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For-profit & Non-profit Domains

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Bridging the For-profit & Non-profit Domains

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Abstract

This chapter explores the distinctive characteristics of hybrid organizations, a new organizational form that lies at the increasingly blurry boundary between the for-profit and non-profit domains. In particular, it explores their role in addressing issues of global sustainability. These organizations seek to create positive environmental and social change through both the introduction of new products into the market and the development of new business processes and standards by which to create them. More importantly, these organizations seek to create broader institutional diffusion of these generative innovations throughout their business sectors. In so doing, they present a bridge between two ends of a dichotomy previously seen as incommensurable (e.g., economic profit and social or environmental mission) and employ new tactics for establishing organizational form, governance and social entrepreneurship objectives. For organizational theorists, hybrid organizations challenge existing categories of organizations (e.g., government, business, non-profit) and taken-for-granted business assumptions (e.g., shareholder wealth maximization as the primary purpose of the corporation). The chapter concludes with suggestions for future research.

Introduction: Blurring Organizational Boundaries

In addressing issues of sustainability (Elkington, 1997; Ehrenfeld, 2008), the traditional lines of distinction between the private, public and non-profit sectors are blurring. In this intervening space a new form of organization, termed hybrid organization, is emerging. This chapter will use the lens of positive social change to explore these new organizational forms in terms of both the positive and sustainable outcomes they create (e.g. organic and pesticide free cotton products, organic foods, fair trade coffee, etc.) and the new organizational processes they employ to create them (e.g. living wages, supplier cooperatives, patient capital sources, close employee relationships, etc.). Indeed, addressing sustainability issues in a globalized world requires the emergence and diffusion of such new organizational forms and new forms of engagement and governance. Towards that end, the diffusion of product and process innovations is a stated goal of these hybrid organizations.

Our primary interest in this chapter is to explore how hybrid organizations bring about social change through the creation of generative sustainability outcomes and processes. We begin by defining hybrid organizations, and discuss linkages between hybrid organizations and issues of sustainability, suggesting that these organizations are uniquely designed and equipped to bring about social change in this domain. We then discuss the distinctive characteristics of hybrid organizations as key causal mechanisms allowing for the positive processes they create in becoming agents of social change. We conclude with recommendations for

future research that would further theorize the linkages between new organizational forms and sustainability through a positive lens.

Hybrid Organizations in Practice

The blurring of boundaries that hybrid organizations represent requires a new understanding of the structure and role of business, non-governmental organizations (NGOs) and government. Each sector is evolving in its purpose, form and role with regards to sustainability. Consider first, for example, how corporations are engaging in activities that ten years ago would not have seemed possible. In 2006, the Exxon-Mobil Corporation negotiated an unusual agreement with the government of Chad to pay 80 percent of the tax revenues from its pipeline operations in Chad into an escrow account managed by the World Bank for schools, clinics, roads, and other basic human needs. Anglo-American is establishing clinics around its African mining operations to treat employees and community members infected with HIV. In 2008 Wal-Mart, the world's largest retailer, announced it would require suppliers to make major appliances that use 25 percent less energy within the next three years. In making the announcement, CEO Lee Scott proclaimed "We live in a time when people are losing confidence in the ability of government to solve problems." But Wal-Mart "does not wait for someone else to solve problems" (Barbaro, 2008). These are examples of the ways in which the social role of the corporation is being redefined in addressing global sustainability problems (Diamond, 2009).

Second, NGOs today play many new, emergent and influential roles in the global marketplace: they act as policy advisers to the government, strategy advisers to corporations, thought leaders for public opinion, and catalysts for action by bankers, investors, suppliers, customers, and even religious organizations. The Environmental Defense Fund (EDF), for example, participated in the 2007 leveraged buyout of the energy company TXU and hired Perella Weinberg Partners, the boutique investment bank, to advise it on using Wall Street tactics in negotiating mergers and acquisitions. The Bill and Melinda Gates Foundation, the world's largest foundation with assets of \$30 billion, now rivals most governments in its annual disbursements of over \$3 billion to address global health challenges. These brief examples demonstrate how NGOs are increasingly powerful actors, mobilizing vast aspects of the business, political, and social environments in ways that will have great import for markets and policy going forward.

Finally, as the roles of corporations and NGOs shift, so too do the traditional roles of governments (local, national and international) as they grapple with new sustainability issues that require global cooperation. For example, ongoing negotiations over a global climate change treaty have represented new forms of negotiation and process as well as new forms of engagement among a complex array of parties (Schroeder, 2010). NGOs, corporations, trade unions, religious groups, and a host of other entities have converged to develop solutions that have import for national competitiveness, global development, and global trade flows.

Overall, in this blurring of boundaries and categories, we see a need to expand our vocabulary and understanding of emerging organizational forms that

employ elements and strategies that are representative of some form of hybrid among these traditional worlds. These organizations defy traditional categorizations employed by organizational theorists, categorizations that are often applied a priori.

For example, what is the Environmental Defense Fund (EDF)? Clearly it is a non-profit environmental group dedicated to improvement of the natural world. But is that category so clear? Does EDF have more in common with Patagonia (a for-profit clothing company dedicated to environmental and social issues) or the Earth Liberation Front (a non-profit environmental group that regularly breaks the law to promote its cause)? Similarly, what is Stonyfield Farms? Clearly, it is a for-profit agricultural company that takes seriously environmental sensitivity in the development of its products. But does Stonyfield Farms have more in common with Cargill (a for-profit agricultural company that produces food in large quantities for commodity markets) or the Rainforest Alliance (a non-profit dedicated to sustainable agriculture)?

In exploring these questions, this chapter will narrow its focus to the blurring of boundaries between the for-profit and non-profit worlds (leaving aside the public sector for now), a category that has been described as the Fourth Sector, Blended Value, For-Benefit, Values Driven, Mission Driven, B-Corporations, or what we will use in this chapter, “hybrid” organizations (Alter, 2004; Boyd et al, 2009). Further, it will focus on organizations that are driven by an urgent desire to affect social change by responding to the environmental and social issues that are visible in today’s market economy.

In practice, hybrid organizations can lie on either side of the IRS classification scheme. On the one hand, some non-profit organizations are adopting tactics and practices that are much akin to those employed by for-profit firms. For example, Ten Thousand Villages is a volunteer run, fair trade 501(c)(3) non-profit organization that operates a for-profit retail store to provide income to artisans from more than 30 countries.

On the other hand, some for-profit companies are adopting social and environmental agendas that are more akin to the objectives of a non-profit organization. For example, Seventh Generation has spent twenty years creating a niche for itself, “becoming the world's most trusted brand of authentic, safe, and environmentally-responsible products for a healthy home.” In the process, the company enjoys the financial benefits of being the dominant player in a small but increasingly lucrative market.

To further clarify their role as a distinctive legal entity, a new Maryland law creates a class of company, called “benefit corporations,” that grants them greater protection from shareholder lawsuits that demand that management put shareholders first. To qualify as a benefit corporation, the company must define its nonfinancial goals in its charter and get the approval of two-thirds of the shareholders. Certainly, hybrid organizations offer an interesting empirical domain for study; one that we believe will produce an ongoing stream of research.

But research on hybrid organizations is notably lacking, and has primarily focused on the topics of Corporate Social Responsibility (CSR) or social entrepreneurship (Alter, 2004; Haugh, 2005; Smallbone et al., 2001). Furthermore

there does not appear to be a commonly accepted definition beyond the stringent legal definition focusing on non-profit/for-profit delineations (Billitteri, 2007; Etchart and Davis, 2003; Posner and Malani, 2006). For the purpose of this chapter we will use the definition of hybrid organizations presented by Boyd et al. (2009: 5): “A market oriented, common good mission-centered organization that may exhibit the following characteristics: non-financial performance valuation, privately held by a connected set of shareholders, sub-market rates of return, alternative capitalization.”

Hybrid Organizations and the Opportunity of Sustainability

While the world economy has increased by a factor of fourteen over the past century (Thomas, 2002); global per capita income tripled (World Business Council on Sustainable Development, 1997); and average life expectancy increased by almost two-thirds (World Resources Institute, 1994), hybrid organizations focus on the fact that the past century has also witnessed unprecedented human impacts on the natural environment. The Millennium Ecosystem Assessment, a study commissioned by the United Nations and involving more than 1,360 experts worldwide, concluded that humans have changed the Earth’s ecosystems over the past 50 years “more rapidly and extensively than in any comparable period of time in human history” (2005: 1). Sixty percent of the 24 global ecosystem services that were analyzed were found to be degraded or used unsustainably.

Furthermore, the benefits and burdens of both this development and destruction are not shared equitably. For example, the United States represents 5%

of the world's population but is emitting 25% of global CO₂ emissions. According to the United Nations, the richest 20% of the world's population consume 86% of all goods and services while the poorest 20% consume just 1.3%. In fact, the richest three people in the world have assets that exceed the combined gross domestic product of the 48 least developed countries. Of the 4.4 billion people in the developing world, almost 60% lack access to safe sewers, 33% do not have access to clean water, 25% lack adequate housing and 30% have no modern health services (Crossette, 1998).

Hybrid organizations have chosen to use the market system as the tool for rectifying these problems. It is important to note that this tactic is not without controversy. In fact, a schism within the environmental NGO world sees two positions on the role of the market in solving environmental and social problems (Schwartz and Shuva, 1992; Conner and Epstein, 2007; Hoffman, 2009). The *dark green* NGOs—such as Greenpeace USA and Friends of the Earth (FOE)—see the market as the problem and seek radical social change to solve environmental problems, often by confronting corporations and the market. The *bright green* NGOs—such as Conservation International and the EDF—see the market as the solution and work within the system, often in close alliance with corporations, to solve environmental problems.

An important tenet of hybrid organizations is that traditional business models will no longer be adequate to address the environmental and social problems of our day (Alexander, 2000; Draper, 2005) and that a new emphasis on social enterprise models provides some promise for earned income creation and

broad institutional change. More in line with the reasoning of bright green NGOs, they employ market tactics to address environmental and social issues while seeking to change the norms of the market system as a whole. But who are they? What are they doing? Why and how are they doing it? And most importantly, what does their emergence and form tell us about existing studies of organizations and their potential for positive social change?

Theorizing Hybrid Organizations Through a Positive Lens

Using a positive lens, it is possible to theorize aspects of the role of hybrid organizations as social change agents, altering the institutions of the marketplace both in terms of the products that are offered and the business processes by which they are created. This has import for both sustainability and organizational scholarship.

For sustainability scholars, their role in integrating sustainability into the market place cannot be understated, as they strive not simply to reduce their impact on the environment, but rather to develop positive and generative social and environmental impacts. This shift represents a phenomenological shift (Hoffman and Haigh, forthcoming) from a focus on organizations being less unsustainable, to becoming more sustainable (Ehrenfeld, 2008), and a theoretical shift from addressing “deficit gaps” to instead addressing “abundance gaps” (Cameron, 2007). Within this fundamental shift of focus lie innovative solutions to sustainability problems. The role that hybrid organizations play in bringing about this shift is, therefore, critically important. For example, when Green Mountain Coffee, founded

on the motto of “Brewing a Better World” (a reflection of their desire to improve living conditions in regions where coffee beans are grown), was recently confronted with the conundrum of growth driven by sales of nonrecyclable, nonbiodegradable, single-use coffee pods they began a life cycle analysis and the search for solutions.

For organizational scholars, hybrid organizations call for fresh attention and study by challenging existing categories (e.g., government, business, non-profit) and taken-for-granted business assumptions (e.g., shareholder wealth maximization as the primary purpose of the corporation). Hybrid organizations present a bridge between two ends of a dichotomy previously seen as incommensurable (e.g., economic profit and social or environmental mission). The bridge metaphor suggests a continuum of changing or “morphing” organizations that is useful for understanding the extent to which these organizations can move along this continuum to resolve false paradoxes and find ways to stimulate innovation at the institutional level. In so doing, these organizations offer rich areas of study for positive organizational scholars, developing positive processes in areas such as capacity building, creation of productive networks and strengthened resilience in addressing environmental and social problems.

Success for a hybrid organization requires a “slight schizophrenia,” and the rare capacity to hold both sides of the paradox simultaneously. It is hard to serve two masters well, which is the difficulty of the paradox. However, developing a negotiated order between these two perspectives represents a breakthrough in itself; the horns of the paradox may never be entirely reconciled, but charting a

course beyond them is the breakthrough of positive social change (Hampden-Turner, 1994).

Furthermore, the presence of hybrid organizations adds to a growing literature that offers broader recognition that organizational forms are changing, requiring new models and concepts for describing them. For example, current research is explaining organizations, not as a single entity, but rather as a networked form with diffuse boundaries, and more complex governance schemes including diverse networks of public and private actors (Lemos and Agrawal, 2006; Davis and McAdam, 2000; Scott and Davis, 2006). But critically, these organizations do not seek to simply change their own behavior. They also drive broader institutional and social changes, acting as institutional entrepreneurs (DiMaggio, 1988; Fligstein, 1997; Zucker, 1988; Lawrence, 1999) to change the rules of the game for all organizations and generate collective, positive change. In performing this role, they adopt new strategies, missions, tactics and measures of success towards any one of a number of sustainability goals.

Recent research on hybrid organizations is offering clues into the specific aspects of the models they employ (e.g. Boyd et al., 2009). In particular, we see an order and structure for understanding these aspects in regards to organizational form, governance and social entrepreneurship (shown in figure 1). Each will be discussed in turn, with illustrations of how these features equip organizations to act as agents of positive social change in addressing issues of global sustainability, as well as positive outcomes beyond environmental sustainability such as living wages.

Figure 1: Distinctive Characteristics of Hybrid Organizations

Organizational Form	Governance	Social Entrepreneurship
Objectives and Mission	Leadership	Social Change as an Objective
Long Time Horizons for Patient Growth	Funding Sources	New Conceptions of Business Networks
Authenticity	Autonomy	Challenging Conventional Norms of Business

Organizational Form

A distinctive set of structural arrangements with regard to objectives, time horizons and authenticity between employer and employee are fundamental to hybrid organizations.

Objectives and Mission. Hybrid organizations adopt a distinctive set of objectives that reflect a desire to be profitable as well as socially and environmental progressive. At times, the social and environmental missions take precedence over economic objectives. For example, Guayakí is a company that sells organic, rainforest-grown, fair trade yerba mate but is primarily devoted to delivering “unique and beneficial products that enhance personal health and well being” and “create economic models that drive reforestation while employing a living wage” for the benefit of farmers and indigenous communities. Sun Ovens, is a company formed to “develop and implement comprehensive solar cooking programs that will radically decrease the developing world’s dependence on fuel wood and dung as the primary cooking fuels while benefiting the environment, raising the standard of living and improving the health of the poor worldwide.” Surveys of hybrid

organizations (Boyd et al, 2009) show that 83% of respondents believe environmental sustainability is “fully integrated” throughout their organization. This is often a challenging and conflicted tension.

Longer Time Horizons for Patient Growth. Hybrid organizations show a tenacity and patience that make clear that they are not expecting a quick payback. Their plans and goals are focused on longer time horizons that take into account social and environmental causes to which they are devoted and may take several generations to realize. This is notable as much of the management literature ignores the externalization of social and environmental costs that allowed the rise of large corporations, costs that hybrid organizations refuse to create. For example, hybrid organizations refuse to accept the shareholder primacy view that the primary goal of corporations is to increase profits (Useem, 1996; Friedman, 1970).

Sun Ovens, for example, has been on the edge of bankruptcy for its entire existence – what President Paul Munsen describes as a balance sheet that is “more than bankrupt” -- but the company is not wavering from its social and environmental mission. Guayakí CEO Chris Mann acknowledges that his company could expand far faster if they were willing to compromise their mission and source mate in ways that do not promote protection of the Atlantic Rainforest. But that is not an option for a hybrid organization. And as a result of such commitment, these companies can be counted on to -- in the words of one of Clif Bar’s Five Aspirations - - “grow slower, grow better and stick around longer.”

Authenticity. Hybrid organizations draw their work force from a set of applicants that are connected to both the economic and social/environmental

mission of the organization. As a result, the personal connection that the employees feel for the organization can be stronger and more deeply embedded. For this reason, the organization and its culture must be more authentic and consistent than what might be expected for a standard for-profit company. Signs of disconnects can yield dissatisfaction and skepticism and pressure from employees to address perceived violations (Hoffman, 1993; Besharov, forthcoming). Tied to the previous point, these kinds of real values and mission can only be developed slowly, over the long term to be truly lasting and credible.

Governance

Beyond structure, hybrid organizations adopt distinctive governance and decision-making processes around leadership, funding sources and the criticality of autonomy.

Leadership. Very often, hybrid organizations are built around a strong leader who embodies and establishes the values of the organization. Because this form is new and emergent, this visible artifact of the organization becomes a critical asset for maintaining and growing the culture of the organization. These leaders also have impact beyond their organization. As institutional entrepreneurs, or actors that transform institutions in ways that are aligned with their values, they aim to change accepted business norms related to shareholder wealth maximization as well as the relationships that business has traditionally had with the environment and society (DiMaggio 1988: 14).

Survey results show that 75% of hybrid organization leaders were identified as “participative” or “transformational” (Boyd et al, 2009). None of the leaders in the survey were described as “transactional.” This suggests that hybrids tend to be led by executives who have a collaborative management style rather than a command-and-control style, which is more common in older and more traditional firms.

Funding Sources. Survey results show that overall, nearly 60% of hybrid organization financing comes from “patient” capital sources such as grants; founder(s), friends, or family; and re-investment of operating profits, while 12% comes from “below market-rate” equity or debt (Boyd et al, 2009). The presence of below market-rate funds seems to demonstrate the emergence of an alternative funding source, one that perhaps more and more mission-driven organizations will be able to tap into in the future. Moreover, the predominant source of patient capital suggests that investors buying into these hybrid organizations may have returns on investment expectations that are balanced with or include environmental performance returns. For example early investors in Ben & Jerry’s Ice Cream signed waivers expecting to receive no financial gain from their investment. The return was considered to be social and environmental capital.

Autonomy. Successful hybrid organizations become acquisition targets for more traditional companies seeking to enter the markets that these organizations are developing. While some yield to the appeal of a buy-out offer – Ben & Jerry’s was acquired by Unilever in 2000; Stonyfield Farms was acquired by the Danone Group in 2003; Burt’s Bees was acquired by Clorox in 2008 – others resist the financial

enticement in order to remain true to their ultimate mission, values and purpose. Chris Mann, echoing the sentiments of other hybrid business owners, has struggled with the decision to bring on partner financing. The problem he says is that “[venture capitalists] want control. It would be difficult to maintain our mission if we only have 30% or 40% control.”

Social Entrepreneurship

The ultimate objective of the hybrid organization is social change. In this role, they play the entrepreneur seeking social change as an objective by establishing new conceptions of business networks and ultimately, by challenging the conventional norms of business.

Social Change as an Objective. Hybrid organizations ultimately seek to generate positive, collective change in the markets in which they operate. They do this by maintaining their strong social and environmental mission while proving that they can be profitable by doing so. For example, Seventh Generation has created a niche for itself over 20 years of “becoming the world's most trusted brand of authentic, safe, and environmentally-responsible products for a healthy home.” In the process, the company enjoyed the financial benefits of being the dominant player in a small but increasingly lucrative market. But today, that niche is going mainstream. In 2008, Oakland, California based Clorox added a series of natural, biodegradable household cleaners called Green Works to its \$4.8 billion family of cleaning and household products. In short, the company that has become synonymous with the most toxic substance that the average homeowner will ever

bring into their home – bleach – is now expanding into the green cleaners space. Seventh Generation was the first-mover, saw the market potential, educated and cultivated its consumers, developed the products and reaped the benefits. But now that the market is materializing, the business strategy of others in the consumer goods industry is to move into the space. This is a victory for the company's efforts at driving social change.

But this is a difficult tension that hybrid organizations must navigate. As for-profit companies, they seek to capitalize on their market segment. As social entrepreneurs, they seek to entice others into joining their market segment. By demonstrating that theirs is a successful and legitimate form, other organizations will model themselves after hybrid organizations in an attempt to gain similar legitimacy (DiMaggio & Powell, 1983, p. 152). Firms will reproduce hybrid behaviors when addressing sustainability challenges resulting in a growing diffusion of hybrid organizational forms or outcomes (as exemplified by the case of Clorox) (DiMaggio and Powell, 1983).

But such diffusion represents an interesting challenge to traditional organizational change models. For example, a firm's size is often seen as determining its ability to convince others to adopt its models of behavior. But hybrid organizations are rarely large in terms of assets or revenues. Their social impact outpaces its economic size. Further, the firms that may seek to emulate the hybrid organization will be pressured to do so from forces separate from the hybrid. Instead, because of the model that hybrids create, larger companies are pressured to react to external pressures for "long-term shifts in the conception of how the largest

firms should operate to preserve their growth and profitability” (Fligstein, 1990: 2). Large firms and those in environmentally sensitive intensive industries are “more likely to be the target of demands or appeals... that emphasize their responsibility to take action” (Davis and Anderson, 2008) through potential costly regulation, NGO and consumer activism. Therefore it is not surprising that Clorox, a large company with an environmentally toxic product like bleach, would adopt the practices of Seventh Generation. This also suggests that many other large branded and socially vulnerable companies are likely to follow.

New Conceptions of Business Networks. According to Davis and Anderson (2008: 374), “networks are both a cause *and* consequence of contagion. Actors draw on existing networks (through shared directors, common memberships in professional or industry associations, geographic proximity, and so on) to make judgments about the appropriateness of innovations, such as the spread of poison pills or GLBT (gay, lesbian, bisexual, transgender) partner benefits.” The current trend with hybrid organizations is towards a networked organizational form with diffuse boundaries including diverse networks of public and private actors (Cashore, 2002; G. F. Davis & McAdam, 2000; Lemos & Agrawal, 2006; R. W. Scott & G. F. Davis, 2006)

Hybrid organizations tend to view their networks with external stakeholders much in the same way they view their relationships internally. They tend to develop deep relationships with employees, suppliers, producers and customers that go much farther than the contemporary business model. “In contrast to the cliché, ‘it isn’t personal, it’s business,’ business clearly is personal for hybrid organizations”

(Boyd et al, 2009: 146). Clearly, there are easier and cheaper ways to obtain raw materials and resources, but hybrid organizations have chosen to do business with their mission front and center. They develop their networks as fields formed around sustainability issues rather than on specific corporations, markets or technologies (Hoffman, 1999; Hoffman & Ventresca, 2002; Wooten & Hoffman, 2008). These field networks consist of organizations who share a common system of meaning than those outside the field (DiMaggio & Powell, 1983). These fields reflect the dominant institutional logics, e.g. belief systems, as shaped by institutional entrepreneurs leading hybrid organizations (Hoffman, 2001b).

Challenging Conventional Norms of Business. A key and over-riding aspect of driving social change is challenging the existing norms and beliefs within the market. For each hybrid organization, the target of that challenge will represent its deeper social and environmental mission. Guayakí, for example, pays its farmers above market “living wages” and devotes significant time and resources into training them in sustainable farming techniques, despite the fact that these practices raise costs in the face of cheaper alternatives on the open market (such as paying minimum wages, and sourcing from commodity markets).

Understanding the role of institutional entrepreneurs in shaping the discourse, norms and the structures that guide organizational action is of key importance in analyzing the success of hybrid organizations. Institutional entrepreneurs “are individual and organizational actors, who create opportunities for innovation and institutional and organizational change by exploiting cultural discontinuities... across multiple societal sectors... [and] discovering ways to

innovate through structural overlap, thus blurring their primary roles and activities by moving from one societal sector to another” (Thornton & Ocasio 2008: 129). Institutional entrepreneurs have the ability to affect organizations for better or worse, for change or stasis. Leaders of hybrid organizations acting as institutional entrepreneurs provide sector-wide options for doing business differently and articulate an alternative should other organizations choose to follow. And in the end, this is the ultimate goal and success measure for the hybrid organization – broad scale institutional change.

Case Study: Maggie’s Organics (Clean Clothes, Inc.)

Maggie’s Organics was founded in 1992 in Ann Arbor, MI, and (as of 2008) was the oldest organic apparel company in the United States. Driven by a passionate founder and leader, Bená Burda, and a mission to “...restore, sustain, and enhance the resources, including human, from which they [the apparel] are made,” Maggie’s is a model hybrid organization in regards to form, governance and social entrepreneurship. Therefore, this case provides an opportunity to more closely examine one hybrid organization which shares many of the distinctive characteristics described above through a positive lens.

First, an environmental and social mission are core to Maggie’s business; the company was founded with a goal of saving land from the devastation of conventional cotton production and developing new agricultural practices that exclude the use of toxic chemical pesticides. Maggie’s also seeks new processes that exemplify its sustainability mission, through new types of supply chain and

employee partnerships based on deep personal connections. For example, Maggie's has created new types of suppliers in the formation of 100% worker-owned sewing cooperatives in both Nueva Vida, Nicaragua (known as the Fair Trade Zone Sewing) and in North Carolina (Opportunity Threads). At home, the Company prides itself on a culture of respect where there is a relatively small difference between the salaries of the highest and lowest-paid employees. Maggie's culture attracts employees that share its values of environmentally progressive thinking. In fact, the company (while small in number with only 14 employees) screens potential employees for knowledge of organics and organic cotton further reinforcing the role of authenticity.

As with many hybrid organizations' governance, Maggie's is a privately held company with a passionate, charismatic and pioneering leader. Bená Burda began her career in the organics industry in 1978 and has dedicated her career to acting as a positive deviant (Meyerson, 2001), changing the apparel industries' sourcing and production practices. Bená initially financed Maggie's along with a business partner, and she remains the majority-owner today with two friends holding minority (10%) ownership. The Company has been consistently profitable since 2004, and has used a conservative fiscal approach to grow the company without the use of outside capital.

Like all strong leaders, Burda embodies the values that her company espouses. Her dedication and passion is central to the organization's culture and has resulted in deep, personal relationships with all of Maggie's producers and many customers. Further, she is committed to supporting the co-operatives that her

company has established despite the fact that they can limit Maggie's growth due to lower productivity and higher (living) wages; she has vowed she will not discontinue business despite missed deadlines or quality problems.

Not satisfied to simply change its own practices, the company is also seeking to create institutional change by playing a central role in development of the U.S. organic cotton apparel industry and the Organic Trade Association's (OTA) American Organic Fiber Processing Standards.

In summing up her company, Burda humbly states, "At this point I feel that I actually *am* both a fair trade person and socially responsible. But I did not start out to be either of those, nor a philanthropist. I don't like the labels, but instead feel that at Maggie's we have simply created a logical, sustainable, and rewarding business model." And when considering the company's ultimate goals, she is interestingly pragmatic. She confesses, "if the entire apparel industry were to adopt Maggie's organic practices, I would be satisfied with our success and might consider my job done."

Future Research Directions

Before closing, we would like to offer recommendations for future research directions on the topic. First, a deep analysis and thick description of hybrid organizations (e.g. what constitutes a hybrid organization) needs to be undertaken to better understand this new organizational form. Second, it will be important to better understand the ways in which hybrid organizations impact industry-wide standards and outcomes both in terms of positive outcomes as well as process. In a

related way, research measuring the effectiveness of hybrid organizations in achieving sustainability outcomes is needed. Finally, an understanding of the role of government regulation and certification schemes in enabling hybrid organization formation and operation is lacking.

However, as related to this chapter, the big question remains: how can using a positive lens enhance research on the role of hybrid organizations as related to social change and vice versa? Hybrid organizations present a part of the answer to sustainability. The hybrid model is not positive by definition. The question of “Whose positive?” is not easily resolved, and there are many complications. For example potential conflicts exist as a result of acquisitions (e.g., Coca-Cola acquired Honest Tea, Danone acquired Stonyfield, Unilever acquired Ben & Jerry’s, McDonald’s acquired Chipotle). Can a strong social or environmental mission survive at the scales of the larger parent? Additionally, in all cases, hybrid organizations deal with other organizations of disproportionate power (e.g., hybrid organizations are typically small businesses attempting to change the norms of much larger competitors). What does this power differential mean for traditional studies of institutional change? And, finally, for-profits can and have used hybrid structures to stifle dissent, as with issues of climate change. As hybrid organizations bridge the for-profit and non-profit domains, future research on this topic is crucial for bridging theory and practice in our understanding of the role of hybrid organizations’ role in bringing about positive social change as process and outcome.

Conclusion

Questions around the role of the market and the firm in addressing societal issues is particularly salient today given the pervasive nature of for-profit and non-profit organizations, the growing distrust of the for-profit sector, their over-riding contribution to environmental and social problems as well as the global multi-sectoral governance response required to address many of these challenges (Lemos & Agrawal, 2006; Perrow, 1991).

In this chapter, we seek to examine the ways in which the role of corporate actors in determining environmental outcomes is changing and creating both positive social change in terms of outcome and processes. It appears less widely accepted, in Milton Friedman's words, that the social responsibility of corporations is to produce a profit for shareholders (Friedman, 1970). Corporations increasingly view environmental and social issues as strategic business issues (Hart, 1995; Hoffman, 2001; Porter, 2006). This chapter explores an emergent form of corporate actor that places sustainability issues at the core of their business models. Hybrid organizations challenge existing categories (e.g., government, business, non-profit) and taken-for-granted business assumptions (e.g., shareholder wealth maximization).

Understanding the ways in which hybrid organizations accomplish these goals is significant for several reasons: rethinking traditional categories for organizations, understanding the current transformation of corporations and tying organization theory to contemporary societal issues. And finally, the study of hybrid organizations represents a study of the early stages of the transformation of corporate America (Hoffman, 2001). The prevalence of hybrid organizations signals

a level of concern and responsiveness to sustainability challenges that was previously unprecedented by corporations. If this trend is applicable across sectors, it might inform implementation of future legislation, certification and voluntary initiatives aimed at promoting hybrid organizations or hybrid organization-like outcomes.

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