshberg, 2008); not only with innovative business models but also with their approach to competition, which often diverges from that studied and advocated throughout the strategic management literature. For instance, strategists prescribe the need to maintain control over resources that are valuable, rare, inimitable and non-substitutable (Barney, 1991) and to ensure causal ambiguity in the firm's competencies and value creation (Lippman & Rumelt, 1982) to prevent competitors from imitating products, processes and methods, and to gain or protect a competitive advantage (King, 2007; Reed & DeFillippi, 1990).

In contrast, hybrid organizations often maintain a relatively high level of transparency, and have even sought to diffuse their practices to others in their industry (Hoffman et al., 2012). One (perhaps surprising) example is Mozilla Foundation (2013) - a non-profit with for-profit subsidiaries that has a goal of ensuring the internet "remains a shared public resource." One of its most popular products is the Firefox browser, which is free and has 24% of the browser market (Wong, 2010). Mozilla has an open-source approach, meaning that anyone (including competitors) can run, study, improve and distribute copies of the Firefox program, and that it is continuously improved by a global community of voluntary contributors who access the source code and share their work to improve it (Mozilla Foundation, 2013). Another example is Seventh Generation's transparent labelling policy, where all the ingredients in its cleaning and household products are listed rather than treated as proprietary (Seventh Generation, 2014). These examples defy ideas of control over resources and causal ambiguity and yet it is successful. Despite their divergence from mainstream competitive practices, many hybrids are remaining economically viable, and some are sustaining healthy competitive advantages in their respective industries by being more transparent, leading us to propose that:

Proposition 5: Hybrid organizations challenge notions of control over resources, causal ambiguity, and market protection - and rather exemplify transparency of knowledge and information.

Enactment: A Progressive Meaning of Corporate Sustainability

In their strategies and operations, hybrids are enacting a broader meaning of corporate sustainability; from one of attending to social and ecological issues when required by regulatory, competitive or normative forces to having business models configured to address these issues as a matter of organizational purpose. Hybrids present a challenge to the traditional notion of win-lose relationships between economic, ecological and social goals by striving to address large-scale sustainability issues in ways that are economically viable.

Corporate sustainability scholars have historically studied ways in which firms reduce their impact on social and ecological systems, through eco-efficiency initiatives such as recycling, reducing carbon and other emissions (Christmann, 2000; Okereke, 2007), energy efficiency, waste management (Akiyama, 2010; Sharma & Henriques, 2005), and through redesigning products and processes (Bansal, 2005; Sharma & Vredenburg, 1998; Unruh & Ettenson, 2010), purchasing carbon offsets (Jones & Levy, 2007; Kolk & Pinkse, 2004), and utilizing the ISO 14001 standard (Darnall, 2006; Delmas & Montes-Sancho, 2011). Within this literature, proactive sustainability strategies remain those that consistently enable firms to go beyond what is required to meet regulatory requirements and industry norms (Buysse & Verbeke, 2003; Maxwell, Rothenberg, Briscoe, & Marcus, 1997; Sharma & Sharma, 2011; Sharma & Vredenburg, 1998).

In total, and although they have potential shortcomings like any other organizational form, hybrids and studies of them focus on the notion that corporate sustainability does not only mean reducing a firm's negative ecological and social impacts. Rather, they suggest that corporate sustainability means organizing in ways that foster shared value creation among social, ecological and business systems, and they go further by demonstrating how it can be done. Hybrids embody the "more sustainable" side of Ehrenfeld's (2008) distinction between being "less unsustainable" and "more sustainable." The conceptual shift from focusing on reducing negative impacts to one of also increasing positive impacts sustainability becomes a core aspect of organizational identity (Hamilton & Gioia, 2009), which enhances capabilities to develop and operate in ways that enrich social, ecological and economic systems.

To illustrate this enactment of sustainability in ways that rejuvenate social and ecological systems we draw on a final example in Sun Oven, a company that produces solar cooking equipment with the aim of improving the standard of living in developing countries by decreasing peoples' dependence on wood and dung to fuel fires for cooking. The use of open fires for cooking is common practice in many developing countries; often indoors. One consequence is that families (particularly women and children) suffer significant respiratory problems due to inhaling smoke and fumes (UNDP, 2010). By developing solar powered ovens, Sun Oven reduces ecological impact (by reducing families' reliance on local wood sources), facilitates improved health by enabling families to cook outside with renewable energy, by assisting entrepreneurs in the third world to earn income by making and marketing Sun Ovens, and by providing orphanages with Sun Ovens so they can generate earned income through the sale of baked goods.

Much of the power that hybrids possess lies in their drive to engage directly with supply constituents and natural systems (Nielsen & Samia, 2008). Rather than focusing on regulatory compliance, philanthropy or CSR, many hybrids engage with ecological and social issues on an intimate level and configure their business to address them in precise ways. Initiatives such as employing and training local people (especially those who may be otherwise disenfranchised), addressing health issues, facilitating reforestation, and paying living wages are factored into their business dealings (Miller & Dawans, 2009). These organizations strive to generate positive social and ecological change *through* their commercial transactions rather than *as an outcome* of profits generated by them. This leads us to propose that:

Proposition 6: Hybrid organizations simultaneously facilitate reducing negative environmental/societal impacts and increasing positive environmental/societal impacts.

DISCUSSION

Hybrid organizations are both the result of and are protagonists for the evolution of the purpose, form and role of business in relation to sustainability. They are emerging at a time when the rise in alternative actors (e.g. non-government organizations, trade unions, religious groups) are assuming a larger roles in the governance of environmental commons, while the state's role is often declining (Bernstein & Cashore, 2007; Lemos & Agrawal, 2006; Liverman, 2004). Within this context, hybrids impart a model that enables firms to develop "'native' capabilities that emphasize deep dialogue and local codevelopment" (Hart, 2007: 23). They are at the vanguard of identifying how to organize in ways that address social and ecological inequities that seek to go beyond the intractability of such issues. The ways in which they conceive of and enact corporate sustainability and challenge the beliefs embedded within strategic management literatures suggest several implications for scholarly research and practice.

Theoretical Implications

The mutually-beneficial, “shared value” (Porter & Kramer, 2011) or “blended value” (Miller et al., 2009) business models developed by hybrid organizations suggest the need for changes in the way that scholars conceptualize firms. It is in their business model innovations that the value of hybrids as incubators of new models of management can best be realized. Some can and will diffuse to broader populations of the market. So, while individual examples of the overall form may fail, some of the distinct managerial innovations that they develop may survive and thrive.

Addressing the internal-external dichotomy. By personalizing and internalizing their relationships with environment and society, hybrids offer new avenues for expanding management theory. Treating nature and society as integral to their ability to create value (such as Guayakí’s involvement in and reforestation of supplier communities), and drawing traditionally external elements into their value creation systems (such as Fluid Earth’s biomimicry) challenges the internal-external dichotomy present throughout management literature. In this case, hybrids provide cause to reconsider theoretical notions of the “value chain” including only internal activities (Porter, 1985) and that resources and capabilities need to be under a firm’s control or otherwise be firm-specific to be defined as valuable (Amit & Schoemaker, 1993; Barney, 1991). The value adding activities of hybrids and their resources and capabilities may be spread across stakeholders rather than strictly under the control of the firm (as is the case with Mozilla).

A broader definition of stakeholders. Hybrids seek to define a broader definition of stakeholders that includes traditional stakeholders like investors, customers and communities, and "fringe" (Hart & Sharma, 2004) non-human stakeholders, such as ecological and biophysical phenomena. There has been a protracted debate about the stakeholder status of the natural environment; at the heart of which is whether Freeman's (1984: 46) definition of stakeholders as "…any group or individual who can affect or is affected by the achievement of the organization's objectives" should be taken with a broad or narrow interpretation (Driscoll & Starik, 2004; Haigh & Griffiths, 2009; Orts & Strudler, 2002; Phillips & Reichart, 2000). Hybrid organizations substantiate this theoretical debate with their deep involvement with the social and natural systems in which they operate.

Creating a more comprehensive language for studying corporate sustainability. Finally, the language for organizations operating in ways that are "more sustainable" is nascent within corporate sustainability literature after decades of honing a vocabulary around being "less unsustainable." In this respect, Positive Organizational Scholarship (POS) may offer sustainability scholars a conceptual basis by which to study, understand and explain the creation of positive sustainability phenomena. Sustainability and POS are both fundamentally grounded in the concept of flourishing (Hoffman & Haigh, 2011). POS is concerned with explaining especially positive (or "positively deviant") contexts, systems, practices and outcomes that promote flourishing (Dutton & Glynn, 2008). This fits well with Ehrenfeld's notion of sustainability of being focused on life flourishing on the planet forever (Ehrenfeld, 2008).

Directions for Future Research

Fitting corporate sustainability into (rather than challenging) the orthodoxy inherent within strategic management principles (e.g. Hart, 1995; Porter & van der Linde, 1995) and institutional theory (e.g. Hoffman, 1999) may have assisted its emergence as a legitimized field of inquiry. However, scholars who continue to fit their work into dominant frameworks risk removing its most distinctive elements. The growing importance of hybrid organizations raises many questions for future inquiry in regards to both organizational innovation and corporate sustainability. For example, how do traditional firms respond to the entry of a hybrid into their market? Do they adopt some attributes of hybrids? Why and how does this diffusion process take place? What are the antecedents to such adoption? As small businesses, how do hybrids influence other companies, markets and governments of disproportionate power? What does this power differential mean for traditional studies of competitive advantage and institutional change? How and under what conditions can they operate as institutional entrepreneurs; altering the norms and beliefs of the market system? Future research on these topics is important for building theory that will expand how sustainability is conceived and investigated, so that it encompasses the production of positive impacts in addition to reducing negative impacts.

CONCLUDING REMARKS

Questions surrounding the ability of firms to address ecological and social issues are particularly salient today given the increasing problems of climate change, ecosystem destruction, water scarcity and income inequality. Additionally, the growing distrust of corporations and accusations of corporate greenwash (Lyon & Maxwell, 2011) call for a reexamination of the true nature of sustainability concepts and practices. Hybrid organizations are emerging as a model of unorthodox business practices that strive to produce positive ecological and social impacts while remaining economically viable. By doing so, they challenge beliefs embedded within strategic management and corporate sustainability literatures, namely:

favoring economic stability over increasing economic growth, prioritizing social and environmental missions over or on par with profit, internalizing social and ecological systems, valuing nature beyond its resource value, competing on the basis of transparency, and creating positive impacts to social and ecological systems. As such, hybrid organizations offer stimulating insights into the possibilities for redefining the role of organizations in society and the natural environment towards producing positive social and ecological change.

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Table 1

Quotes Exemplifying Hybrid Organizations' Rationale, Beliefs and Enactment of Sustainability
<u>Beliefs</u>
Challenging the Assumed Need for Economic Growth
"…willingness to sacrifice part of the growth because of …commitment to its philosophy" (Battilana & Dorado, 2010: 1429)
"…hybrids experience[e] less than maximum speed of growth because of self-imposed mission constraints" (Boyd et al., 2009: 3)
Subordinating Profit
"50/50 split [among hybrids] between positive and negative profit margins" (Boyd et al., 2009: 2)
"There is either a double- or triple-bottom line paradigm… healthy financial and social returns - rather than high returns in one and lower returns in the other" (Thompson & Doherty, 2006: 362)
"…interest in surplus sharing and a "more-than-profit" orientation" (Ridley-Duff, 2007: 382)
"…profits are distributed… to stakeholders or used for the benefit of the community" (Allen, 2005: 57)
"…profits are not the only objective; human capability building, empowerment of disenfranchised people, and/or improvement of the quality of people's lives accounts for a double- or even triple-bottom line" (Nielsen & Samia, 2008: 447)
"Their profits are principally reinvested to achieve their social objectives" (Alter, 2007: 12)
Internalizing Social and Ecological systems
"…ownership structures based on participation by stakeholder groups" (Allen, 2005: 57)
"Uncommonly close… deliberate personal connections to suppliers, producers, and customers" (Boyd et al., 2009: 3)
"The enterprise is seen as accountable to both its members and a wider community" (Thompson & Doherty, 2006: 362)
"…relative to the location of the social needs which their enterprise sought to address, 84 per cent of [social entrepreneur] respondents lived in the same area, these findings highlight the local embeddedness of social enterprises" (Shaw, 2004: 201)
"A different level of interconnection among stakeholders appears when compared to traditional firms, and these interconnections can play decisive role in terms of creating the business competitive advantages" (Mamao, 2011: 12)
Considering Nature's Intrinsic Value
"…hybrid organizations consider that nature provides system-wide value that benefits society, and consider its integrity as a worthwhile pursuit" (Haigh & Hoffman, 2012: 130)
"…for-benefit corporations, the B Corporation, and conscious capitalism companies… are shaping their product development along the lines of biomimicry" (Waddock & McIntosh, 2011: 303)
"…takes advantage of… efficiencies found in nature. These natural efficiencies can be used to increase efficiency for industrial equipment…" (Boyd et al., 2009: 130)
"Our planet is a wondrous system of interdependent processes that nourish themselves… the more any business emulates this model, the more it can generate true wealth for its owners, customers, and all humans" (Hirshberg, 2008: 1)

Rationale *Changing the Nature of Competition* "…hybrid organizations compet[e] as quality market leaders in their industries. They develop new game strategies to build and establish themselves in novel market segments" (Boyd et al., 2009: 3) "…competitive advantage comes from its values" (Mamao, 2011: 75) "…market—social impact is one of our competitive advantages" (Miller et al., 2009: 15)
Enactment *A Progressive Meaning of Corporate Sustainability* "An explicit aim to benefit the community" (Kerlin, 2006: 249) "Assets and wealth are used to create community benefit" (Thompson & Doherty, 2006: 362) "…revenue for social benefit" (Kerlin, 2010: 164) "…businesses delivering services to the benefit of the community" (Smallbone et al., 2001: 49) "They have explicit social aims such as job creation, training or the provision of local services" (Shaw, 2004: 196) "…commitment to market-driven [rainforest] restoration" (Boyd et al., 2009: 65) "Core Values… Acting for nature…" (Mamao, 2011: 65) "…created to generate social impact and change by solving a social problem or market failure" (Alter, 2007: 18)