

# Mission alignment in the hybrid organization: the role of indirect support activities and an activity ecosystem

Role of indirect support activities

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## Abstract

**Purpose** – The purpose of this paper is to highlight the role a full range of activities can play to combat mission drift in a social enterprise. In doing so, it expands understanding of integrated activities to recognize the role of indirect support activities and an activity ecosystem to sustain mission. This paper also provides practical implications about the process for creating such an ecosystem.

**Design/methodology/approach** – This paper relies on an in-depth qualitative study of a for-profit company that later in life became an employee-owned benefit corporation. Data include interviews, informal and formal company documents and a site visit.

**Findings** – This paper expands the definition of activity integration to recognize indirect mission support, highlights the role an activity ecosystem plays to ensure the viability of these activities, and identifies a set of rules and a three-step process to create the reinforcing ecosystem.

**Originality/value** – Commonly, activities are integrated if the company earns revenues through pursuit of its social mission and differentiated if the company earns revenues not related to its social mission. By comparison, this paper argues for a more nuanced definition of activities to recognize indirect mission support and its role in reinforcing a dual mission.

**Keywords** Employee ownership, Social enterprises, Mission drift, Hybrid organizations, Benefit corporations, Activity integration and differentiation, Activity ecosystem, Dual missions

**Paper type** Research paper

## Introduction

We propose to allot up to 8 hours per annum of Paid Volunteer Time (PVT) for each regular, full-time employee. This time would be directed, by approving supervisors, to mission-oriented volunteer work at each employee's discretion. Like other non-accrued labor categories, such as bereavement and jury duty, PVT would only be expensed if charged, would not be carried

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forward year to year, and would not be paid out to an employee at termination (PBC Framework Memorandum Final Nov 2, 2015).

How would you classify this Paid Volunteer Time (PVT) activity – as integrated or differentiated? And why does it matter? This paper will answer these questions. Activities are one element by which an organization can “make sense of and combine multiple organizational forms” (Battilana and Lee, 2014, p. 403). Activities can be integrated or differentiated. They are *integrated* if the company earns revenues through pursuit of its social mission[1] (Battilana and Lee, 2014; Ebrahim *et al.*, 2014; see also Alter, 2007, who classifies these organizations as embedded social enterprises). For example, a worker integration social enterprise (WISE) provides loans to the poor, achieving its social mission through its revenue-producing activities (Battilana and Lee, 2014, p. 413). The organization simultaneously achieves financial and social goals (Alter, 2007). By comparison, activities are *differentiated* if the company earns revenues not related to its social mission. For example, consider a company that seeks to deliver educational materials to students through mobile schools while earning revenues from corporate training programs (Battilana and Lee, 2014, p. 423). The takeaway is that the organization’s core, revenue-producing activities either contribute to the social mission, and thereby integrate social and commercial goals, or they operate separately and thereby differentiate social and commercial goals.

However, the example of PVT sits in a different space. It is not integrated because the PVT is a direct expense, not a revenue producer. And while the actions employees take during their volunteer time might contribute to the organization’s broader social mission, PVT itself does not directly contribute in the way delivering of educational materials through mobile schools might; that is, PVT is not central to the company’s business model, but something else. It is investigation of that something else that prompted this paper.

Based on the in-depth study of one company, a 48-year-old environmental services organization that transitioned from a sole proprietorship through two additional ownership structures before becoming an employee-owned benefit corporation in 2014, this paper examines the role that this third alternative – indirect contributors, such as PVT – play in helping organizations maintain their dual commercial and social missions. First, I develop a typology to situate the indirect contributions to expand understanding of what constitutes an integrated activity. Second, recognizing that these activities do not exist in isolation, I suggest that the sustainability of integrated activities relies on a complex ecosystem of support activities that ensure their success. Third, I identify six rules the company followed to develop and calibrate its activities, and which may prove useful for other firms’ efforts. Last, I highlight a three-step process the company used to reinforce commitment to their dual mission.

I write with one caveat. This paper does not examine why the company chose to hybridize nor the process by which it did so. These can be found elsewhere (Kurland, 2017, 2018; Kurland and Schneper, 2021). Rather it focuses only on the period of time after the decision to become an employee-owned benefit corporation was made and how the company decided on its activities to operationalize this change. In this way, this study zeroes in on the activities that enabled the company to sustain its hybridity (Smith and Besharov, 2019), and provides insight into broader implications for other social enterprises.

In the next sections, I provide a literature review focused on the activities of hybridity and the inherent challenges of managing potentially conflicting corporate goals. I then describe the case site, include a brief overview of the employee stock option plan (ESOP) and benefit corporation models, and the methodology. I conclude with a discussion of the typology, highlight the role of an activity ecosystem, and outline a set of rules for designing such, all of which act to help the company retain an expanded mission focus.

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### Defining activities and their role in sustaining dual missions

A hybrid organization is one that manages multiple institutional logics (e.g. commercial vs social logics), organizational forms (e.g. business vs government) and/or organizational identities (e.g. where the organization may have sub-identities devoted separately to commercial and social organizational missions) (Battilana and Lee, 2014). Social enterprises – purported by some to be an “ideal type of hybrid organization” (Battilana and Lee, 2014, p. 399) – combine the goals of a for-profit firm and a social welfare organization (Doherty *et al.*, 2014; Mair *et al.*, 2015). Others distinguish *socially responsible business* and *purely for-profit companies* from *for-profit social enterprises* (Dees and Anderson, 2003). The first are companies that are not necessarily integrated, in that they may or may not earn revenues from their social mission-related activities, but that do privilege economic values and do value operating in an ethical manner. The second type of companies use social activities “simply in search of profits” (p. 3); in this way, the social activities are a means for greater commercial benefits. The last are for-profit organizations that are explicitly designed to serve a social purpose; companies design their business models to alleviate a particular social or environmental problem (Haigh *et al.*, 2015). This paper centers on the experience of a company that began life as a socially responsible business, became a purely for-profit one, before transitioning into a for-profit social enterprise.

Research on hybrid organizations focuses on the challenges inherent in managing such complexity while ensuring an authentic mission (Battilana and Lee, 2014; Dees and Anderson, 2003). That is, social enterprise firms often face conflicts and tradeoffs between commercial and social goals (Ebrahim *et al.*, 2014). For example, to bolster commercial sustainability, a company may feel pressure to reduce its commitment to processual fairness with employees, to short-cut environmental commitment, or to sell clients unnecessary services.

Research suggests organizations manage these tensions through particular practices, such as hiring and socialization (Battilana and Dorado, 2010; Dees and Anderson, 2003), selective coupling of practices (Pache and Santos, 2013), bridging of practices (Tracey *et al.*, 2011), the assignment of responsibility for social and commercial activities to distinct groups but which allow for opportunities for these individuals to discuss tradeoffs they experience (Battilana *et al.*, 2015), and through constitutional, legal and regulatory mechanisms, as well as external accreditation and board composition (Cornforth, 2014). Others argue that companies sustain their hybridity through two primary forces: leaders’ cognitive understanding of the complexity of their organization’s hybridity and a set of guardrails – formal structures, leadership expertise and stakeholder relationships – that keep the company on track (Smith and Besharov, 2019). Still others suggest the need for an “alternative” ownership form, such as employee ownership (Spicer and Lee-Chuvala, 2021, p. 265), membership in a pro-social category, such as a benefit corporation (Conger *et al.*, 2018; Xavier, 2020), or integration.

Three points are integral here. First, most research views relevant activities as integrated or differentiated, and not in terms of *indirectly* integrated – that is, activities that are mission-aligned but not revenue-producing. One exception is Gamble *et al.* (2020) who propose an intermediate “partially integrated” to the dichotomous integrated/differentiated model. They define the partially integrated model as “one where the hybrid’s [social and environmental] efforts are clearly aligned with the revenue model, but the revenue model is not dependent upon the [social and environmental] mission(s)” (p. 9). They provide examples of “bundling of sustainability of furniture supply chains with furniture sales” or “[engaging] with clients on water quality and conservation issues” while selling 65-gallon rain barrels made from recycled plastics (pp. 9–10). These activities, they argue, supplement the

organization's mission but are not central to its business model. The present study builds on [Gamble et al. \(2020\)](#). In particular, I will argue that given the simplified depiction of two sets of goals (commercial and social), a company may engage in four types of mission-aligned activities. These four types contribute to the firm's dual mission directly and/or indirectly, and are relevant to guard against mission drift.

Second, some scholars differentiate *activities* from *practices*, where the latter are imbued with greater meaning. Activities are defined as "mundane behaviors or everyday work" ([Thornton et al., 2012](#), p. 128). Others characterize activities as:

[...] acts that are generally devoid of deeper social meaning or reflection, such as pounding a nail, while practice, such as professional carpentry, provides order and meaning to a set of otherwise banal activities ([Lounsbury and Crumley, 2007](#), p. 995).

However, this distinction is too simplistic. Activities can be more complex than pounding a nail but not rise to the level of a practice, such as the PVT cited in the introduction. PVT provides value to the community, is mission-aligned (in the present case), but does not necessarily rise to a practice such as professional carpentry. That is, while the engaged *activities* are likely imbued with greater meaning and rise above [Thornton et al.'s \(2012\)](#) definition of such, they are not *practices* on their own *per se*, but can act to humanize the company to internal and external stakeholders ([Bhattacharya et al., 2008](#)). Accordingly, this nuance about the potential for indirect contributions is key to an expanded appreciation of the role activities play to sustain a dual mission.

Third, in extant research, activities are presented as isolated articulations of movement, rather than as elements of a larger activity ecosystem. As such, the present study argues that activities can be distinguished as primary – those that directly or indirectly contribute to the dual commercial and social goals – and as supporting – those that sustain the primary activities. In doing so, it broadens understanding of the ecosystem required to sustain a dual mission.

Below I review the case site – an employee-owned benefit corporation – and then explore more deeply these concepts of an activity typology and ecosystem, along with process considerations for getting there.

### **An employee-owned benefit corporation**

#### *Employee stock option plan and benefit corporation models*

The hybrid metaphor has proven especially fruitful in the study of firms that prioritize stakeholder capitalism – that which directly benefits multiple stakeholders, rather than primarily shareholders. Two models are the employee stock ownership plan (ESOP) and the benefit corporation. The ESOP, created in 1956 by Louis O. Kelso to transition ownership from the founders of a privately owned firm to its employees, is a tool for succession, a retirement vehicle for founders and employees, and a vehicle for companies to protect themselves from hostile takeovers. In 1974, it entered US tax and labor law as part of the Employee Retirement Income Security Act ("ERISA"). The ESOP invokes the employee piece of the stakeholder model; it consolidates two stakeholder groups: employees and owners. Revenues drive ESOP growth and, consequently, employee-owners' wealth.

A benefit corporation is a relatively new corporate legal structure that has received growing attention among researchers, managers and policymakers ([Cao and Gehman, 2021](#)). The model legislation for benefit corporations was written by B Lab, a non-profit organization that continues to lobby policymakers and advocate broadly for the legal structure's widespread adoption. First passed in the US state of Maryland, in 2010, legislation allowing for incorporation of for-profit companies as benefit corporations exists,

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as of December 2021, in 37 US states [2], as well as Washington D.C. and Puerto Rico. The specific laws and provisions governing benefit corporations vary depending upon the US state or other legal domicile of incorporation. The corporate code for Delaware (the federal state in which the most public and Fortune 1000 US business corporations are incorporated, and place of incorporation for the company in this study) refers to their variant of the benefit corporation as a *public* benefit corporation (PBC) and prescribes that:

[...] a public benefit corporation shall be managed in a manner that balances the stockholders' pecuniary interests, the best interests of those materially affected by the corporation's conduct, and the public benefit or public benefits identified in its certificate of incorporation (State of Delaware, 2020).

From a legal standpoint, benefit corporations differ from more traditional US corporations because it makes it easier for shareholders to sue directors for failing to consider the firm's societal obligations. Conversely, benefit corporation statutes protect directors from shareholder lawsuits for failing to confer primacy to shareholder interests (Alexander, 2017).

Accordingly, the ESOP aligns the company's profit motive with employees' interests and the PBC enables the board of directors wider latitude to consider a broader array of stakeholders in its decision-making.

#### *Case site*

Originally established as Ecological Analysts, EA Engineering, Science, and Technology, Inc., PBC (EA) is a for-profit "consultancy specializing in environmental services for government and industry." [3] It was founded in 1973 by a freshwater biologist who was then on the faculty at Johns Hopkins University in Baltimore, Maryland. In response to growing client demand to address the then-recently passed Clean Water Act, the primary US federal law regulating water pollution, the founder decided to leave his tenured academic position to start the firm. The company grew rapidly along with the demand for environmental services. In 1986, the company went public. Fifteen years later, in 2001, the company re-privatized [4]. The founder retained majority control (51%) and an outside investor, an Architecture and Engineering (AE) firm, provided the remaining 49% as a passive investment. Four years later, in 2005, the company became a partial ESOP. Then in 2014, through retained earnings and debt, the company purchased back the AE firm's share and, under the direction of the CEO and CFO, converted to a 100% employee-owned and PBC.

Headquartered in Hunt Valley, Maryland, and incorporated in the State of Delaware, today the company grosses over \$175m in revenues, employs approximately 600 employees and maintains 25 offices in 17 US states and territories. While it is a small-to-medium-sized for-profit company, it is considered to be both a large ESOP and a large benefit corporation [5]. The company describes its core purpose, adopted in 2007, as "improving the quality of the environment in which we live, one project at a time.®" and states that it "provides environmental, compliance, natural resources, and infrastructure engineering and management solutions to a wide range of public and private sector clients" (CEO email to author, May 10, 2016).

To accord with the Delaware corporate code, EA revised its corporate charter in 2014 to reflect its stated public benefit:

[...] the specific public benefits to be promoted by the Corporation are to (i) to reduce human and ecological risks associated with environmental degradation and natural resources impairment, and (ii) improve air, water, soil, and sediment quality. The Corporation will achieve these specific public benefits by focusing exclusively on the delivery of professional environmental services;

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and by encouraging its employees to support the communities in which we live and the clients that we serve in an environmentally responsible manner (Excerpted from EA's New Company Charter, reproduced in *PBC Announcement Memorandum to Employees.docx*, dated 23 December 2015).

In short, its social goal is to heal the natural environment. And the process by which it achieves that goal involves delivering professional environmental services and mission-aligned community service. Those who are materially affected by its actions include, foremost, clients and employees. Though not stated in its revised public charter, moreover, it becomes apparent that unspoken company goals include employee engagement and information transparency.

#### *Data collection*

This project was part of a larger qualitative study examining the process by which a company evolved to systematically integrate social with commercial values into its corporate identity and structure. In the larger project (Kurland, 2017, 2018; Kurland and Schnepfer, 2021), I sought to understand the meaning of the firm's transition to an employee-owned benefit corporation. Such inquiry, to understand "not only [...] the physical events and behavior taking place, but also in how the participants[...]made] sense of these and how their understandings influence their behavior" is a particular intellectual goal for which qualitative study is especially useful (Maxwell, 2008, pp. 221–222).

Data collection occurred in three waves: from December 2015 to August 2016, from October 2017 to February 2018, and from August to September 2018, with additional intermittent communications and data collection through the intervening time, and to the present. Data sources included one site visit to the company's headquarters in July 2016, more than 1,200 internal emails and emails to me, 30 in-depth interviews with 13 members of the company's leadership and one outside member (in 2015 and 2016), follow-up interviews with six of these individuals (in 2018) and additional interviews with eight middle-managers (in 2018), all of whom the CEO identified as key change agents, and 233 informal and formal company documents. These documents spanned from 1973 to 2018 and included company slide presentations on training, visioning and strategy, and "about the company" created for presentation at trade and academic conferences; internal memos; annual financial reports; sustainability reports; business plans; employee and client newsletters; the founder's written history of the company; internal memos; published newspaper articles about the company; official company brochures; internal employee survey results (from Gallup and on servant leadership); organizational charts from multiple years; and company press releases. I recorded the CEO's remarks to my senior undergraduate Corporate Responsibility seminar in March 2016. And, to provide points of comparison, in 2017, I interviewed leaders from six other US employee-owned benefit corporations. Table 1 summarizes these data.

For the interviews, I used a semi-structured format. The first set of interviews focused on background about the company and its process for making the transition to an employee-owned benefit corporation. These interviews lasted, on average, 60 min, resulting in over 400 pages of transcripts. Questions included:

- Q1. What are you responsible for in the company?
- Q2. What values describe your organization best?
- Q3. How has your job/role changed as a result of the ESOP/PBC status changes?
- Q4. Why did the company become a benefit corporation?

Data sources	Time period in company's history					Totals
	1973–1986	1986–2001	2002–2014	2014–2016	2016–present	
<i>Interviews</i>						<i>30 interviews</i>
Founder				x		1
CEO				x		2
Board member				x	x	2
Senior management				x	x	12
Mid-level management				x	x	12
External advisor				x		1
<i>Archival documents – stakeholder focus</i>						<i>233 documents</i>
Board		x	x	x		12
Client	x	x				11
Employee	x	x	x			31
Employee committee				x		4
General public		x	x			21
Industry		x		x		6
Management and strategy	x	x	x	x		113
Shareholder		x				22
Sustainability reporting			x		x	8
Other (Incorporation documents, CEO self-reflections)				x		3
<i>Emails</i>		x				<i>&gt;1,200 emails</i>
<i>Headquarters site visit</i>					x	<i>1 site visit</i>
<i>CEO guest lecture</i>					x	<i>1 guest lecture</i>

**Table 1.**  
Summary of data analyzed

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The second set of interviews focused specifically on challenges that the company had experienced in the two years subsequent to the ESOP/PBC rollout. These interviews lasted, on average, 30 min, resulting in over 200 pages of transcripts. Questions included:

- Q1. What are challenges you experienced over the last two years regarding benefit-corp-related change?
- Q2. ESOP-change?
- Q3. What about the PBC implementation/ESOP implementation was contrary to your expectations?

Following each interview, I noted first impressions of the data. To become even more grounded in the data, I recorded the interviews, had them professionally transcribed, and, as necessary, reviewed each transcript carefully. I reviewed all emails and internal materials at least once, and, more often, multiple times. To help clarify and fill in gaps of my understanding, I emailed regularly with the CEO. To ensure accuracy, I asked the interviewees to review their attributed quotations and the CEO and executive team members to provide feedback on the complete manuscript.

#### *Data analysis*

To begin the analysis, I constructed a timeline of the company's structural journey. This process helped me identify recurrent themes and patterns (Creswell, 1998; Yin, 2009). As theoretical ideas emerged, I revisited academic literature to inform my observations (Ragin, 2014). Next, I uploaded all documents and transcripts to Dedoose, a web-based mixed-methods online data analysis software (see <https://www.dedoose.com>). Recognizing the influence the company's ownership structure had on its behavior, I organized the company documents into phases defined by these periods, a form of temporal bracketing (Langley, 1999; Langley *et al.*, 2013): founder-owned (1973–1986), public company (1986–2001), reprivatized and partial ESOP (2002–2014), 100% employee-owned PBC (2014–2016) and two years later (2017–2018). The company has had only four chief executives: the founder, two outside recruits during the company's public phase and the current CEO, who moved up through the company from a lower-level position as a field geoscientist in 1985. Because the current CEO pioneered the PBC/ESOP transition, I further split the reprivatization/partial-ESOP phase in terms of its executive leadership to demarcate the current CEO's ascendance. Within each phase, I organized the data by intended audience (management and strategy, client, employee, sustainability reporting, general public, board of directors, PBC committee, industry, trade association, other), providing the opportunity to assess how the company considers multiple stakeholders in its actions. For example, I identified a Gallup January 2017 analysis with the CEO's annotations as "management and strategy" focused, a company brochure as "client" focused, and a memo from the CEO to the company about a new performance bonus program as "employee" focused.

Next, using Dedoose, I coded the data in three passes. First, I created descriptors and tagged each type of document accordingly. I tagged each interview with the interviewee's demographics (age, income, gender, race, education, political affiliation, tenure with company, level in company). I tagged each document for publication date, author of, document's purpose, phase in the organization's history and target stakeholder (employees, clients, ESOP trustee, Board, general public, industry, trade organization). Doing so enabled me to isolate portions of the data for these descriptors.

Second, I coded the data for patterns (Reay and Jones, 2016). My research questions were broad at this point, with a desire to understand how the company's conversion to a benefit



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corporation had influenced it. These early codes included observations about a “science/academic” culture, a repeated “origin” story, the influence of external forces, such as regulation, clients and competitors, and internal forces, such as the concern about the company’s reputation and employee loyalty. After coding a few interviews, I revisited relevant academic literature to further inform my developing thoughts about the data. Eventually, I settled that key to understanding this company’s journey was to examine its hybridizing process: how did the company translate its new status as an ESOP/PBC into company policy and actions?

Third, and most relevant to the present article, I revisited the excerpts captured within the “activities” code. I had coded 150 excerpts for “activities”, and further as “differentiated” (31 codes) or “integrated” (24 codes), leaving close to 100 excerpts that did not fit into either category. Two reasons for this lack of fit are the following. One, many of these activities preceded the company’s conversion to a 100% ESOP/PBC, and so are not relevant to the present paper. And, second, more interestingly, is that the activities do not fit neatly into the binary integrated/differentiated categories.

Next, using the Gioia methodology (Gioia *et al.*, 2013), I analyzed these data in terms of their first-order, second-order and aggregate dimensions (see Table 2). Gioia *et al.* (2013), building from Van Maanen (1979), define these terms as follows (p. 18): first-order analysis is that that uses “informant-centric terms and codes” or those terms that the respondents use. Second-order analysis, by comparison, uses “researcher-centric concepts, themes, and dimensions.” Finally, aggregate dimensions result from the further distillation of the second-order themes. Together, these three elements create a data structure that provides a “graphic representation of how [the researcher] progressed from raw data to terms and themes in conducting the analyses” (p. 20). Fereday and Muir-Cochrane (2006) describe the process as “a form of pattern recognition within the data, where emerging themes become the categories for analysis” (p. 82). Throughout the coding, I noted my impressions of the data.

## Results

The company’s process to becoming a PBC consisted of five phases: awareness, inquiry, legal, implementation and measurement (Kurland, 2017). In its implementation phase, leaders asked, what does being a PBC actually mean on the ground? Their response was to establish a three-pillar structure to formalize its public benefit commitment focused on professional engagement, community support and charitable giving, built on a six-year-old sustainability initiative, accompanied by an adaptive learning culture and driven by a top-down and bottom-up effort (Kurland, 2017; Kurland and Schneper, 20121).

Pillar 1 professional activities consist of the company’s revenue-producing client contracts and professional engagement activities. An example of the former would be a hydropower assessment and tsunami resilience study to aid hazard mitigation planning in American Samoa for the U.S. Army Corps of Engineers (*PM Training MAR 2016 Sustainability Updated.docx*). By comparison, professional engagement activities include presentations at professional conferences or scholarly publications. Pillar 2 activities focus on achieving the company’s goal to support the communities in which they live and serve. Relevant activities include company support (e.g. lunch, tee shirts) for mission-aligned volunteer events, science, technology, engineering, and mathematics (STEM) education and paid employee volunteerism (i.e. PVT), and which included developing a (paid and unpaid) volunteer time tracking system (Kurland, 2017). Pillar 3 focuses on charitable giving. EA chose to expand its commitment to a broader stakeholder community by committing to a single charity. With its commitment to Water For People, corporate giving transitioned from

First-order – data examples	Second-order	Aggregate themes
<ul style="list-style-type: none"> <li>• Top managers talk about the CEO swamping them with background material and hours spent to get up to speed (on what a PBC is) (Vice President, March 16, 2016)</li> <li>• Leaders develop a special PBC committee to design and implement the PBC (multiple interviews)</li> <li>• Leaders build on what employees are already doing with their sustainability efforts (Vice President, March 11, 2016)</li> </ul>	<ul style="list-style-type: none"> <li>• Professional education</li> <li>• Formal committee meetings</li> <li>• Build on current successes</li> </ul>	Leading
<ul style="list-style-type: none"> <li>• At monthly meetings, leaders share progress reports and field questions; created workgroups to focus on specific assignments; “sustainers” in each office provide opportunities to listen to employees in each regional office, as “eyes on the ground” (Senior Vice President, June 2, 2016).</li> </ul>	<ul style="list-style-type: none"> <li>• Regular opportunities for downward and upward communication</li> </ul>	Listening
<ul style="list-style-type: none"> <li>• Leaders train employees about the PBC through roadshow presentations, quarterly meetings, a talent management initiative (multiple interviews)</li> </ul>	<ul style="list-style-type: none"> <li>• Employee training</li> </ul>	Training
<ul style="list-style-type: none"> <li>• Leaders focus the company’s corporate social responsibility efforts “to give it some accountability because we’re legally obliged on all or many lines” (CEO, December 18, 2015)</li> <li>• Leaders talk about efforts to hold stakeholders accountable: on green procurement (to encourage supplier accountability to the company’s environmental commitment); on greening the company’s own operations; by integrating CSR goals into employee performance reviews (e.g., Vice President, February, 19, 2016)</li> <li>• Leaders talk about holding the company accountable by minimizing its carbon footprint, reporting publicly its sustainability efforts (using the Global Reporting Initiative process and defining “materiality”); developing quantitative metrics for benefit to share with clients (Vice President, March 11, 2016)</li> </ul>	<ul style="list-style-type: none"> <li>• Recognized legal accountability of company to charter</li> <li>• Recognized accountability to multiple stakeholders</li> </ul>	
Accounting	<ul style="list-style-type: none"> <li>• Need to legitimize the PBC decision to the marketplace</li> </ul>	Branding

**Table 2.**  
An ecosystem of support activities

(continued)

First-order – data examples	Second-order	Aggregate themes	Role of indirect support activities
they had become a not-for-profit and to differentiate themselves in the marketplace (multiple interviews).	<ul style="list-style-type: none"> <li>• “[W]e don’t want to be wasting our time with a movement that will be defunct or have minimal societal impact in the future. Hence, our interest now, as a first mover, is to encourage knowledge building . . . and promote our specific efforts to ‘spread the word’ within our industry circles (engineering/environmental consulting industry and ESOPs) so the ‘movement’ thrives in the future.” (CEO, email to author, March 17, 2016)</li> </ul>		529

**Table 2.**

a one-off process to a company-wide, annual charitable giving program, to purposefully have a greater impact through a unified, company-wide effort. (Kurland, 2017).

However, to what extent does this three-pillar structure and the ESOP manage potential tensions between commercial and social goals to ensure mission commitment? I suggest here that the firm, by creating a pallet of activities that exist within a supportive ecosystem, found a compelling operationalization of its hybrid structure to shore up mission compliance. I further determine that the company achieved this result by following six rules and three steps built on engagement and transparency.

### *A typology of activity integration*

As argued earlier, research on hybrid organizations tends to fix on a binary of differentiated or integrated activities to capture potential conflicts inherent in managing dual goals. By comparison, EA’s experience demonstrates the use of a broader range of activities to sustain its dual mission. Table 3 presents a typology of activity integration that emerged from the data. For each of social and commercial goals, I consider whether the activity provides a direct or indirect contribution to the company’s stated core mission. In addition, I identify the activity beneficiaries to provide a more comprehensive understanding of the activities’ impacts.

Pillar 1 professional activities consist of the company’s revenue-producing client contracts – integrated in the traditional sense – as well as professional engagement activities, such as presentations at professional conferences or scholarly publications. But the latter, along with Pillar 2 and 3 activities, are direct costs. Thus, they are neither integrated, because they are not revenue producers, nor are they differentiated, because they supplement the organization’s mission but are not central to its business model. Rather, I suggest that activities are integrated when they are *mission-aligned with the company’s core environmental purpose* even if they are not *direct* revenue-producers. For example, Pillar 2 activities enable engagement opportunities, which act to create a more meaningful work environment and build an employee ownership culture [6] (Kurland, 2018). Pillar 3 activities *indirectly* contribute to the company’s commercial and social objectives: charitable contributions can brand the organization as a social partner and the money benefits second

		Commercial goals	
		Direct contributions	Indirect contributions
Social goals	Direct contributions	Pillar 1: fully integrated activities (client contracts lead to heal natural environment) Beneficiaries: clients; natural environment (external); company performance (internal) Full integration: commercial activities achieved simultaneously with social goals <i>Synchronous- mutually reinforcing</i>	Pillar 2: Paid Volunteer Time, and Pillar 1 professional development; mission-aligned, costs organization, but contributes to a more meaningful work environment Beneficiaries: employees (internal); recipients of voluntary time (external) Partial integration: when directly contributes to social goals, it indirectly contributes to commercial goals by creating a more meaningful work environment which enables more productivity, and directly enhances professional expertise that can lead to enhanced commercial success <i>Commercial reinforcing</i> (the direct activity boosts realization of the other) Social helps to achieve commercial goals
	Indirect contributions	Employee ownership: employee share in corporate profitability contributes indirectly to a social objective to care for people, and directly for employees to meet organization's commercial objectives Beneficiaries: employees (internal); company performance (internal) <i>Social reinforcing</i> (direct commercial boosts the social goal)	Pillar 3: charitable contributions help improve organization's external image; contributions benefit a second party that disburses the funds to benefit a third party. Beneficiaries: recipients of charity (external); employees (internal); company expertise (internal); company image (external) Activities indirectly contribute to enhancing the organization's external image that may lead to commercial success <i>Derivative reinforcing</i>

**Table 3.**  
A typology of  
activity integration

and third-party organizations. And employee ownership, though not formally a component of the PBC three-pillar design, both:

- compensates employee-owners *directly*; and
- *indirectly* satisfies the social objective to care for the materially affected employee-stakeholder.

Said differently, fully integrated activities are synchronous; they *mutually reinforce* the organization's commercial and social goals. Partially integrated activities can either directly reinforce social goals or directly reinforce commercial goals. In these categories lie PVT and employee ownership, respectively. *Commercial reinforcing* activities directly support

commercial goals, while indirectly supporting social ones. *Social reinforcing* goals directly support social goals, while indirectly supporting commercial ones. Lastly, *derivative reinforcing* activities, such as the company's charitable contributions, indirectly reinforce both commercial and social goals. As such, this typology provides a more nuanced understanding of the complexity of an organization's mission-aligned activities.

#### *Process rules underlie the activity options*

Six rules appeared to guide top management's actions when developing these mission-aligned activities.

*Rule #1: Foster a climate of psychological safety.* Psychological safety involves people's perceptions about the ability to take interpersonal risks within a workplace (Edmondson and Lei, 2014). In the present case, respondents mentioned EA's collaborative culture, with one referencing it as fostering a "spirit of mutual criticism":

[I]t's a spirit of mutual criticism[. . .]Nobody is right by virtue of their position and [. . .] nobody is right about everything all the time. So [. . .] there was some constructive friction within the company; people could disagree with each other. [T]he unifying idea was this is a collective effort to find the right solution. (Board of Director, March 17, 2016)

This climate was necessary to allow for a free exchange of ideas without fear of reprisal.

*Rule #2: Better decisions happen through collaboration.* Throughout the process of gearing up to implement what being a PBC meant to EA required collaboration.

EA[. . .]is open and collaborative and [we want] to make sure we're listening to all sides[. . .]So, for the first 3 or 4 months, it was really trying to get a sense from each individual's perspective about what sustainability meant, what public benefit corporation meant to them, what corporate social responsibility meant, what areas we could focus in on. So, there was a lot of dialogue and communication amongst the committee. (Senior Vice President, June 2, 2016)

As such, collaboration enabled both a wider number of ideas and a broader sharing of such.

*Rule #3: Expand on what is working: We must build on what we are already doing* The third rule was the decision to build on what they were already doing well. They began to formalize their efforts around sustainability in 2008, building on what employees were already doing at that time.

If I talk about it from '08, I would call it a gradual trend [. . .] You heard the term 'hero specific'. So, you know, we have people in the company that are hero specific in that— I'll use our Albuquerque office. We had a woman out there, [who] was very passionate about operational sustainability and she made the Albuquerque office an excellent pilot for best practices and kind of office activity. Why did she do it? She just did it because she had a passion and interest in it. And it was something that we generally promoted and said, 'Hey, we'd like you to do these things and take on these extra challenges'. So, we really were kind of building off of what our employees already were interested in. (Vice President, March 11, 2016)

From these informal sustainability actions grew a formal sustainability initiative, and that then provided the base for the company's three-pillar PBC structure.

*Rule #4: All company-funded activities must be mission-aligned.* Rule four required that all company-funded activities be mission-aligned. For example, in the past, charitable donations were not a corporate-wide commitment, nor necessarily mission-aligned, "but [. . .] efforts[. . .] localized to our offices" (CEO, email to author, May 10, 2016). In the end, the company chose Water For People, a charity devoted to providing "access to reliable and safe drinking water and sanitation" [7] globally. Similarly, all PVT must be mission-aligned: employees earn paid volunteer time off for activities that are devoted to environmental responsibility.

*Rule #5: Do not offend the client or the employee.* The fifth rule was a desire to not offend clients or employees. For example, after top executives garnered board of director approval to become a PBC, they floated the idea with clients, and then shared it with employees. In particular, they sought buy-in from their private-sector clients who largely consisted of traditional “dirty” industries.

What we were concerned about was our private sector, since we work with many dirty industries, if you will. Chemical industries, the utilities, coal plants. [...] Their environmental spending is quite a bit, and it impacts them when regulations are out. We try to help them deal with those regulations in a responsible way. We were concerned about some of our industries [...] having a negative reaction [to us becoming a public benefit corporation] because of their historic stance. (CEO interview, December 18, 2015)

A second example relates to how they chose the charity. The leadership team used four criteria to select a company-wide charity: “environmental mission; absence of advocacy activities which could conflict with our clients; national or international in scope (i.e. not local or regional); and well-rated by third-party charity rating systems” (*Draft Framework For [Company’s] Specific Public Benefits*, Internal memo to Board of Directors, From PBC Committee, 2 November 2015). To choose a charity, such as the Sierra Club, might offend clients, who often found themselves across the table in a lawsuit with environmental advocacy groups. To choose a regional charity would exclude employees located in other geographic regions. And the company’s decision of Water For People in part relied on benchmarking research that revealed that many of their larger competitors supported the charity (CEO, email to author, January 30, 2016; Senior Vice President, *PBC Research Project Presentation* and *PBC Committee Follow-up Presentation* prepared for the company’s PBC Committee, July, 2015).

*Rule #6: Listen to employees.* The sixth rule required listening to employees. Top managers garnered feedback through sustainers – volunteer sustainability champions within each branch office – listening sessions, internal surveys of employee sentiment (e.g. administered by Gallup) or servant leadership (e.g. administered by academic researchers). One example of the company’s responsiveness relates to their tracking of volunteer hours. It had implemented a policy to track volunteer hours – both paid and unpaid. Following employees’ resistance – some saw the broad policy as akin to “big brother” – the company revised its policy to only track *paid* volunteer hours.

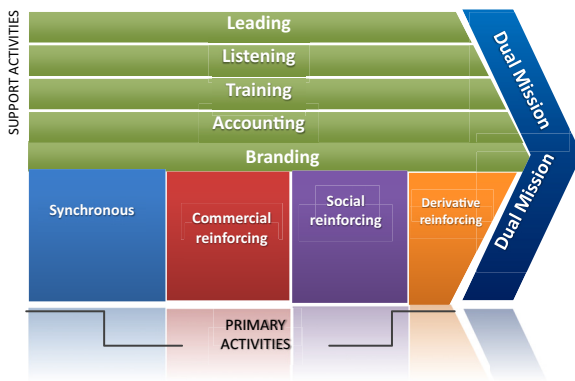
These rules reflect a respect for materially affected others, for the process and for the requirement that all activities be mission-aligned.

#### *Ecosystem of support activities*

Of particular note is that these (in)directly integrated activities do not exist in a vacuum. They live within an ecosystem of support activities that ensure their viability. To illustrate this activity ecosystem, I adapted Porter’s (1985) ubiquitous value chain visual to represent the configuration of the company’s primary activities – those that directly and indirectly contribute to the company’s mission – and support activities – those that ensure the enactment/fulfillment of the primary activities. Together, the primary and support activities form an activity ecosystem. In Figure 1(a) and (b), these primary activities make up the base of the template; the supporting activities comprise the layered rows above. Table 2 provides a summary of how I moved from first-order data examples to the aggregate conceptual categories. The data suggest that these support activities can consist of at least five types: leading, listening, training, accounting and branding [8].



(a)



(b)

Notes: (a) Activity ecosystem; (b) activity ecosystem

Figure 1. (a) Activity ecosystem; (b) activity ecosystem

*Leading* activities relate to those the leadership engaged in to educate the top management and the board about the benefit corporation, as well as activities taken to develop a formal structure to implement the PBC (i.e. its three-pillar structure), and which built on its extant sustainability efforts. *Listening* activities relate to those involved in upward communication (from employees to top management) and downward (from top management to employees) about the company’s PBC-related efforts. *Training* consists of formal communication to educate employees about the PBC through e.g. internal presentations and a talent management initiative. *Accounting* activities relate to those designed to hold the company accountable to itself for implementing PBC-related activities, and which include tying such activities to employee performance reviews, engaging employees in ongoing CSR-related working groups, and producing an annual corporate responsibility report. Lastly, *branding* activities focus on external communication to legitimize to the marketplace the company’s decision to become a PBC.

Figure 1(b) presents an generalized version of this same visual. The primary activities align with the typology cells. In particular, these consist of commercial and social synchronous activities, commercial reinforcing, social reinforcing and derivative reinforcing

activities. The support activities consist of those related to listening, collaborating, educating, listening, accounting and branding.

Moreover, this ecosystem reflects past findings for how organizations effectively manage tensions inherent in the hybrid form, including the use of hiring and socialization practices, legal mechanisms, leadership, formal structure, membership in a pro-social category and alternative ownership forms. In short, support activities bolster the company's ability to ensure that its mission-aligned activities remain mission-aligned.

### **Discussion: three steps, potential challenges and practical implications**

This study highlights the need for an intentional mission-alignment of all activities to ensure a full pallet of activities, from fully integrated to derivative-reinforcing. The purpose of this paper was to examine how activities that indirectly contribute to a firm's dual mission help them avoid drift. In doing so, it expanded understanding of *integrated* activities to recognize the role of indirect support activities and an activity ecosystem to sustain mission. Where commonly activities are *integrated* if the company earns revenues through pursuit of its social mission and *differentiated* if the company earns revenues not related to its social mission, this paper argues for a more nuanced definition of activities to recognize indirect mission support and its role in reinforcing a dual mission. Such broadening of the types of activities would also allow for more alternative ways to impact society.

This study suggests the company enacted three steps to create an ecosystem of primary and support activities that reinforce mission: stakeholder scanning, stakeholder stabilizing and stakeholder reinforcing. First, *stakeholder scanning* requires that top managers' actions are mission-aligned, including the process used to change the company's organizational form. Top management began the company's conversion to the hybrid form of an employee-owned benefit corporation by first floating the idea with the board of directors, then with clients, asking how would they react.

Second, is a process of *stakeholder stabilizing*. Here the company developed activities that emerged from current ones – an emergent rather than necessarily disrupting transition. At each step, they sought to remain within a current range, within guardrails (Smith and Besharov, 2019), refining how well employees reacted (e.g. consider their reconsideration of recording all non-PVT volunteer hours) and ensuring the activities were mission-aligned (e.g. consider their consolidation of corporate giving).

Lastly, the company engaged in a process of *stakeholder reinforcing*, activities that reinforced internal and external perceptions. Different activities manage different stakeholder perceptions: outward-facing activities include their revenue-producing environmental cleanup, PVT, charity and professional papers – all of which contribute to the organization's legitimacy with clients, professional and lay communities, as well as reinforce employees' sense of purpose (Bhattacharya *et al.*, 2008). Inward-facing activities include employee wealth-sharing through the ESOP and tying CSR to annual reviews, to reinforce employee relationships (see Table 3).

Together, these three steps highlight the role that indirectly integrated activities play to support mission-alignment.

Nevertheless, despite this enhanced understanding of how companies might use their activities to achieve dual commercial and social goals, challenges can still exist. For example, Battilana and her colleagues (Battilana and Lee, 2014; Battilana *et al.*, 2017) highlight external and internal tensions and the prospect of these resulting in goal displacement and mission drift. External tensions relate to legitimacy challenges: do the social enterprises fit institutionalized expectations that would allow them to acquire legal



(e.g. incorporation) and physical/financial resources? Internal tensions emerge when multiple identities (social and commercial) prove untenable, when they influence the firm's allocation of scarce resources, and through unquestioned routinization to reconcile conflicts over resource allocation.

In EA's case, these tensions might manifest if the company's commercial goals to grow revenues impinge on the company's stated public goals to heal the natural environment, and its practiced goals for employee engagement and transparency. The ESOP links employee welfare to the company's commercial goals; the company's primary source of revenue – client contracts – links to the company's social goal to heal the natural environment. The more revenues, the more the employee-owners benefit. The more client contracts, the more nature is healed. However, such integration is not a guarantee to forestall mission drift (Ebrahim *et al.*, 2014; also, Dees and Anderson, 2003). Integrated organizations may prioritize profits over social mission activities by:

[...] charging higher prices, offering additional products or services that are meant to generate profits rather than actually help beneficiaries, or by shifting to market segments that can afford to pay for their goods or services rather than those who most need them (Ebrahim *et al.*, 2014, p. 84) [9].

Moreover, indirectly contributing activities can easily be shelved if commercial expense outweighs social benefits (and particularly if the latter are difficult to measure, as I discuss below). The company, if faced with economic exigency, for example, could cut back on PVT, decrease employee time in work groups devoted to CSR issues – to become less engaging, and move from an annual sustainability report to a biennial one – to become less transparent. As the CEO observed, to ensure their survival, these activities need to be viewed as investments and part of everyday business:

Like other 'benefits' if you will, the social and environmental costs of achieving our goals in those areas are not viewed as 'costs' so much as 'investments.' And we deal with intangible investments all the time, so the social and environmental aspects are no different, just part of everyday business these days. (CEO email to author, December 13, 2021)

Elsewhere, Dees and Anderson (2003; also, Battilana and Lee, 2014) emphasize the difficulty of measuring social benefits. Measuring social benefits is especially challenging when the activities are differentiated. In the present case, when activities are integrated, as with EA's Pillar 1 activities (see Table 3), the company can measure commercial benefit through client-generated revenues and ESOP growth. When activities are differentiated, by comparison, how does one measure, for example, caring for people? To address this challenge, the company measures employee morale, for example, through turnover rates and an annual Gallup survey of employee engagement. But equating morale to engagement may be an imprecise measure of being cared for. (See Bailey *et al.* (2015), who conclude that engagement can be defined as a psychological state, a composite attitudinal and behavioral construct or as an employee relations practice.)

Another question raised by the current study relates to its reliance on charitable giving and PVT. First, as highlighted in Table 3, both charitable giving and PVT are direct costs and thus can detract from commercial benefits. However, interpreted differently, such commitments directly increase employee morale and thus act as socially reinforcing activities (Author, 2018; Bhattacharya *et al.*, 2008). Second, while charity can provide psychological or spiritual benefits to the benefactor, it may inadvertently disempower beneficiaries (Dees, 2012). As Dees comments (2012, 327), "[Charity] has inherently perverse incentives of keeping the problem it addresses alive so that future generations can continue to exercise this virtue [of giving]." Future research can examine the nature by which the charitable activities benefit their intended beneficiaries.

This research also points to practical implications. Companies will want to develop a broad array of mission-aligned activities, and to note how each activity directly and/or indirectly contributes to the firm’s dual mission. Such systematic analysis of the portfolio of activities will provide a more intentional approach to remain mission-aligned. Such intentionality will reinforce mission. Moreover, companies can be explicit about the ecosystem within which the activities live: are they provided the necessary support through leading, listening, training, accounting and branding practices? Lastly, the process followed to initiate such change should be one based in engagement and transparency to ensure the best interests of those materially affected. I summarize these implications in [Table 4](#).

Future quantitative research is warranted to further investigate the contributions these activities make to mission alignment.

**Conclusion and limitations**

Research on mission drift largely restricts focus to discussions about the impact of integrated vs differentiated activities on mission drift ([Ebrahim et al., 2014](#)) and that mission drift may not be bad and precedes identity development ([Grimes et al., 2019](#)). But little research moves beyond this integrated/differentiated dichotomy to provide a more complex understanding of how companies’ activities work to maintain a focus on mission. Hence, the present study calls for scholars to move beyond the binary of *differentiated* and *integrated* to recognize that activities can indirectly benefit the organization’s social mission, and that these activities reside in a larger ecosystem that reinforces the organization’s dual mission. Through such mission alignment, primary and support activities specify how organizational members should act ([Grimes et al., 2019](#)).

Nevertheless, the present study is subject to the common limitations of qualitative research, such as the inability to generalize to large populations and the researchers’ biases ([Queirós et al., 2017](#)). It is also important to note that the CEO recommended all the materials I saw and people I interviewed. Also, this study examined the company’s array of activities and less so the degree to which these activities allow the company to accomplish “management for the good of all stakeholders” ([Alexander, 2017](#), introduction). However, preliminary evidence suggests a positive impact: the CEO has announced improved scores with its annual employee Gallup poll; the company has achieved more stringent awards for its sustainability efforts from the well-regarded third-party assessor, EcoVadis; its employee

In general	Types of support activities	Process rules for developing your activity ecosystem
Develop a broad array of mission-aligned activities Define how each activity directly or indirectly contributes to the firm’s dual mission Be intentional	Leading Listening Training Accounting Branding	(1) Foster a climate of psychological safety (2) Better decisions happen through collaboration (3) Expand on what is already working (4) All company-funded activities must be mission-aligned (5) Do not offend the client or the employee (6) Listen to employees

**Table 4.** Activity development guidance practitioners may consider

turnover is well below the industry average since 2015–2016; its safety incidents are about half the industry average; and revenue growth remains strong (CEO presentation, “Leading an Organization’s Major Governance Change,” University at Buffalo School of Management, December 7, 2021, <https://www.youtube.com/watch?v=KZdOSOeN8GA>). Overall, the present study pushes consideration of the usefulness of activity integration beyond direct revenue production to recognize the indirect contributions of activities to mission alignment and that these activities are housed within a larger ecosystem.

## Notes

1. I use the term “social” mission broadly to also encompass environmental missions.
2. Retrieved from <https://benefitcorp.net/policymakers/state-by-state-status> on December 14, 2021.
3. CEO slide presentation to the National Center for Employee Ownership Conference, “Is Benefit Corporation Adoption Right For My Company,” 2017, 10.13140/RG.2.2.25016.55048
4. Retrieved May 5, 2016, from [www.sec.gov/Archives/edgar/data/802492/000095010901503564/0000950109-01-503564.txt](http://www.sec.gov/Archives/edgar/data/802492/000095010901503564/0000950109-01-503564.txt)
5. See [www.nceo.org/articles/esops-by-the-numbers](http://www.nceo.org/articles/esops-by-the-numbers) (retrieved August 13, 2017). The National Center for Employee Organizations classifies plans with 100 or more total employee participants as large.
6. One challenge of an ESOP is developing an employee ownership culture (Thompson *et al.*, 2013).
7. Retrieved from [www.waterforpeople.org/about/#mission](http://www.waterforpeople.org/about/#mission) on May 11, 2016.
8. Battilana *et al.* (2020, p. 20) point to the role of governance in hybridizing processes. They define governance arrangements as “[playing] a critical role when it comes to shaping the experience of tradeoffs by organizational members because, by assigning value to specific goals and means, they can help lessen internal tensions that are unsettled within the broader environment.” In the present study, the identified five types can arguably be considered aspects of governance.
9. The PBC and ESOP models might also conflict and/or reinforce each other. For this discussion, see Kurland, 2018.

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