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**INVESTIGATING HYBRIDITY IN ORGANIZATIONS: A CONCEPTUAL
FRAMEWORK, A MEASUREMENT SCALE, AND EFFECTS OF PRO-SOCIAL
CLAIMS**

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Abstract

This dissertation presents an investigation of the hybrid condition characterizing organizations combining social and economic objectives. Drawing on extant research efforts explaining how such organizations should cope with conflicting aims, the objective of this work is to capture the heterogeneous features of hybridity through three papers with the respective outputs: i) a conceptual framework justifying how hybridity in organizations emerges and externally manifests; ii) a measurement scale of the hybrid condition; iii) an analysis of the consequences of externally manifesting pro-social claims. This study proposes to expand the interpretation of the hybrid condition in current research streams, stimulating novel avenues of investigation that consider different facets of hybridity.

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Chapter 1.

Overview of the dissertation

Introduction

Over the last decades, we have observed an extraordinary proliferation of organizations that operate at the crossing of social and commercial sectors. The augmented impact of media, communication, and novel generations' interests increased the awareness of several societal and environmental issues that over time traditional organizational forms failed to overcome (Ferraro, Etzion, and Gehman 2015). Public sector, private charities and non-governmental organizations (NGOs) were simply not enough to solve the rapid increase of societal issues around the world. For these reasons, in a process of balancing innovation trajectories and institutional pressures to conform (Lee 2014), traditional for-profit organizations were strongly asked to make their contributions to generate social impact alongside their business propositions (Drucker 1984).

As such organizations contributed with different typologies of projects, strategies, and business models, management scholars took several perspectives to investigate the phenomenon of businesses that intersect with social issues.

First, researchers investigated the social commitment of for-profit organizations from a strategy perspective: some of them propose that for-profit organizations adopt Corporate Social Responsibility (CSR) principles to drive business operations (Tencati, Perrini, and Pogutz 2004; Russo and Perrini 2010; Carroll and Shabana 2014), such as codes of conduct, compliance mechanisms, and stakeholders- and employees-oriented ethical practices. Conversely, other for-profit organizations focus on the market implications of introducing social objectives, making pro-social moves to obtain external rewards through the adoption of certifications and statuses (Gehman and Grimes 2017), dedicated legal frameworks for potential subsidies and public support (Defourny and Borzaga 2001; Defourny and Nyssens 2017), or non-financial reporting disclosures (Nicholls 2009; Vurro and Perrini 2011; Perez-Batres et al. 2012).

Second, literature addressed the characteristics and constituents of for-profit organizations having social objectives, investigating the foundations of social-oriented initiatives from an

entrepreneurial standpoint (Mair and Martí 2004; Seelos and Mair 2005; Mair and Noboa 2006; Peredo and McLean 2006; Dees 2007; R. Hahn and Ince 2016) or the mechanisms through which established commercial firms may integrate social objectives in their business proposition over time (Prahalad and Hart 1999; McMullen and Warnick 2016).

After several years of research, management scholars treated these perspectives mostly in separated streams: what emerge from the interpretation of the literature is that for-profit organizations differently conceive, balance and enact social objectives alongside the financial objectives, but only few scholars attempted to provide a holistic interpretation of such differences, with only partial contributions (Battilana et al. 2015; Cornelius et al. 2008; Katz and Page 2012; Saatci and Urper 2013). For these reasons, building on extant literature of hybridity in organizations – the combination of social and economic objectives in the same entity (Battilana and Lee 2014) – we find room to develop a collection of distinct papers whose aim is explaining the heterogeneity of for-profit organizations that aim at achieving social objectives – hybrid organizations.

The first one, provides a conceptual taxonomy in which reflecting the various facets of for-profit organizations that are committed to social objectives, trying to justify how a hybrid condition differently conceives in organizations. The second one, assesses hybridity in organizations through a measurement scale, capturing the pillars through which hybridity may differently take form and balance. The third one considers the enactment of hybridity, evaluating whether and how it pays off for organizations to externally manifest their social commitment as a way of gain legitimacy in the traditional market.

Our positioning

The tendency to introduce social objectives alongside a commercial activity in organizations has been explained by researchers in organization theory and management with the concept of

hybridity. Scholars refer to hybrid organizations as those organizations that recombine resources and organizational patterns from existing but conflicting socially construed organizational paradigms (Doherty, Haugh, and Lyon 2014). In our specific framework, hybrid organizations combine traditionally separated *profit* and *non-profit* organizations' paradigms in a single entity.

Accordingly, hybrid organizations face the criticalities of mediating competing stakeholders' demands in a single entity (Smith, Gonin, and Besharov 2013; Jay 2013; T. Hahn et al. 2018). Management scholars advanced several perspectives mostly on how hybrid organizations should internally manage competing demands of social impact and business profits (Battilana and Dorado 2010; Pache and Santos 2013; Battilana and Lee 2014; Mongelli et al. 2017). However, since organizations define social objectives differently, and shape them according to their business proposition, current literature requires to deepen the fact that hybridity in organizations is no one-size-fits-all (R. Hahn and Ince 2016). First, social objectives can be more or less substantially integrated with the commercial objectives of the organizations (Mongelli et al. 2017), either emerging at the inception of the firm or later in established firms (McMullen and Warnick 2016). Second, a mechanism defining and assessing the various facets of hybridity in organizations is still missing. Third, as the hybrid condition poses doubts to the organizations' identity in the eyes of the stakeholders, certain hybrids enact hybridity by seeking legitimation through pro-social claims, but literature overlooked the consequences of externally manifesting social commitment for commercial organizations.

Accordingly, literature in management still lacks to integrate the heterogeneity issues in current studies of hybrid organizations, missing to justify the differences occurring in how for-profit organizations conceive, balance and enact their hybrid condition. This dissertation presents three papers. The first paper – Chapter 2 of the dissertation – provides a comprehensive conceptual scheme capturing how hybridity differently takes form in organizations. The second paper – Chapter 4 of the

dissertation – develops a scale for measuring hybridity in for-profit organizations. The third paper – Chapter 5 of the dissertation– investigates the consequences of seeking legitimacy by externally manifesting the social commitment.

Research Design and context of application

The Chapter 3 of the dissertation provides details on the research setting for the empirical analysis conducted in the papers at Chapters 4 and 5. The empirical analysis involved in this dissertation exploit the context of the Italian B Corp movement, gathering data from primary and secondary sources. Despite it does not cover the entire population of socially committed organizations, the B Corp movement is an international movement grouping organizations deciding to voluntarily receive public validation for their social commitment, claiming the use of business as a force for good. It considers a unique setting of hybrid organizations that, depending on the B Impact Assessment (BIA) score ranging between 80 and 200 points, evidence respectively lower and higher levels of social commitment alongside a commercial activity. Moreover, this context allows to capture hybrid organizations either born as part of the B Corp movement or deciding to join it over time, evidencing different dynamics of the hybrid condition. Despite its rapid growth worldwide, the B Corp movement is a relatively new context in Italy – the first B Corp certification issued in Italy dates February 2013 – yet neither fully acknowledged by the general audience, nor institutionalized. For these reasons, considering also the limited quantitative contributions on context specific settings in extant management studies of hybrid organizations, the B Corp movement seems an interesting setting in which empirically investigating i) the different shades of the hybrid condition, ii) the affiliation to not institutionalized pro-social frameworks, iii) and context-specific idiosyncrasies. The B Corp movement is not a new research setting for studies of hybridity in organizations. Stubbs (2017) evidenced how the B Corp model suits studies that aim at understanding how organizations integrate

conflicting institutional logics in a single entity, while others adopted the B Corp movement to investigate whether hybrid models actually help addressing societal grand challenges (Tabares 2020).

To collect primary information, we develop a survey targeting Italian certified B Corporations and Benefit Corporations, respectively in collaboration with Nativa, the Italian network for certified B Corporations, and Assobenefit, the association that gathers and promotes the development of Benefit Corporations business models. The survey collects detailed information on the motivations for which organizations decide to generate social impact, the internal organizational processes, and the interpretation of their theory of change, the logic model expressing how and why social impact is expected to occur through the organizations' operations (Ebrahim and Rangan 2010; Maas and Liket 2011; Ebrahim and Rangan 2014), aiming at defining an input-processes-output interpretation of the hybrid condition.

Between November 2019 and June 2020, we collected 101 valid responses from 305 organizations in our short-list. To our knowledge, this is the first partnership between the context of the Italian B Corp movement and academia.

To collect secondary data, from Bureau Van Dijk's AIDA, we extracted information between 2009 and 2018, identifying relevant information for our analysis from a final list of 186 hybrid organizations, among which 156 are part of the B Corp movement and 30 not. We created a longitudinal dataset that collects yearly financial and contextual data. We evidenced that our longitudinal data are among the few collected in the context of B Corp movement (Parker et al. 2017).

Research Outputs

This dissertation consists in three main outputs. The first output consists in a conceptual paper that attempts to explain and justify the various facets of hybridity in organizations, at Chapter 2. The paper articulates multiple types of organizations along two dimensions of hybridization in order to justify how the sensemaking of social impact leads to different patterns of hybridity. The first dimension,

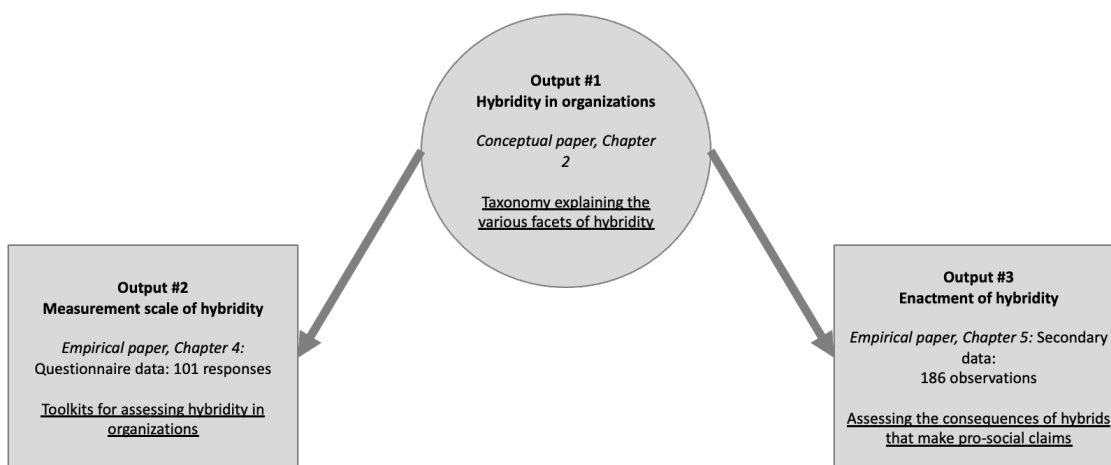
the *starting point* of the hybrid condition, identifies the circumstances to which commercial organizations introduce social aims – social entrepreneurial venture born with a social mission vs formerly established for-profit organization that introduced social objectives in their business models over time. The second dimension, the *trajectories*, identifies the types of pro-social claims organizations adopt as an attempt to gain legitimation for their hybrid condition – substantive vs symbolic legitimacy (Ashforth and Gibbs 1990). The paper provides a matrix identifying four macro-types of hybrid conditions in organizations. Thus, the paper formulates a conceptual advancement to justify the heterogeneity of hybridity in organizations. The work received a friendly review from Prof. Alberto Di Minin (Full Professor – Scuola Superiore Sant’Anna), for which an updated version has been prepared and targeted for the California Management Review (CMR), available for consultation upon request.

The second output consists in an empirical paper that is based on an exploratory study that aims at measuring the hybrid condition in organizations, at Chapter 4. Using 101 responses gathered from the survey sent to the Italian B Corp movement, we adopted factor and cluster analysis approaches to respectively evidence that a pool of 22 input items define a 4 correlated factors structure, named i) *Pragmatic social objectives*, ii) *Market-oriented motivations*, iii) *Social culturization of internal competences*, and iv) *External pressure*, and 2 clusters of hybrid organizations that present opposite characteristics along the previously identified factors: the *Commercial-oriented* cluster – which scores high on *Pragmatic social objectives* and *Market-oriented motivations*, and low on *Social culturization of internal competences* and *external pressure* – and the *Identity-oriented* cluster – which presents opposite factor scores’ signs. The paper received a friendly review from Prof. Joel Gehman (Full Professor – University of Alberta).

The third output identifies a second empirical paper investigating the consequences of enacting the hybrid condition, assessing whether externally validating and manifesting social

commitment pays off for hybrid organizations, at Chapter 5. To do so, using a sample of 186 among organizations making pro-social claims associated to the B Corp movement and other hybrid organizations that do not, we test the effect of making pro-social claims on the financial performances of firms. As the B Corp movement is not yet generally established and still an early stage third-party audit, our study allows to investigate the effects of pro-social claims in condition of not institutionalized intermediary, with augmented information asymmetry and uncertainty (Doh et al. 2010). The results of our analysis suggest a negative relationship between the introduction of pro-social claims and the revenues. However, this relationship is influenced by specific contingencies that turns the negative effects of pro-social claims into positive – the substantiality of the social commitment to the intermediary and the high level of concreteness of the business output. The paper received a friendly review from Prof. Garima Sharma (Assistant Professor – Georgia State University), and an updated version has been discussed at the Strategy, Entrepreneurship and Innovation (SEI) Doctoral Consortium (November 6th, 2020), and at the Sustainability Salon of B Corps (April 8th, 2021). The target of the updated version is the Journal of Business Venturing (JBV), available for consultation upon request.

Figure 1. Representation of the outputs of the dissertation



Intended contributions

The dissertation provides a new interpretation to the phenomenon of for-profit organizations introducing social objectives, theoretically and empirically contributing to the field of hybrid organizations with an enlarged perspective with respect to extant literature.

First, current literature on hybrid organization is mostly taking a static perspective that investigates the managerial actions to overcome competing internal demands. In this dissertation, we take the lens of hybridity in organizations as existing on a continuum: embracing the suggestions of Hahn and Ince (2016), we provide explanation to multiple facets of a hybrid condition to give an evolutionary and dynamic representation of how hybridity conceives in organizations.

Second, as we provided a measure assessing hybridity in organizations, we attempted to connect previously separated research streams on hybrid organizations, offering a holistic interpretation of the factors measuring the various facets of the hybrid condition in organizations. Through such measurement in our sample, we evidenced that hybrid organizations may be characterized by opposed interpretation of the hybrid identity, providing future research scholars a replicable toolkit also outside the specific context of the B Corp movement.

Third, we evidenced that the complexity of the hybrid condition should warn organizations against making pro-social claims to the external audience, in particular when claims are reflected in a not-institutionalized audit framework. These results are in line with some of the recent studies that highlight the theoretical conceptualizations of strategic silence and “greenhush” (Carlos and Lewis 2018). In addition, by introducing the crucial role of institutional intermediaries for the external validation of the social commitment in hybrids, we also responded to recent scholars’ demands for possible explanations to the negative effects of B Corp certifications on firms’ growth (Parker et al. 2017). Thus, we stretched this conceptualization by evidencing how certain hybrid types may be

better off than others at enacting their condition. First, we introduced the concept of output concreteness as a feature that improves the cognitive interpretation of social impact, reversing the negative effects on revenues of associating pro-social claims to not-institutionalized intermediaries. Secondly, the more pro-social claims are supported by strong social commitment, the greater the effects on the revenues, meaning that legitimacy actions should be substantial when associated to a system of validation that is not widely spread and accepted.

Structure of the dissertation

The dissertation considers six chapters, of which Chapter 2, 4, and 5 reflect the three main papers extracted. Besides this first introductory chapter, the second identifies a paper representing the conceptual framework capturing heterogeneity of hybrid organizations. The third chapter introduces the research design adopted for the empirical analysis of the fourth and the fifth chapters. The fourth chapter consists of the paper of the exploratory study measuring hybridity in organizations. The fifth chapter consists of the paper assessing the effects of pro-social claims on the financial performance of the firm. The sixth, final chapter, reports the conclusions of the dissertation.

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Chapter 2.

Paper: Investigating heterogeneity in hybrid organizations: a conceptual framework

Abstract

Nowadays, we are facing organizations' attitude to increasingly assume a hybrid identity, a condition for which conflicting constructs (e.g. social and commercial) co-exist in the same entity. Literature mostly covers how commercial and social logics should be internally managed to make complex institutions such as hybrid organizations better off. However, as conflicting logics occur in multiple ways and result in multiple forms of hybrid organizations, only recently researchers drawn into the importance of investigating the various forms in which hybrid organizations decline. Despite identifying different levels of conflicting logics' balances and heterogeneous organizational behaviors, literature misses to justify such heterogeneity.

For these reasons, the purpose of this work is to theorize on the heterogeneity of hybrid organizational forms, trying to explain how hybrid organizations differ and conceive. To do so, we identify two dimensions of hybridization – the *starting point* and *trajectories* of hybridity –that respectively reflect when social objectives are integrated in commercial businesses, and what typologies of pro-social claims are adopted to legitimate a hybrid condition. With this taxonomy, we identify four types of hybrid organizations that help us justify how the sensemaking of social logics may give raise to different manifestation of the hybrid condition.

This work proposes a conceptual advancement to the literature on hybrid organizations, providing an interpretation of hybridity in for-profit organizations that considers how it can be differently structured.

1. Introduction

Traditionally, commercial for-profit firms, non-profit charities, and state-owned enterprises comprised distinct forms associated with the private and public sectors, identifying precise institutionally recognized organizational boundaries. Nowadays, and over the last decades, such boundaries between these types of organizations became increasingly blurred (Battilana et al. 2012; Billis 2010; Weisbrod 1998), giving rise to hybrid organizations in which economic and social logics previously distinct are now blended in a single entity.

Being hybrid organizations a locus of disorder and creativity (Battilana and Lee 2014b), literature focused on those managerial approaches helping hybrids dealing with conflicting logics and making the organization able to negotiate external demands with internal constituencies. Researchers identified several contexts in which social and economic logics coexist in organizations, but only recently, researchers understood the importance of going in-depth and capturing potential heterogeneous facets of hybridity (F. Santos, Pache, and Birkholz 2015).

As scholars recognize that social objectives alongside a business activity may be more or less relevant (Hawn and Ioannou 2016), multiple forms of hybrid organizations may emerge (Battilana and Lee 2014b; Doherty, Haugh, and Lyon 2014). The nitty-gritty of this issue is that we know hybridity exists in different organizational forms (F. Santos, Pache, and Birkholz 2015), but we do not know the reasoning under which they can be considered different. As a matter of fact, business propositions with social objectives spread across new ventures and established corporations, which are visible through mechanisms that aim at legitimating a different trajectory from the institutionalized paradigms. For example, certified B Corps, and Work Integration Social Enterprises (WISE), are types of organizational forms that differently introduce and legitimate social objectives out of their respective businesses. In the financial sphere, several investment funds claim Environmental, Social and Governance (ESG) strategies or *Impact Investing* strategies, to legitimize how they are screening potentially profitable investment opportunities.

Accordingly, what characterizes their differences?

Since literature misses an overarching explanation, we theorize about the heterogeneity of hybrid organizational forms. We delineate this heterogeneity in terms of the circumstances through which hybridity emerges, and in terms of the ways organizations legitimate their hybrid conditions. To do so, we define two critical dimensions that delineate this heterogeneity in hybrid organizations: *starting point* – identifying whether organization are being born with social objectives or adopt them when they are established – and *trajectories* – identifying how hybrid organizations seek for legitimation through different typologies of pro-social claims (e.g. certifications, dedicated legal statuses), which are the first actions that the organizations make to validate their social commitment. We identify how literature treats the introduction of social objectives from an organizational point of view, and how pro-social claims served as a tool to interpret legitimacy actions in extant research. We then construct these dimensions into an integrative framework that defines four ideal types of hybrid organizational forms that help disentangling the heterogeneity of the hybrid condition.

By expanding insights into the heterogeneity of hybrid organizational forms, our framework responds to extant literature demands for categorizing hybrid settings, tackling such overlooked heterogeneity from a conceptual standpoint (Gamble, Parker, and Moroz 2019). This research provides explanations on how hybrid organizations are different, making two main contributions. First, the categorization in four different perspectives of hybrid organizations declines previous research framework on logics multiplicity in a precise context of competing social and commercial logics (Besharov and Smith 2014), offering future research to deepen the alignment between social objectives and actions to legitimate them. Extant research still misses to investigate to what extent certain legitimacy-seeking actions such as pro-social claims add value to the organization's commercial logic. Second, this work offers researchers a framework on how to interpret the evolving phenomenon of hybrid organizations, reorienting research away from a static investigation of

hybridity in organizations' studies by stimulating research on how hybridity emerges at different times and with different actions.

The following paragraphs are structured as follows. First, we introduce current literature on hybrid organizations, presenting how extant research treated the emergence of hybrid businesses and the actions organizations make to legitimate hybrid conditions. Second, we introduce the dimensions of our conceptual framework that justify heterogeneity in hybrid organizational forms. Fourth, we delineate the reasoning along which the dimensions have been considered. Fifth, we explain the types of hybrid organizational forms. Sixth, discussions and final remarks.

2. Hybridity in organizations: extant literature advancements and gaps

Extant research considered hybrid entities as the combination of two or more socially construed elements: in particular, a stream of literature in organizational behavior framed hybrids in the perspective of categories and archetypes (Battilana, Besharov, and Mitzinneck 2017).

Researchers in the field define organizations as a social category with specific features characterizing the identity in the eyes of the social context (Ruef 2000). Thus, categories describe what an organization is, and what an organization should do, in line with the expectation of the audience. In this perspective, hybrids are organizations that are the result of the association of multiple social categories of organizational forms (Ruef and Patterson 2009): hybrids violate this traditional categorization by mixing features of different socially construed categories in one single entity (Hsu, Hannan, and Koçak 2009), incurring in the risk of social sanction and lack of legitimacy from the external audience. Nevertheless, if such novel combination of feature gains legitimacy from the audience, hybrid can become a new organizational form in its own right (Battilana, Besharov, and Mitzinneck 2017).

Another stream of research considered hybrids as the combination of two or more archetypal configurations that coherently reflect values of precise institutional contexts. Unlike categories,

archetype defines a more institutionalized perspective of organizations, in which the configuration of different features in an organization are institutionalized and treated as social facts. Accordingly, researchers studying hybrids with an archetype perspective identify them as unique organizational forms arising at the boundaries of different institutional contexts: for example, social enterprises are hybrid organizational forms that blend profit and non-profit archetypes (Greenwood and Hinings 1988). Interestingly, the examination of theoretical constructs of archetypes and categories finds common ground in how literature investigated the concept of organizational form.

As organizational forms are archetypal designs of structures and practices that are considered adequate within an institutional context (Greenwood and Suddaby 2006), they can be distinguished through specific features and characteristics that remind to socially accepted categories (Romanelli 1991). Interest in organizational forms has focused on identifying the boundaries between different forms (Brandsen and Karré 2011; Romanelli 1991), and on investigating the mechanisms through which novel organizational forms emerge (Ruef 2000).

However, when novel organizational forms combine previously institutionalized forms, the acceptance and the pertinence within the social context should not be taken for granted, especially when such forms traditionally achieve conflicting objectives.

Doherty et al. (2014) defined hybrid organizational forms as structures and practices that allow the coexistence of values and artefacts from two or more categories. In hybrids mixing social and economic categories, the coexistence depends on the negotiation of competing external demands and internal priorities (Jay 2013). Literature in hybrid organizations often refers to the paradox theory when explaining the risks of addressing demands of social-oriented stakeholders generates on the demands of finance-oriented stakeholders (Hahn et al. 2018).

This paradoxical condition gives raise to various organizational strategies for which the organization acts to continuously address divergent demands (Jay 2013), seeking for legitimation from stakeholders: the management of divergent demands and the techniques to gain legitimacy are not one-size-fits-all, so that various hybrid forms emerge accordingly.

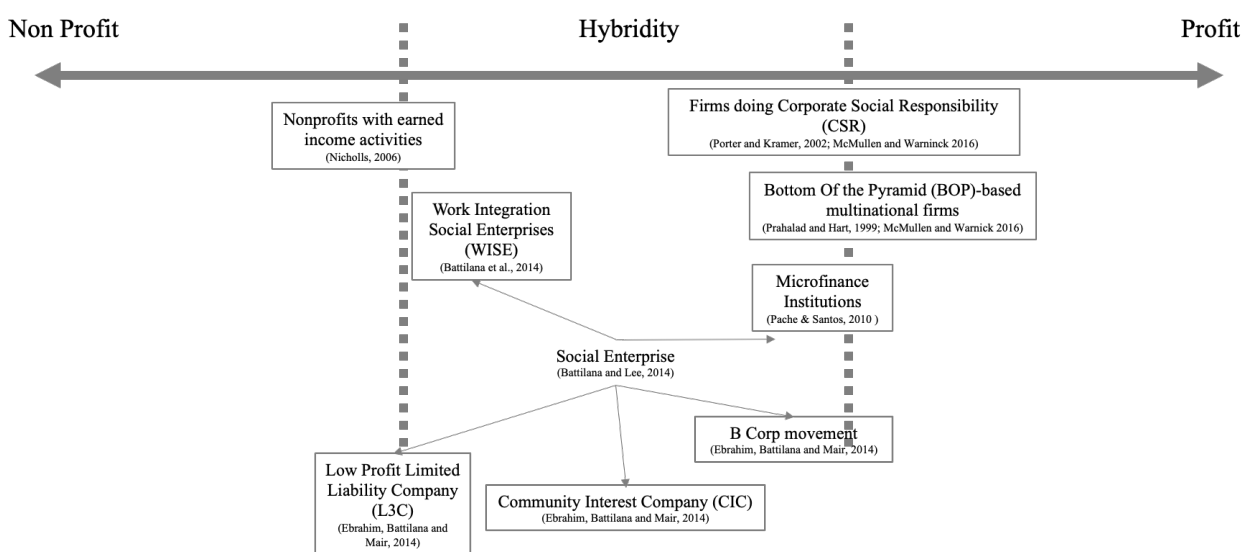
Among this variation of hybrid organizational forms (Battilana and Dorado 2010; Pache and Santos 2013; Battilana et al. 2015), literature emphasized the study of social enterprises to better understand how hybrids, in general, should address competing internal demands and navigate the paradox (Battilana and Dorado 2010; Pache and Santos 2013; Battilana and Lee 2014a; Battilana et al. 2015; Battilana, Besharov, and Mitzinneck 2017; Mongelli et al. 2017). Social enterprises are hybrid organizational forms that combine profit and non-profit archetypes and business and charity macro-categories across various types of facets: as intended from Battilana and Lee (2014), such facets reflect the specific settings of Work Integration Social Enterprises (WISE), Cooperatives, Benefit Corporations, and L3Cs. These forms are interpreted as social enterprises but they respectively follow different paradigms to gain legitimacy from stakeholders, being those market- or legal- driven (Ebrahim, Battilana, and Mair 2014).

However, other organizational forms should deal between social and economic logics, but have been poorly investigated by the literature in hybrid organizations. These organizational forms are for-profit organizations engaging corporate social responsibility (CSR), corporate philanthropy or corporate volunteering projects (Bocquet et al. 2019; Garriga and Melé 2004; McWilliams, Siegel, and Wright. 2006), in which their hybrid condition is characterized by economic results more central and social objectives less important, than in social enterprises (McMullen and Warnick 2016). As scholars studying CSR considered the social responsibility as a corporate strategy more than an organizational logic, it is still unknown how these organizations navigate business objectives while generating social impact. Interestingly, as studies of CSR often involve established commercial firms deciding to make social contributions, this scenario meet recent scholars' attempts to broaden the view of hybridity (F. Santos, Pache, and Birkholz 2015), investigating it as an evolutionary condition occurring also over time in organizations. For these reasons, the enlarged conceptual basin of hybridity may not only be seen from a social entrepreneurship standpoint (Mair and Martí 2004; Seelos and Mair 2005; Mair and Noboa 2006), but also from a process of organizational change (Tsoukas and Chia 2002; McMullen and Warnick 2016) in which organizations innovate and evolve

by increasingly emphasizing a social logic besides a commercial nature. Quite surprisingly, literature in management outdistanced social entrepreneurship from CSR, in which the former focused on organizations born with the intention of tackling social issues through profitable entrepreneurial activities (Short 2007; Dacin, Dacin, and Tracey 2011), while the latter observed established organizations changing their purely narrow commercial vision, towards the achievement of social and environmental impact (McMullen and Warnick 2016). However, these two approaches present an organizational structure in which social and economic logics coexist across a different balance of the social component over the economic component. In few words, they are both referring to hybrid organizations.

Accordingly, we seize the opportunity to gather these streams of literature under the perspective of hybrid organizations, delineating the heterogeneity in terms of the conditions through which hybridity emerges, and in terms of the ways organizations seek legitimacy for their social commitment.

Figure 1. A taxonomy of hybridity in organizations



2.1 The sensemaking of the social logic for the emergence of hybridity

Extant literature investigated what regulates the emergence of hybridity in organizations (Mcmullen and Warnick 2016). Scholars mostly focused on the emergence of economic, and social goals separately (Hechavarría et al. 2017), such as entrepreneurs' individual motivations for monetary gains, growth, and autonomy (Gatewood 1993; Shaver et al. 2001), and the changing contextual dynamics to activate pro-social values for social ventures (Agafonow 2014; F. M. Santos 2012). Considering the peculiarities and the heterogeneity of hybrid organizations (Williams and Nadin 2011), the process through which social and economic logic occur may be different among hybrids (Gorgievski, Ascalon, and Stephan 2011).

Such differences exist because organizations have different approaches to sensemaking of social logic alongside the business activities (Weick, Sutcliffe, and Obstfeld 2005). Sensemaking has been defined as *a task that both precedes decision making and follows it, providing "clear questions and clear answers"* (Weick and Roberts 1993) that lead to decision making (Maitlis 2005). Accordingly, following a behavioral perspective, organizational leaders comprehend social problems in different forms of relevance, urgency, prevalence, accessibility and radicalness, a condition that activates a mechanism of opportunity recognition more or less determined by individual or contextual forces (Zahra, Wright, and Abdelgawad 2014). Thus, sensemaking is a social construction through which individuals attempt to understand the environment and act according with their singular interpretation of it (Becker et al. 2012).

For entrepreneurs, sensemaking is a process that explains how they build their organizational identity (Pratt 2000), maintaining it over time (Gephart 1993). Following this reasoning, social entrepreneurial initiatives should be triggered by individual regulations for which the entrepreneurs' self-efficacy lead to enact a hybrid organization. Similarly, for top managers of consolidated

corporations, the process of sensemaking often involves contextual scanning and the environmental interpretations, which are activities that influence organizational actions and potential strategic change (Gioia and Thomas 1996; Thomas, Clark, and Gioia 1993). Accordingly, an established commercial organization may introduce a social dimension as a response to an external social pressure.

However, once certain forces move the for-profit businesses towards the sensemaking of social logics, the relationship with the stakeholders become increasingly complex (Weick and Roberts 1993). As hybrid organizations deal with conflicting stakeholder demands, accounting for the accomplishments of several competing interests, the sensemaking of social logic in a for-profit business may activate different approaches to legitimate their social effort, which leads to different typologies of hybrid organizational forms.

2.2 Seeking legitimacy for the hybrid condition

The paradoxical condition in which conflicting but yet interconnected logics live simultaneously and remain over time (Smith and Lewis 2011) leads to dilemmas that sometimes paralyze organizations' advancement, and, eventually, cause its demise (Jay 2013; Besharov and Smith 2014). One of the reasons for this paradoxical situation is the lack of standardized processes to assess the social impact generated through a business activity. As quantifying the economic part of a hybrid organization is easy and straightforward, quantifying the social part is crucial but is often subjectively interpreted and hardly feasible, a condition that prevents stakeholders to effectively capture the social value generated and increases the risk of misinterpretation and greenwashing (Maas 2009; Maas and Liket 2011; Hinkin, Tracey, and Enz 1997; Costa and Pesci 2016; Mura et al. 2018). Because social impact cannot be measured through a uniform process, firms attempt to make specific actions in order to legitimate their hybrid condition. Legitimacy is defined as the social inclusion in the system of beliefs, norms, and values (Navis and Glynn 2010). Legitimation and social acceptance

are necessary conditions for the organizations' survival and sustainability in the economic system because they increase the flow of vital resource (Kraatz and Block 2008), which are particularly relevant for institutionally complex organizations such as hybrids (Battilana and Lee 2014b).

Accordingly, hybrid organizations operationalize legitimacy actions through pro-social claims. Pro-social claims serve as a mechanism for which firms seek for legitimation of their hybrid condition, and help stakeholders recognize the characteristics of the social objectives of their business, which allow to distinguish various types of hybrid organizations. The concept of pro-social claims has been adopted in literature of hybrid organizations, and mainly reflects the trajectory for which organizations decide to enforce their social objectives (Chan, Watson, and Woodliff 2014). We interpret pro-social claims as the decisions of hybrid organizations to publicly validate their social commitment. More specifically, they help explain the meaning of the social component of each hybrid organizational form, and can be associated to legal forms, certifications, and various social-based processes of information disclosure. Pro-social claims support the identification of the hybrid identity of the organization, highlighting the trajectory taken to externally manifest the social commitment while accomplishing economic results, being it a strategy to navigate their paradoxical condition.

Accordingly, the pro-social claims are the results of the organizational sensemaking of the social logic, which evidence how hybrids seek for legitimation from the general audience. Thus, supported by Table 1, we aim at explaining that the circumstances for which the sensemaking of social logics occur ignite an organization-specific hybridization process that manifest in the seek for external legitimation of the hybrid condition. In a more practical stance, the mechanisms for which social objectives are introduced in for-profit organizations are characterized by processes occurring both in entrepreneurial ventures and in established corporations, eventually leading to heterogeneous forms of hybrid organizations.

Table 1. Conceptual reasoning to explain heterogeneity in hybrid organizations

Theoretical constructs	Sensemaking of the social logic	Emergence of hybridity	Legitimacy
<p>Practical constructs</p>	<p>The mechanism through which social objectives emerge alongside the business proposition</p>	<ul style="list-style-type: none"> - Social entrepreneurial venture <ul style="list-style-type: none"> - Hybrid born organization - Established company integrating over time social objectives <ul style="list-style-type: none"> - Hybrid made organization 	<ul style="list-style-type: none"> - Specific hybrid organizational forms identified by various types of pro-social claims <ul style="list-style-type: none"> - Certifications - Legal forms - Marketing campaigns

3. Key dimensions to explain heterogeneity of hybrid organizational forms

To explain how differently the sensemaking of the social logics occur and translates into heterogeneous hybrid organizational forms, we propose a framework for categorizing types of forms based on two key dimensions of hybridization. We define hybridization as the combination of *starting points* and *trajectories* that identify different organizational forms characterized by being born hybrid, or made hybrid for established firms, and by the pro-social claims for which hybrids gain legitimacy for their institutional complexity. In this section we unpack these factors to define the point of difference among hybrid organizational forms.

3.1 Starting point

A key point of difference in research on hybrid organizations concerns the starting point of hybridity. In particular, we identify two dimensions: hybrid born and hybrid made organizations.

The stream of research of social entrepreneurship derives from the phenomenon of entrepreneurs that initiate a hybrid form of business, combining resources in organizations that pursue social needs while generating financial returns (Mair and Martí 2004). A combination of individual and social forces are crucial to disentangle the inception of a social business: social entrepreneurs may initiate an entrepreneurial initiative as market opportunities to fill gaps in welfare systems may arise (Zahra et al., 2014), or as a process of self-efficacy that sees the entrepreneur as a change maker in the market exploiting its unique mix of expertise, experience and personality traits (Bornstein, 1998; Boschee, 1995). Consequently, as the drivers to activate social entrepreneurs may change, the resulting organizational forms may be different: literature in the field range from profit to non-profit oriented entrepreneurial approaches to address social impact (Boschee 1998; Haugh and Tracey, 2004), a condition that lead to formalize different social aspirations.

However, hybridity is not a condition that should necessarily appear at the inception of the entrepreneurial initiative. Literature on strategy and organizational behavior attempted to initiate a discussion on this topic: as scholars provide examples of firms' introduction of social entrepreneurial initiatives in existing businesses (McMullen and Warnick, 2016), the sensemaking of the social logic is not unique to new ventures, but may lead project level additions or organizational level changes within existing organizations. In the first case, there are examples of multinational corporations whose organizational sensemaking of the social logic lead to the introduction of socially responsible initiatives aimed at the 'bottom of the pyramid' (BOP) (Prahalad and Hart 1999). Corporate social responsibility (CSR) is a way in which established for-profit organizations pursue social impact (Porter and Kramer 2002), often through corporate volunteering projects, social marketing strategy

or corporate philanthropy initiatives (Perrini and Vurro 2010; Tencati, Perrini, and Pogutz 2004). In these cases, the hybrid condition makes the social logic subordinated to dominant commercial logic. In the second case, the social logic influences the objectives of an organization such that they transcend financial returns to include environmental or social value impact (Margolis and Walsh 2003). B Corps, Benefit Corporations, provide example of firms whose sensemaking of the social logic led to shift their main objectives over time introducing a social objective in their business manifesto either legally or through a certification process. Contrary to extensive scholars' investigations on the topic of mission drift (e.g. social enterprises that increasingly focus on commercial objectives, drifting away from the social mission) (Jones 2016; Mersland and Strøm 2010), several formerly commercial organizations are making changes by introducing social or environmental objectives in their missions.

However, alongside the conditions in which organizations introduce social objectives in their business life-cycle, hybridity emerges, and define pro-social claims that identify heterogeneous trajectories of hybridity.

3.2 Trajectories

A second point of difference in research on hybrid organizations revolves around the trajectories organizations take to manifest social objectives. These trajectories reflect the first actions that characterized the hybrid organizational form resulting from the sensemaking of the social logic.

As sensemaking often occurs to re-order ambiguous or conflicting stimuli (Weick, Sutcliffe, and Obstfeld 2005), this process leads to hybrid organizations that make specific pro-social claims to enact the social component and gain external legitimation for their hybrid condition.

For these reasons, literature agrees that the condition to gain legitimacy may follow various approaches (Fisher et al. 2017). From a theoretical standpoint, literature identifies two approaches of legitimacy (Ashforth and Gibbs 1990).

The first is identified in the *symbolic* management of legitimacy (Ashforth and Gibbs 1990). This approach makes organizations appearing consistent with expectation and values accepted in the society, without modifying internal routines. Organizations taking this trajectory rely more upon the acquisition of externally legitimated symbols and images than actually making internal changes. In this perspective, hybrid organizations may signal certain social objectives alongside a business activity without necessarily achieving them. Similarly, marketing campaigns claiming socially responsible behavior may avoid to effectively achieve social results. Literature reports several cases in which symbolic pro-social claims are enacted mostly after the perception of reputational threats (Carlos and Lewis 2018). The studies of Moskovitz and Byrne (1985), and Nystrom and Starbuck (1984) show that many organizations use to formulate socially responsible objectives but do not undergo strict procedures to assess the compliance or sanctions, building on the difficulties of validating the outcomes they generate to manipulate external consensus of their social aspirations. Symbolic pro-social claims change the meaning of acts, providing shortcuts for legitimacy (Richardson 1985).

The second is identified in *substantive* management of legitimacy. This approach supports a change in organizational goals with real practices, structures that often follow an institutionalized process (Ashforth and Gibbs 1990). For example, certain pro-social claims related to the B Corp certification provides an assessment of social and environmental contributions through a third-party audit, which helps to activate processes of internal change. Substantive pro-social claims involve the altering of the mix of resources, integrating institutionalized practices into means and ends of the organizations in a way in which achieving the pre-determined change. This type of pro-social claims identifies a trajectory for which the achievement of social impact is supported by solid internal actions. Accordingly, the various type of pro-social claims identifies trajectories of hybridization that

help understand what forms hybridity take to legitimate a novel institutional condition, whether it pervade the organizational internal structure and practices or is just a façade, either in new or in established ventures. In the next chapter, we will present the combination of the two dimensions to explain heterogeneity in hybrid organizational forms.

4. Types of hybrid organizational forms

Together, the dimensions of *starting points* and *trajectories* provide an integrative framework that captures the heterogeneous ways in which hybridity differently conceives and enacts in organizations. In this section we combine these dimensions to present four ideal types of organizations: Pioneer, Virtuous, Reactionary and Camouflaging. Table 2 explains the four types, and we elaborate on each below. As illustrated before, we theorize about the reasoning under which hybridity occurs differently in organizations.

Table 2. Taxonomy of types of hybrid organizations

		Trajectories	
		Substantive Legitimacy Organizations whose first pro-social claim focuses on the adoption of practices and structures to achieve social impact	Symbolic Legitimacy Organizations whose first pro-social claim focuses on the external communication of symbols and images that signal social impact
Starting point	Social Entrepreneurial venture Newborn firms with a social objective (hybrid born)	<i>Pioneer</i> <i>Example: Allbirds</i>	<i>Reactionary</i> <i>Example: Rigenera</i>
	Established organization Established firms introducing social objectives over time (hybrid made)	<i>Virtuous</i> <i>Example: Davines</i>	<i>Camouflaging</i> <i>Example: Etsy</i>

4.1 Pioneer

Some organizations born with social objectives and engages substantive approaches to legitimize their effort externally. The sense-making process of the social logic starts with an entrepreneurial perspective which is based on the willingness to use business as a trustworthy force for good. Oftentimes, literature has focused on this type of organizations through entrepreneurs acting as agent of social change (Dees 1998) that mix personal and emotional experiences with breakthrough marketable solutions in an organizational form that perfectly balance reliable social impact, and money-making business propositions. Literature often investigated conditions for which new ventures with social objectives survive, scale up and grow (Dees and Anderson 2004; Dees 2007).

However, from the attraction of crucial financial resources, to the unlocking of public sectors' unmet social needs, social ventures find it harder than commercial ventures to establish (Dees 2007). Within this difficult scenario, some newborn hybrid organizations engage in pro-social claims characterized by internal consistency, reliable information disclosures, careful assessments and practices with the community and stakeholders. This approach requires ventures to allocate several resources to the social logic: accordingly, newborn hybrid organizations should address not only the paradoxical condition of dealing with competing stakeholders demands, but also facing the common uncertainty and criticalities of early-stage firms. In particular, since they are at the earliest stages of their life cycle, and they can hardly demonstrate the social impact generated, they should be able to make their value proposition solid and reliable in the long term. Accordingly, accelerator programs, incubators and the award of certifications are types of claims that make the firm in condition to publicly validating their social aims out of a business activity. Those organizations able to overcome these barriers can distinguish in the mainstream market, gain social acceptance and legitimacy from the institutionalized paradigms, and gets rewards to scale up. This combination of conditions is very difficult and rare, but helps explain a type of hybrid organization that may disrupt mainstream

institutional paradigms. Such entrepreneurs establish organizations that revolutionize market dynamics (Dees 1998) because pro-social claims identify trajectories that are able to meet the acceptance of traditional financial investors, maximizing the economic and social results.

To make an example, Allbirds is a company that is revolutionizing the shoe industry through eco-friendly recycled materials. The founder, Tim Brown, is a passionate and activist of sustainable development, willing to demonstrate that high-polluting footwear industry can be advanced in respect of the environment. Clearly, the model of Allbirds uses the business to achieve social and environmental impact: it took the B Corp certification as a start-up, putting effort in defining a transparent supply chain in which every phase reports the dedicated environmental-oriented decisions. They internally monitor, measure and report the carbon footprint of the production, setting increasingly ambitious targets for reducing environmental pollution every year. Thus, they adopt a substantive approach to be legitimated in the commercial market by internally assessing and measuring environmental impact, and strongly promoting sustainable development in fashion industry. Despite its purest hybrid approach and its high environmental effort, Allbirds gained the consensus of profit-maximizing investment funds: Tiger Global Management, T. Rowe Price and Elephant Partners, are traditional investors whose mission is to maximize economic returns that invested more than USD\$ 50 million in equity to Allbirds so far.

Accordingly, this is an example of a type of new-born hybrid organizations whose pro-social claims are blending financial and social objectives in a way that is accepted by institutional paradigms of financial industry (Fisher et al. 2017).

4.2 Virtuous

A second type of hybrid organizations considers established commercial businesses that over time integrated social or environmental objectives in their value proposition, characterizing a deeply-rooted process of organizational change. Especially in the last twenty years, a growing number of

established companies have begun to voluntarily integrate social and environmental objectives in their business models, following the hype of sustainable development after the financial crisis. Accordingly, despite scarce academic investigations, the idea that organizations characterized by social entrepreneurship initiative start from scratch must be rejected, as they can emerge also from already established, mature firms (Light 2011). Because of a process of institutional upheaval (Newman 2000) traditionally accepted social and institutional paradigms changed, forcing organizations to correct traditional approaches to novel coercive mechanisms.

This vision implies that hybridity is not a static condition, but an evolutionary status that characterize structures and practices occurring along the entire business life cycle of the firm: for these reasons, more than an individual type of regulation, the sensemaking of the social logic followed contextual regulations. In this perspective, literature focused on the way firms internally organize the introduction of social objectives and externally claim their pro-social attitude (Weaver, Treviño, and Cochran 1999) trying to assess whether organizations are internally and externally coherent (Hawn and Ioannou 2016). Among the proliferation of established companies that introduced social objectives over time, Virtuous companies distinguish for making pro-social claims that are supported by a process of organizational change in which the social component increasingly integrates in the business. Their sensemaking of social logic is enacted through pro-social claims that are internally acknowledged, involving the organization in the required adjustments, measurements, and validation of the social contributions.

To support the benefits of substantial approaches, literature investigated how the introduction of social and environmental internal policies by established organizations helped gathering external financial resources, increasing financial performance, and having an insurance in case of market turmoil (Cheng, Ioannou, and Serafeim 2014; Flammer 2013; Godfrey, Merrill, and Hansen 2009): scholars evidenced that those that took substantive approaches gained more financial and commercial benefits. Virtuous companies use to intensively disclose detailed reporting on the social impact generated (Eccles et al. 2014), engaging in substantial pro-social claims for which stakeholders are

reassured about the conflicting management of stakeholders demands. For example, these companies are significantly more likely to assign social and environmental responsibility to the board of directors, a condition that not only signals a hybrid condition, but also identifies the substantiality of the pro-social claims

Davines, a manufacturing company of skin-care products born in 1980s, increasingly introduced social aspirations in their business proposition, creating an internal sustainability unit that acts a research and development unit. The collection, the monitoring and reporting of crucial social and environmental indicators drive the innovation pathways of skin-care products. They became a certified B Corporation while engaging external practices such as promoting the network of firms doing sustainable development and communicating with key stakeholders. Davide Bollati himself, Davines' CEO, often explains how the business of Davines serves to create a better world. Through detailed documents and other practices of disclosures, the firm externally clarify the internal sensemaking of social logic, defining intermediate target outcomes to reach increasingly ambitious goals.

Davines is an example of firm that became hybrid over time. It started producing chemicals, and in the years elevated the social impact at the top of the organizations' vision, making it a strategy characterizing the commercialized products .

4.3 Camouflaging

In a third ideal type of organization, established firms claim social attitudes by taking symbolic approaches. As a matter of fact, the process of legitimization may involve practices that are purely figurative, marketing oriented, and not supported by internal actions, in an attempt of camouflaging a hybrid condition. Literature evidences this type of organizations as misaligning the efforts to internally organize resources for managing the hybrid condition and the seek for external

endorsements (Hawn and Ioannou 2016). Scholars identify organizations doing greenwashing when pose themselves as good corporate citizens even though they do not have a reliable social impact record (Mahoney et al. 2013).

Greenwashing is an approach that occurs when organizations make pro-social claims in order to comply with social and environmental values, which may not be necessarily substantiated (Lindblom 1994; Neu, Warsame, and Pedwell 1998). As previously reported, the practices of symbolic claims may lead to the manipulation of stakeholders' perceptions and to the association with socially accepted symbols, images or paradigms (Lindblom 1994).

In this perspective, the chance of obtain extra rewards drives the sensemaking of social logic not as much as to make internal changes but rather to adopt symbolic pro-social claims. For instance, if stakeholders perceive Benefit Corporations as a symbol of “good” corporate citizenship, then firms would address stakeholders' pressure by complying the Benefit Corporation framework. Accordingly, firms may voluntarily take a trajectory to become a Benefit Corporation, but doing just the minimum effort to get the symbol without providing an internal change. In few words, such firms make pro-social claims, but it is unknown whether they generate social impact (Greer and Bruno 1996).

To make an example, Etsy is a digital platform that connects local craftsmanship with online customer markets. It's mission of advancing the humanity of commerce, making small artisans of developing and least developed countries to escape from poverty made the company a certified B Corp and reached a IPO in 2015 on the NASDAQ. The date defined a momentous occasion, one in which those who trust in the social responsibility of business identified as a crucial switching point for capitalism. Afterwards, the words of the CEO declared that “we don't have to make a choice between social impact and profit.” However, recent financial troubles made the board deciding to give up the B Corp certification and avoid to become a Benefit Corporation in order to make the business completely driven by shareholders' interest. Paradoxically, the company still promotes its mission to “advance humanity of commerce, making the commerce a mean for social inclusiveness”.

This example evidenced how certain organizations adopt pro-social claims as façade, just to signal practices and objectives that are actually not internally supported. What is threatening is that they tend to engage the same labels of reliable companies, creating ambiguities and confusions that may affect also the real hybrid organizations. Etsy was forced to unmask its shareholder-oriented vision, but yet freely share its presumed social-oriented mission, a misalignment that has been negatively reported worldwide.

Accordingly, some organizations camouflage hybridity by making pro-social claims just to signal a symbolic social commitment.

4.4 Reactionary

A fourth ideal type of hybrid organizational form considers hybrid born firms that took symbolic pro-social claims. This type of newborn firms emerges as an opportunity conditioned by the change of the socio-institutional context. Literature discussed on certain social ventures that emerged through a process of opportunity creation more than through an individual entrepreneurial-driven motivation. This more pragmatic perspective asserts that social entrepreneurs may create and launch social ventures that balance social and economic imperatives (Alvarez and Barney 2011), or to make profits, and create wealth (Elkington and Hartigan 2008; Perrini 2006), out of an opportunity-recognition process similar to that of traditional entrepreneurship (Zahra et al. 2014). As the hype for social and environmental contributions ensures visibility and attention from novel generations, such process of social entrepreneurship may have more rational/economic view, seeing social impact as an objective phenomenon separated from human perception but linked to favorable contextual circumstances. Accordingly, the sensemaking of the social logic is moved by a mechanism of

traditional entrepreneurship that exploits the social dimension just to tackle a market opportunity rather than generating social impact.

This type of new social venture seeks legitimacy through the adoption of “standard” or “normal” organizational behavior within the field (Meyer and Rowan 1977), more than taking concrete change-making actions to generate social impact. For this reason, the sensemaking of the social logic may lead to a hybrid form that is just a reaction to a change occurring in the social and institutional context: in certain historic conditions, it is enough to achieve precise organizational milestones such as a legal registration (Delmar and Shane 2004) as in the case of Benefit Corporations to gain sufficient legitimacy. This is the case in which new-born hybrid organizations aim for moral legitimacy, making social aspirations as much “myth and ceremony” (Meyer and Rowan 1977) as a manner of generating social impact.

In practice, these entrepreneurial initiatives opportunistically use social-based practices to have a first-mover positioning of competitive advantage. In 2019, several construction companies in Italy born with the legal status of Benefit Corporation, promising positive public impact from their infrastructure projects. This is an emblematic case of the willingness to capture the opportunity of a new legal reform in Italy – Decreto Rilancio 2019 – that ensures advantages in public tenders for those organizations that claim Benefit Corporation status.

To cite another example, Rigenera Innovation is an Italian Benefit Corporation whose objective is to promote events: the business born in 2016 as a Benefit Corporation, but its mission does not bound the firm to accomplish objectives for the society or the environment. The business manifesto vaguely states that the organization “*could* act as providing benefits for the society and local community”, making the organization free to share its Benefit Corporation label even though not proving the social impact generated. Moreover, the firm has not yet provided any publicly disclosed information on its potential contributions in terms of governance, communities,

stakeholders or environment, suggesting that being part of the B Corp movement does not reflect a pure social vocation.

Accordingly, reactionary firms are entrepreneurial initiatives that emerge as a response to a socially changing institutional context, relying just on the symbolic approaches to legitimize a hybrid condition in which social objectives are clearly underrated with respect to a market opportunity.

5. Discussion

If different forms of hybrid organizations distinguish to differently combine social and economic objectives, effectively identifying a conceptual framework that helps justifying such differences is critical for organizational research. This work builds on extant literature of hybrid organizations to present a framework of four types of hybrid organizational form that considers the starting point for the sensemaking of the social logic, and the trajectories of legitimation identified through pro-social claims.

Since scholars studied various forms of hybridization, that range from social entrepreneurial ventures to established socially responsible organizations, we develop this work because literature still misses an holistic contribution explaining how hybrid organizations are different.

Extant research identified the pressure from external demands and internal constituencies in established organizations, or the individual inclination for social entrepreneurship, as drivers for heterogeneous sensemaking of social logic, which leads to different social and economic logics' equilibria in hybrid organizations' structures and practices (Battilana et al. 2015). For example, microfinance organizations claim pro-social investment practices that target the well-being of poor people: however, scholars evidenced that they act more as a traditional investor in which economic returns should not be disregarded (Pache and Santos 2013). Conversely, other organizations have been demonstrated as aligning ambitious social objectives to coherent actions. The case described by Mars and Lounsbury (2009), for example, combines commercial and social logics in a

complementary perspective. Moreover, besides determining different characteristics of the pro-social claims, the sensemaking of the social logic may differ depending on whether it occurs in established corporations or in new-born ventures. Porter and Kramer (2006) identified how established corporations “sell” social impact mostly as a marketing tool to address bottom of the pyramid (BOP) context, while Ioannou and Hawn (2016) referred on the conjunction of external and internal social responsibility in the case of Unilever, that substantively legitimate in the market as a multinational firm pursuing environmental and economic objectives.

Despite studying different facets of hybridity in organizations, very few researchers attempted to categorize hybrid contexts to tackle such heterogeneity (Gamble, Parker, and Moroz 2019). Some studies contributed by mainly focusing on a specific organizational perspective: Ebrahim, Battilana, and Mair (2014) analyzed heterogeneity in hybrids by looking at the governance, while others contributed with empiric measurements of different hybrid business models (Gamble, Parker, and Moroz 2019). However, both approaches manifest the need for an overarching framework that justifies such differences among hybrids.

By combining the trajectories of pro-social claims and the conditions in which they occur to explain heterogeneity in hybrid organizations, our work improves the relevance of existing anecdotal and sporadic attempt to study differences in hybrids. Moreover, our work may drive further investigations in two possible directions. First, as the work introduces a novel conceptualization of hybridity in various forms, future research may deepen on the condition for which ideal types of hybrid organizations can coexist in the mainstream market. The last mile in hybrid organizations literature is the assessment of value generation within the institutionalized economic paradigms: as the social logic is heterogeneously determined by the sensemaking process that lead hybrid organizations to emerge in different forms, the fact that hybrid organizations can survive in the mainstream market should not be taken for granted, requiring an investigation of the value they can extract from the way they externally manifest their social commitment . Accordingly,

to what extent pro-social claims are effective for the organizations? What influences the success of hybrids in the mainstream market?

Second, the examples in literature of various forms of hybridity, open up novel frontiers to interpret hybridity as an evolutionary condition: firms change, interpret hybridity under different sensemaking processes occurring anytime in the business life cycle, and under different social/commercial balances. Accordingly, the framework we developed may stimulate scholars to develop a scale measuring the level of hybridity in organizations, exploring the conceptual pillars that help explain certain hybrid trajectories and starting points.

Moreover, this research advances the literature in hybrid organizations by coupling social entrepreneurship and CSR discussions in the eyes of organizational behavior research. Embracing the recent scholars' demand for broadening the conceptual sight of hybridity (F. Santos, Pache, and Birkholz 2015), our work aimed at providing a comprehensive framework to re-connect the inferred diversities that hybrid organizations may take in nowadays' landscape into a clearer picture, assuming that economic and social logics can't be considered as static constructs, but could be differently conceptualized and differently achieved.

Limits of the work and future directions

This work provides a conceptual framework to delineate the heterogeneity of hybrid organizations across structural and strategic dynamics, in order to prepare the readings of the following chapters. It refers to extant literature advancements, mainly providing an ad-hoc review, which currently lacks implications for the entrepreneurs and managers. For these reasons, the work is projected to be additionally revised in order to target practitioners, with an updated version that is targeting California Management Review (CMR). Accordingly, the evolution of this chapter proposes to shed light on the fact that not all social hybrid organizations are the same, and in particular, not all are *good*. Besides reliable businesses with solid social values, the promise of social impact sometimes have hidden misleading behavior and opportunistic actors that exposed every other social hybrid organizations to skepticisms, threats of greenwashing and market exclusions. The article will explain how there are different types of social hybrid organizations, evidencing specific best practices that can drive managers and entrepreneurs distinguishing trustworthy from deceiving strategies.

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Chapter 3.
Research setting and context

1. Introduction

Hybrid organizations are becoming increasingly relevant in the economic system. As during 1970s and 1980s the market increasingly embraced the importance of social and environmentally responsible organizations, nowadays, markets are including officially – but also unofficially – recognized organizational forms that use business to achieve social and environmental impact.

Particularly in United States and in Europe, several forms characterize hybrid organizations: the L3C (Low-Profit Limited Liability Company) in the US, Impresa Sociale SRL and Cooperatives in Italy, Community interests Company (CIC) in the United Kingdom are just few examples of organizational contexts that assume a hybrid condition, emerged in the last decades. Despite most of the hybrid forms are country specific, the B Corp movement comprises a form of hybrid organization that is spreading worldwide through the B Corp certification and the legal status of Benefit Corporations. In particular, the B Corp movement is gaining momentum in Italy, being it the country that is growing at the fastest pace in terms of number of certified B Corps and Benefit Corporations.

This chapter aims at presenting the research setting and describing the context in which the work has been developed for the papers included in Chapter 4 and Chapter 5. We concentrated on the B Corp movement in Italy, and we collected data both from secondary and primary sources. We collected data in collaboration with Assobenefit and Nativa, two interconnected organizations that promote and manage the network of Benefit Corporations and B Corps in Italy. Through the context of the B Corp movement in Italy, we provide a measure for assessing the hybrid condition in businesses, and whether enacting the hybrid condition by making external oriented actions to legitimate the social objectives pays off.

The chapter is organized as follows: we first highlight the importance for conducting a context-specific investigation on hybrid organizations, we then deepen on the specificities of the B Corp movement, and then explain the data gathering process.

2. Hybrid organizations – the need for a context-specific investigation

The studies that have been focusing on hybrid organizations provide interesting considerations on the coexistence of commercial and social goals in the same organizations (Battilana and Dorado, 2010; Pache and Santos, 2013; Ebrahim and al., 2014; Battilana and Lee, 2014; Mason and Doherty, 2016; Siegner, Pinkse, and Panwar, 2018).

Researchers mainly focused on the internal modes for managing multiple identities by using, for example, hiring and socialization practices or organizational structure that aims at overcoming institutional complexities through the creation of a novel hybrid identity (Battilana and Dorado, 2010). Conversely, other researchers focused on the mechanisms of selectively coupling, for which intact elements of either social or economic logics are activated to manage internal complexity (Pache and Santos 2013).

In addition, literature treated hybrid organizations' behavior through specific studies addressing the paradox of merging competing and conflicting stakeholders' demands in a single entity. The paradox stands in the risk of prioritizing the stakeholder that provides revenues and guarantee the financial support necessary for conducting business (Battilana and Lee, 2014), over the social-oriented stakeholders, those for which the hybrid organizations define their social objectives (Jay, 2013).

Besides this, Ebrahim et al. (2014) adopt an organizational governance perspective for studying organizations that merge different institutional forms.¹ They focus on internal processes that preside corporate control and accountability, highlighting the role of boards and managers in managing different interests and the lack of standardized measurement tools for facing this challenge.

However, extant research involving hybrid organizations mainly considered theoretical studies (Battilana et al. 2012; Battilana and Lee 2014; Lee and Jay 2015; Battilana, Besharov, and Mitzinneck 2017), single case studies, or multiple case studies (Battilana and Dorado 2010; Pache and Santos 2013; Battilana et al. 2015), lacking to consider the potential inter-organizational heterogeneity of conflicting logics' balances, trajectories and perspectives, posing doubts on the generalization of extant research findings within specific contexts.

For these reasons, as hybrid organizations are gaining momentum, and the various forms of hybrid businesses are considerably growing worldwide, the field requires more empirical analysis of quantitative stance to better understand context-specific phenomena and better understand how hybridity differently unfolds (Bruneel 2016). As the paper in Chapter 1 attempted to provide explanations to the fact that hybridity in organizations is not one-size-fits-all, the papers in Chapter 4 and 5 proposes to capture empirically how hybridity unfolds and affect firms' performances. Accordingly, the B Corp movement is a relevant setting that helps capturing various shades of hybridity but also a pathway of hybridization for commercial organizations. Extant literature already adopted the B Corp movement to investigate hybridity: to make some example, they considered how social and commercial logics integrate in one entity (Stubbs 2017), or how hybrid models help generating positive impact on societal grand challenges (Tabares 2020). Still, such specific studies adopted a qualitative approach to the context.

¹ Ebrahim et al. 2014 refers to Cornforth's definition of organizational governance (see Cornforth, 2014)

Accordingly, our research is the first holistic approach in Italy to systematize a hybrid organizations perspective in a context specific setting, capturing internal idiosyncrasies from an empirical and quantitative standpoint.

3. The B Corp movement and its development in Italy

Despite social hybrid organizations and enterprising with social purposes have a long tradition across various forms, those organizational forms that are related to the B Corp movement exist since a decade (Cao, Gehman, and Grimes 2017). These firms are for-profit corporations that have voluntarily decided to submit to third-party social and environmental audits directed by B Lab, a non-profit organization located in the US.

To achieve the B Corp certification, firms must comply to the B impact Assessment (BIA) of at least 80 points out of 200, throughout indicators measuring employees, governance, community and environment. The BIA is taken almost once every two years, in order to grant the continuity of nonfinancial value creation. As worldwide certified B Corps are 3327, more than half are located in US and Canada, and the rest spread across other 69 countries ([www. Bcorporation.net](http://www.Bcorporation.net)). The B Corp movement born in US in 2007 with 82 certifications, in Italy the certified B Corps are 89 since 2013, as Nativa became the first Italian corporation to get the certification.

Table 1. Number of certified B Corps in the most representative countries

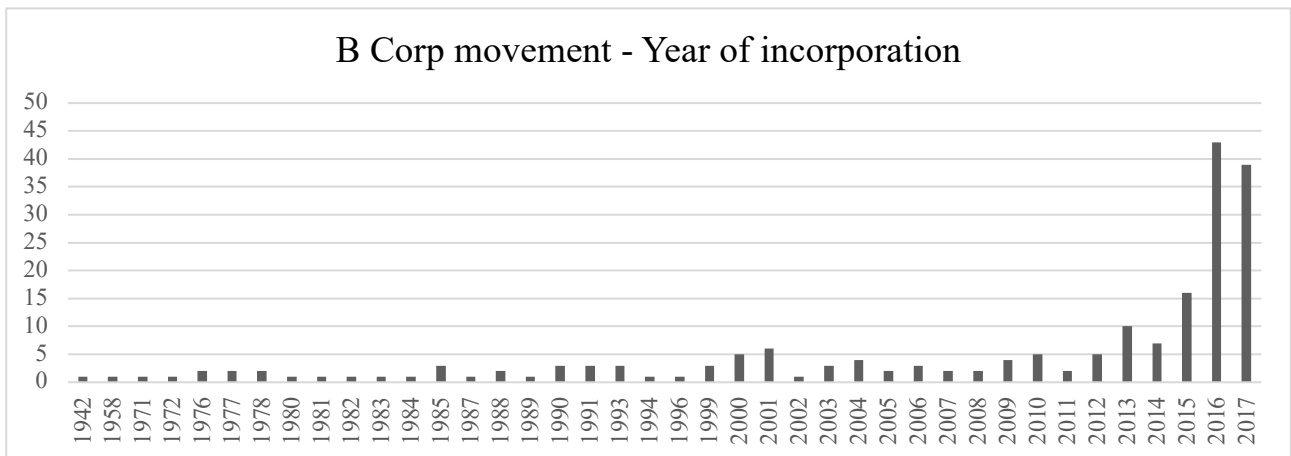
Country	Number of certified B Corps
United States	1292
Canada	272
UK	217
Italy	89
France	85
Netherlands	78
Spain	48
Germany	34

Within the framework of the B Lab, other than the certified B Corps, the legal status of Benefit Corporations is currently available in Italy, Colombia, United States of America, and Scotland. The status of Benefit Corporation differs from the certification because it provides a legal protection of the social aspirations declared, with respect to deceiving managers and future shareholders divergences (Zorzi and Lenzi 2018). The status of Benefit Corporations serves to communicate the social mission lock-in and the effort of the governance to be legally tied at a social or environmental objective. Benefit Corporations are not bounded by achieving any score on the BIA. Anyway, the gaining of the legal status generates a 10-point BIA equivalents. Unfortunately, and quite surprisingly, the field misses a dedicated repository that tracks Benefit Corporations worldwide. Unofficial statements report that, since October 2010, Benefit Corporations in the US are around 1200 (www.benefitcorp.net). Since 2016, Benefit Corporations in Italy are around 300 (Assobenefit). In Italy, once the organization is legally considered a Benefit Corporation, it gains the suffix “SB” or “Società Benefit” in the name of the company, and certified B Corps are required to gain the status of Benefit Corporations in 2 years after the certification. A quasi-official entity that tracks and monitors Benefit Corporations in Italy is Assobenefit. Assobenefit is an association that promotes the development and the creation of a fruitful network between Italian Benefit Corporations and public

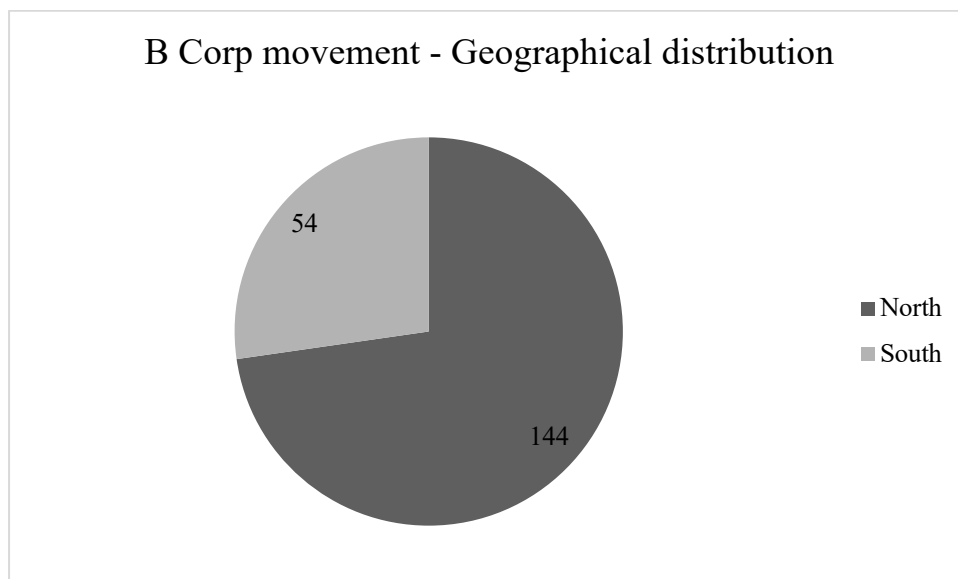
institutions. Among its activities, it created a repository of Benefit Corporations associated, counting around 100 associates.

Accordingly, the Italian B Corp movement offers a pertinent context in which investigating hybrid organizations, being it a well-defined field but with heterogeneous organizations, consisting of start-ups and established companies, service-based or manufacturing, born or made hybrid. Unfortunately, the precise identification of the whole population of the Italian B Corp movement is not easy: the Italian official repository of for-profit organizations – Infocamere, Camera di Commercio –, currently does not present a register for organizations that are part of the B Corp movement, which affects the effectiveness of the sampling. However, we adopted alternative sources of data from Assobenefit, the entity that oversee the network of the Italian organizations part of the B Corp movement, Bureau Van Dijk, a leading publisher of business data on private companies, and Nativa, the consulting company that takes the role of Italian hub for the worldwide B Corp movement. From Nativa, we collected information for the whole population of the certified B Corps at that time – 89 organizations. Assobenefit provided the list of 226 organizations part of the B Corp movement, without the B Corp certification, for which we were able to find email addresses, contacts of founders or contacts C-levels managers for 216 organizations. Accordingly, we were able to collect detailed contextual information for 198 organizations part of the Italian B Corp movement.

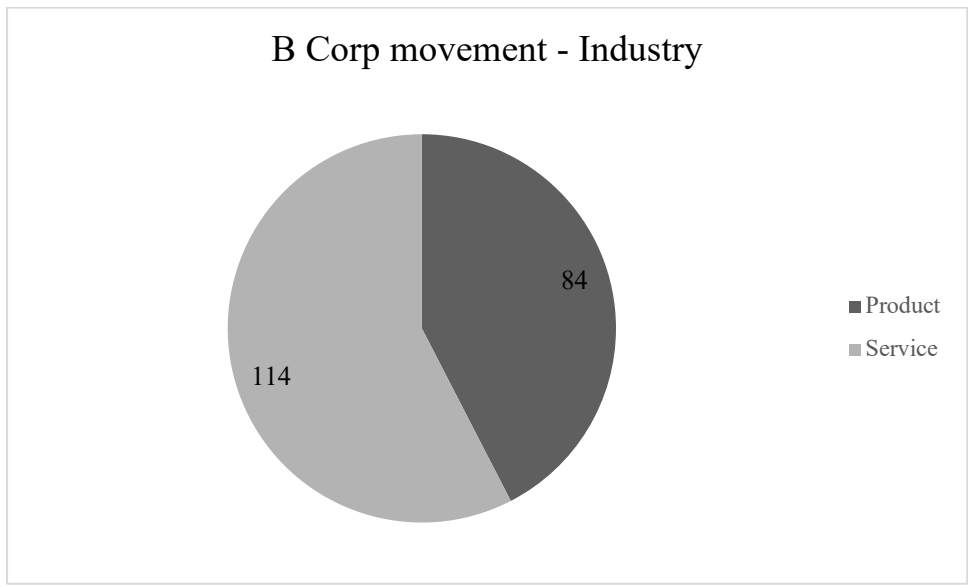
Graph 1. Year of incorporation of firms part of the Italian B Corp movement



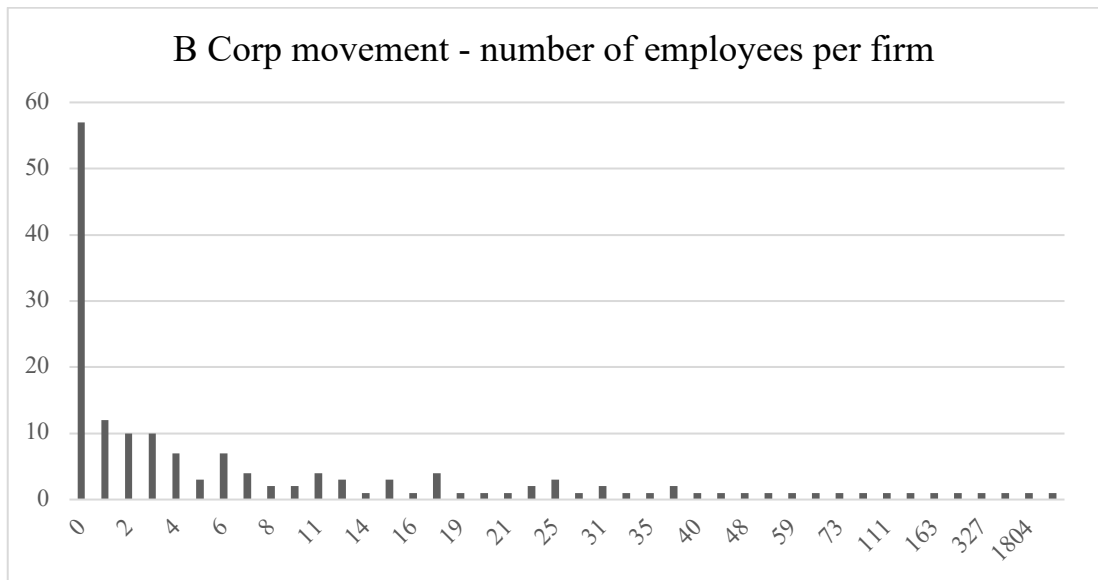
Graph 2. Geographical distribution of firms part of the Italian B Corp movement



Graph 3. Industries of the firms part of the Italian B Corp movement



Graph 4. Number of employees per firm part of the Italian B Corp movement



These graphs better specify the B Corp movement in Italy: Graph 1 evidences that several organizations born as Benefit Corporations in 2016, right after the dedicated legislation was established. However, the graph evidences that not only start-ups but also established firms decide to adhere to the B Corp movement over time. Being those mostly located in the north of Italy (Graph

2), organizations part of the B Corp movement tend to be service oriented more than manufacturing firms (Graph 3). In addition, besides an entrepreneurial organizational structure, Benefit Corporations shift from micro to large corporations (Graph 4).

4. Data gathering process

In order to better understand this specific context of hybrid organizations, we gathered data from primary and secondary sources, respectively through a survey, semi-structured interviews, and publicly available sources.

4.1 The survey

In 2019, we developed a survey to investigate the determinants, and the characteristics of the hybrid condition in organizations. The survey was sent by the end of 2019 to an extensive group of organizations part of the B Corp movement. The survey was sent in two waves, consisting in exactly the same questionnaire. In December 2019, we sent the first wave, which consisted in the population of organizations with the B Corp certifications at that time – 89 firms. Then, in March 2020, we sent the second wave of questionnaires to 216 Benefit Corporations without the B Corp certifications. Both waves have been sent with the support of Nativa and Assobenefit, which partnered to help spreading the questionnaire throughout the organizations.

We went through several questionnaire recalls, advancing singular engagements with executives of organizations that did not provide answers to the questionnaire. We then closed the survey at the end of June 2020, with a total of 101 responses.

The survey gathers detailed information on the structure of motivations leading for-profit organizations to introduce social objectives, the internal management of competing logics, and the characteristics of the social objectives of the firm. Considering our research purposes, the survey consisted in three main blocks of questions.

In the first section, the questions mainly target the drivers for which the organization decides to pursue social objectives through a profitable activity. Moreover, it provides details on the reasons for which the organization embraced the B Corp movement.

In the second section, the questions mainly addressed the management of the hybrid condition. In particular, we proposed a set of options on how the organizations internally address in terms of incentives, employment, and team-works. In addition, we investigated how hybrids interpret the balance between competing logics in terms of strategies and outcomes.

In the third section, we investigated the peculiarities of the social impact proposed by the organization. More in detail, we addressed the characteristics of the social objectives integrated in the business, in terms of the expected social outcomes, monitoring processes, and the causality with the business proposition.

The data obtained from the questionnaire are used to conduct the study on the measurement scale of the hybrid condition – Chapter 4.

4.2 The semi-structured interviews

We conducted a set of semi-structured interviews in order to provide qualitative vigor to our survey, deepening on firms' structure of motivations, strategies and management of competing demands.

Semi-structured interviews helped strengthening the definition of the survey questions and the interpretation of data obtained from the questionnaire.

We contacted each firm possessing the B Corp certification in Italy and those available from the list of Assobenefit. Then, we adopted a purposeful sampling technique, in order to match both the need for firms' availability and gather information covering the heterogeneity of cases (Palinkas et al. 2015; Patton 2015). This approach was coherent with our research objective to better explain the phenomenon of hybrid organizations.

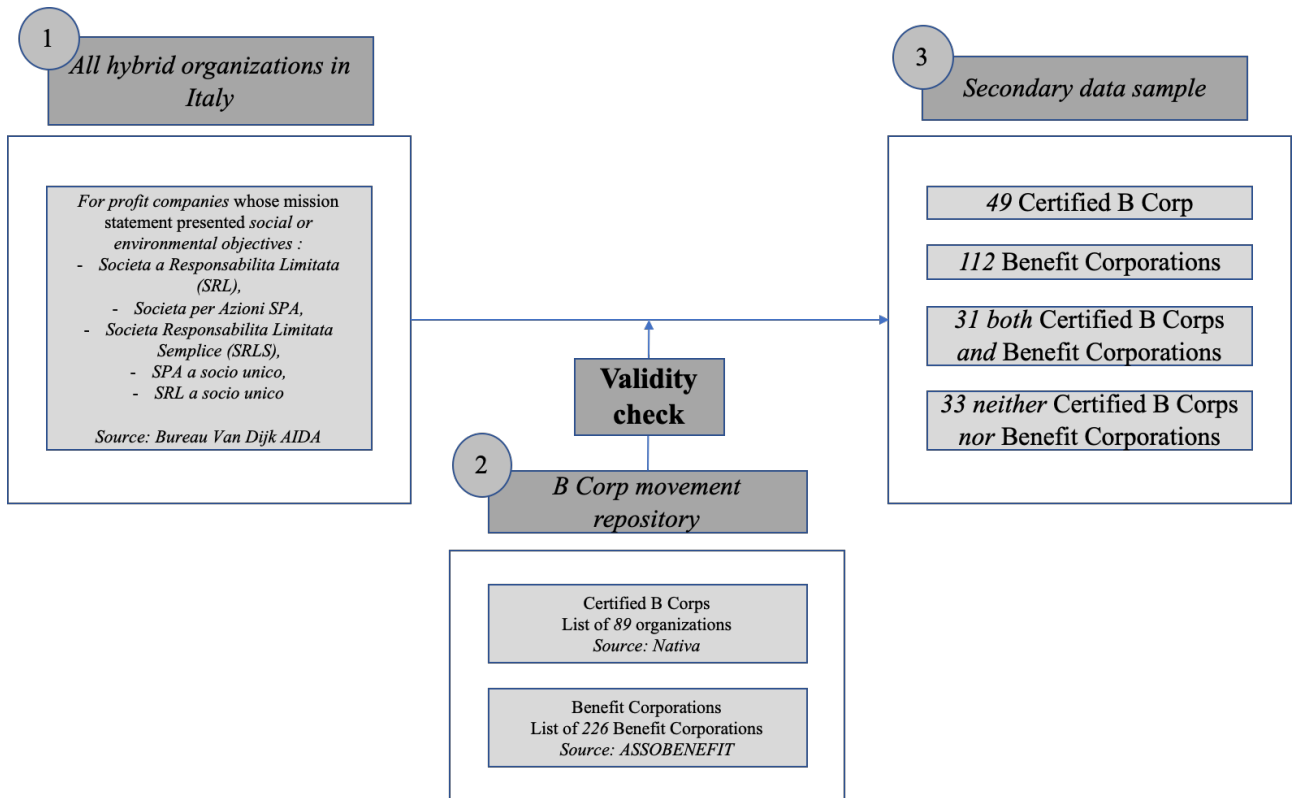
To improve the consistency of our data, we intentionally addressed founders, co-founders, or top level management of each organizations as our interviewers, confident that these were the more reliable sources for our research purposes. All interviews were conducted either via Skype, telephone, or face-to-face, respecting the Italian regulations due to Covid-19 restrictions. The data collection took 6 months, ranging from November 2019 and June 2020: the semi-structured interviews consisted in 3 main questions concerning the value proposition of the business, the factors that influenced the initiation of a business generating social impact, and the reasons behind the decision to take part of B Corp movement. The first 12 interviews conducted between November 2019 and December 2019 supported the definition of the questions and items part of the survey.

Overall, the data collection comprises 29 semi-structured interviews, consisting in around 30,000 words, reflecting 16 hours amount of interactions. The interviews were all transcribed. From the data collection, we concluded that 29 is a reasonable number of observations sufficient to provide a reliable qualitative support for our survey. Following extant research, we figured out phenomena repetition at the 29th interview, so that adding more observation would just provide a marginal effect the overall picture (Glaser and Strauss 1967).

4.3 The secondary sources

We use secondary data as a later exercise to complete the understanding of our context. Our objective is to use secondary data sources for deepening on the financial performance of hybrid organizations and to further investigate our context. As represented in Graph 5, our data gathering process started from the extraction of the financial information for the whole set of hybrid organizations in Italy. As our context of investigation is the B Corp movement in Italy, we validated our process with the support of Nativa and Assobenefit that respectively provided the list of 89 certified B Corps and 226 Benefit Corporations without the certification. Accordingly, within the population of firms part of the B Corp movement in Italy, we had access to financial and contextual information for 112 Benefit Corporations, 49 certified B Corporations, 31 corporations that possess both characteristics, for a total of 192 organizations. The secondary data sources are used to conduct the study of the effects of externally oriented actions (e.g. pro-social claims) on the financial performance – Chapter 5. Considering that the B Corp movement consists in not-listed companies, gathering secondary data on financials has been a long process. To our knowledge, our dataset is among the first attempts to collect financials on organizations part of the B Corp movement, together with Parker et al. (2017). We gathered information also from a matched sample of 33 hybrid organizations neither certified B Corps nor Benefit Corporations.

Graph 5. Secondary data gathering process



Appendix

B Corp movement survey

This survey has been written in collaboration with the research team of the Yunus Social Business Centre of the University of Bologna. The set of questions presented below is limited to those adopted in the study presented in this dissertation. The whole questionnaire is available upon request.

Q22 Why did your company take part of the B Corp movement?

	Totally disagree		Partially agree		Absolutely agree		
	1	2	3	4	5	6	7
To increase the performance of our social and / or environmental objectives ()				1 ... 7			
To achieve new social and / or environmental objectives ()				1 ... 7			
Because it helps us to be recognized on the market ()				1 ... 7			
To increase our reputation on the market ()				1 ... 7			
Because it allows us to allocate resources to social and / or environmental objectives more efficiently ()				1 ... 7			
To access the network of companies that have the certification ()				1 ... 7			
To have access to strategic suppliers on the market ()				1 ... 7			
Because it allows us to have a competitive advantage on the market ()				1 ... 7			
To help spread our corporate culture internally ()				1 ... 7			
To intercept new customers attentive to social and / or environmental impact ()				1 ... 7			

Q23 Why does your company aim to achieve social and / or environmental objectives?

Totally disagree Partially agree Absolutely agree

1 2 3 4 5 6 7

By the will of the founders ()	1 ... 7
To help solve a problem ()	1 ... 7
For solicitations from shareholders / owners ()	1 ... 7
For the solicitations of suppliers or companies that contribute to the creation / use of the product / service ()	1 ... 7
For customer solicitations ()	1 ... 7
For the solicitations of institutions, the media, and the general population ()	1 ... 7
To adapt to what other companies in our sector are doing ()	1 ... 7
To improve the value of the product or service sold ()	1 ... 7
Because it is part of our innovation strategy ()	1 ... 7
To have easier access to credit ()	1 ... 7
To gain exposure to venture capital and private equity investors ()	1 ... 7
To feel part of a community of companies that have goals like ours ()	1 ... 7
To be closer to the communities of people around which we work ()	1 ... 7
Because we believe that business can be the solution to social and / or environmental problems in the long run ()	1 ... 7

Q24 We now ask you to define how important the following options are to achieve your company's social and / or environmental objectives

	Absolutely not			Partially		Absolutely yes	
	1	2	3	4	5	6	7
Availability of financial resources ()				1 ... 7			
Specific skills of our managers ()				1 ... 7			
Specific skills of our employees ()				1 ... 7			
Cutting-cross skills of our managers ()				1 ... 7			
Having a working group dedicated to monitoring social and / or environmental objectives ()				1 ... 7			
Having specific working groups for social and / or environmental and commercial objectives, but favoring constant interaction ()				1 ... 7			
Suppliers who actively participate in the social and / or environmental cause of the company ()				1 ... 7			
Hiring new employees with sensitivity to social and / or environmental issues ()				1 ... 7			
Associating the growth of managers with the achievement of social and / or environmental objectives ()				1 ... 7			
Training courses for employees linked to the social and / or environmental culture in the company ()				1 ... 7			

Q29 How much do you agree with the following statements regarding the characteristics of your social goals?

	Totally disagree		Partially agree			Absolutely agree	
	1	2	3	4	5	6	7
The company's social and / or environmental objectives are easily measurable and quantifiable				1 ... 7			
We have social and / or environmental objectives that can be immediately attributed to a specific group of stakeholders (employees, suppliers, society in general) ()				1 ... 7			
We have precise and defined short-term social and / or environmental objectives ()				1 ... 7			
We have precise and defined medium-term social and / or environmental objectives ()				1 ... 7			
We have precise and defined long-term social and / or environmental objectives ()				1 ... 7			
We prefer not to define measurable social and / or environmental objectives and then avoid disregarding our stakeholders ()				1 ... 7			
Our company has standardized processes that allow it to achieve social and / or environmental objectives ()				1 ... 7			
We periodically check the status of the social and / or environmental objectives we want to achieve ()				1 ... 7			
It is our priority to be able to overcome the social and / or environmental benefits we aim to achieve				1 ... 7			

Semi-structured interviews

Protocol

- 1) How do you describe the value proposition of your organization?
 - a. How do you comment the following categorization of concreteness – value – with respect to the output of your business?
 - b. How do you describe the industry of your organization in terms of provision to generate positive social impact? Do you agree or disagree with the following indication of industry social impact sensitivity?
- 2) What stimulated the introduction of societal objectives in the business model of your organization?
 - a. How does market opportunities stimulated the adoption of a social-oriented mission?
 - b. How does your organization internally manage routines affecting social and economic objectives?
- 3) Why does your organization joined the B Corp movement?

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Chapter 4.

**Paper: Assessing hybridity in organizations:
an exploration of the Italian B Corp movement**

Abstract

The great proliferation of organizations combining social objectives and profitable activities lead management scholars to investigate them under different level of analysis. In particular, researchers distinguished by investigating how this phenomenon i) occurs; ii) establishes in organizational processes, and iii) generates certain outputs and impacts on the society and the environment. However, as literature treated separately these streams, the field currently lacks a mechanism that provides a holistic assessment of the hybrid condition. For these reasons, by exploiting the context of the B Corp movement in Italy, we use an input-process-output approach to develop a comprehensive scale for measuring hybridity in for-profit organizations. To do so, we collected 101 responses from a questionnaire distributed to a group of Benefit Corporations in Italy, measuring the individual and environmental factors fostering firms to become hybrid (i.e.; *Market-oriented motivations*; *External pressure*); how firm's organizational competences and routines are influenced by the hybrid status (i.e., *Social culturization of internal competences*), and how hybrid firms pursue social and profit outputs (i.e, *Pragmatic social objectives*). Through a clustering approach, the factors' score of hybridity evidenced that organizations gather in two groups presenting opposite characteristics of hybridity. The *Commercial-oriented* cluster groups hybrids with high scores on *Market-oriented motivations* and *Pragmatic social objectives*, and low scores on *Social culturization of internal competences* and *External pressures*. while the *Identity-oriented* cluster vice versa. This work proposes to open up novel research avenues for understanding how hybridity unfolds in organizations.

1. Introduction

Literature in hybrid organizations mainly addressed the mechanisms through which competing logics coexist in the same entity. Since hybrid organizations are complex institutions that diverge from the traditional organizational paradigms (Battilana et al. 2012; Battilana and Lee 2014), researchers were stimulated to better understand how hybrids could play a relevant role in the economic and social system. More specifically, following the rapid increase of social entrepreneurial ventures that are characterizing the economic dynamics world-wide, several scholars investigated hybrid organizations that combine social and economic logics (P. H. Thornton and Ocasio 1999; P. Thornton and Ocasio 2008), for which management literature developed around three main areas of research: i) an individual perspective that addressed the motivations leading entrepreneurs or managers to combine social and economic objectives in an organization; ii) an organizational-based perspective that deepened on the management of the internal organizational functioning for addressing conflicting stakeholders' demands; and iii) an impact-based stream of research investigating the specificities of the social outputs generated.

First, scholars focused either on the social entrepreneurial (Dacin, Dacin, and Tracey 2011), or on the strategic approach of social objectives in business (McWilliams, Siegel, and Wright. 2006), advancing studies that range from emphasizing the virtuous values and traits of the individual, to deepening on the market opportunities that managers derive from addressing social issues (Mcmullen and Warnick 2016). Second, literature dealt with the internal management of the hybrid condition (Bruneel et al. 2016), opposing the approach of selectively coupling tools from each logic (Pache and Santos 2013), with the novel, common identity approach characterized by a redefinition of the internal organizational functioning (Battilana and Dorado 2010). Third, some scholars proposed that the characteristics of their social objectives may vary depending on the underlying theory of change (Ebrahim and Rangan 2010; Clark et al. 2004). The theory of change frames the causality between

the organizations' social aims and the expected outcomes (Clark et al. 2004), a tool that helps overcoming the ineffective *what is* approach for social impact in business, focusing instead on the *what should be* of the social logic (Blindheim and Langhelle 2010; Singer 2010).

As these research trajectories deepened on three different moments of hybridity, scholars acknowledge that hybridity is not one-size-fits-all in organizations (Mcmullen and Warnick 2016), but few works have been focusing on assessing hybridity in organizations. Accordingly, in this paper, we recombined these literature trajectories of hybrid organizations, to develop a scale for measuring hybridity in organizations across the different phases through which hybridity may operate and unfold. We use an input, process, output framework – already adopted in management studies as a conceptual model to provide a measure of entrepreneurial education (Krueger 2003) – to map a comprehensive set of tools based on relevant prior literature on hybrid organizations.

To do so, we collected 101 responses from a questionnaire sent to a group of organizations that are part of the B Corp movement in Italy. To analyze data, we adopted an exploratory factor analysis (EFA), and a confirmatory factor analysis (CFA). Following extant literature main guidelines on the field, EFA allows to figure out patterns and similarities among data, evidencing what items hang together to create an explanatory construct. We identified 4 main factors and 22 items that indicate a scale for measuring the hybrid condition in organizations. The CFA confirmed the consistency of the factor structure, evidencing that market-related motivations, a process of social culturization of managerial competences, external pressures, and a theory of change characterized by pragmatism are factors measuring the hybrid condition in organizations.

This work offers researchers a framework on how to interpret the evolving phenomenon of hybrid organizations (Bruneel et al. 2016; R. Hahn and Ince 2016), reorienting research away from a static investigation of hybridity in organizations' studies by stimulating scholars to understand the factors characterizing different levels of hybridity in organizations.

The rest of the paper is structured as follows. First, we introduce a literature review on hybrid organizations with an input-process-output approach. Second, we present the research design. Third,

we share our statistical analysis. Fourth, we provide a discussion of the results. Fifth, conclusions and final remarks.

2. Hybrid organizations in an input-process-output perspective

Hybrid organizations are entities merging socially construed categories that, taken singularly, are conflicting to each other's (Besharov and Smith 2014; Mongelli et al. 2017). In particular, the combination of social and commercial objectives makes organizations diverging from the established archetypes of for-profit organizations and non-profit organizations (Ruef and Patterson 2009), posing threats on their inclusion within the social context (Doherty, Haugh, and Lyon 2014).

Literature refers to hybrid organizations as facing a paradoxical condition where conflicting but yet interconnected logics live simultaneously and remain over time (Smith and Lewis, 2011). This paradox leads to dilemmas that sometimes paralyze organization's advancement, and, eventually, cause its demise (Jay 2013; Besharov and Smith 2014), so that scholars in management advanced theoretical and practical investigations on how hybrids could co-exist in the mainstream market with the traditional forms of business.

Given their institutional complexity (Greenwood et al., 2011), hybrid organizations are becoming an increasingly relevant topic to be clarified and better understood from an academic standpoint. Moreover, the great proliferation of hybrids merging social and economic objectives in the last decades, the interests of finance industry to this innovative form of business, and the millennials' demand for organizations to actively contribute for sustainable development, required researchers to have complete picture of the phenomenon. Accordingly, literature investigated hybridity under separated input-, process- and output-based perspectives, mainly attempting to understand the motivations driving such a complex institution, the way organizations act to internally manage conflicting objectives, and the characteristics of the social outputs.

2.1 System of motivations – input level perspective of hybrid organizations

The motivations driving decision makers in organizations to initiate a hybrid condition recalls for social entrepreneurship literature. The stream of research of social entrepreneurship derives from the phenomenon of entrepreneurs that initiate a hybrid form of business or introduce a social entrepreneurial initiative in an existing business (McMullen and Warnick 2016), combining resources in organizations that pursue social needs while generating financial returns (Mair and Martí 2004). A combination of individual and social forces are crucial to disentangle the inception of a social entrepreneurial actions: entrepreneurs may initiate a social entrepreneurial initiative as market opportunities to fill gaps in welfare systems (Zahra et al., 2014), or as a process of self-efficacy that sees the entrepreneur as a change maker in the market exploiting its unique mix of expertise, experience and personality traits (Bornstein, 1998; Boschee, 1995).

In the first case, organizations take a hybrid identity as a part of a precise corporate strategy, in which the social objectives are a business opportunity. A stream of literature refers to Corporate Social Responsibility (CSR) as the integration of social and environmental issues in business activities and in their relationship with their stakeholders (Dahlsrud 2008). In this perspective, CSR is a pure strategy for which organizations introduce social objectives to revise the vision of the commercial logic (Marrewijk 2002; Bocquet et al. 2019). Accordingly, these solutions have been evidenced as successful for the overall performance of organizations: for example, reliable and consistent social objectives beside a commercial business help organizations to unlock financial resources, increase financial performance, and provide an insurance in case of market turmoil (Cheng, Ioannou, and Serafeim 2014; Flammer 2013; Godfrey, Merrill, and Hansen 2009). Scholars evidenced that businesses generating social impact gain a competitive advantage with respect to those doing it in a lower extent (Eccles et al. 2014), because of a more detailed process of stakeholder engagement and reporting.

However, in the second case, literature in social entrepreneurship emphasizes individual level forces to justify the hybrid identity of organizations. Hybrid organizations may be the result of entrepreneurs' individual willingness to act as a change maker. Much of the social entrepreneurship literature takes an individual level of analysis, considering social entrepreneurs as heroic individuals (Dacin et al., 2011). Accordingly, scholars evidenced that more than the entrepreneurial abilities to recognize marketable opportunities from social contributions, social entrepreneurs may be moved by purely altruistic motivations (Roberts and Woods 2005; Tan, Williams, and Tan 2005). More specifically, what guides entrepreneurs to organize for addressing a social problem is their personal aptitude or individual experience (Braga, Proença, and Ferreira 2014). In this perspective, social entrepreneurship distances from commercial entrepreneurship in the extent to which the entrepreneurial aptitude overcome its traditional objectives (Mair and Noboa 2006). As traditional entrepreneurship focuses on the entrepreneurs' capability to initiate and get rewards from a commercial activity (Shane, Locke, and Collins 2003), social entrepreneurship identifies a self-efficacy dynamic for which an individual uses an entrepreneurial initiative to achieve a social outcome (Boyd and Vozikis 1994; Dacin, Dacin, and Tracey 2011). Accordingly, this perspective of hybrid organizations reflects the pure personal motivation to use a business activity as a force for accelerating social impact.

2.2 The internal management of the hybrid condition – process level perspective of hybrid organizations

As hybrid organizations face a paradoxical condition, this means that they should be internally organized to mutually address conflicting stakeholders' demands (Nicholls 2009; Jay 2013; Battilana et al. 2015; T. Hahn et al. 2018). To better understand how hybrids, in general, should address competing internal demands, navigate their paradoxical condition, and survive in the traditional market (Battilana and Dorado 2010; Pache and Santos 2013; Battilana and Lee 2014; Battilana et al.

2015; Battilana, Besharov, and Mitzinneck 2017), literature focused on various approaches that hybrid organizations may implement.

The conflicting logics can be managed through construing a new organizational identity (Battilana and Dorado 2010), which overcomes the potential issue of dealing between each institutional logic: for example, certain hiring and socialization strategies serve as tools for new identity formation. More specifically, hiring strategies may consider both a ‘mix-match’ approach in which the organization employ people with capabilities involving each logic, and a ‘tabula rasa’ approach, where individuals with no experience in either logic are employed, and trained from scratch (Bruneel et al. 2016). Conversely, the objective of socialization strategies is to encapsulate both logics to existing employees through clear communication, training or dedicated incentives (Battilana and Dorado 2010).

Differently, organizations may navigate competing stakeholders’ demands by selectively coupling separated practices from each logic (Pache and Santos 2013). For example, micro-finance institutions are hybrid organizations that select banking and social development practices to fight poverty, a condition in which logics are kept separated, and organizations act in order to find a balance between conflicting objectives (Bruneel et al. 2016). Instead of developing a new hybrid identity, and investigating how social and economic logics integrate, certain hybrid organizations can combine the selection of intact elements of each organizational logic, identifying a specific and particular strategy to manage competing stakeholders’ demands.

2.3 Characteristics of the social impact – output level perspective of hybrid organizations

Besides emphasizing how social and economic dynamics should balance to effectively navigate the paradox, a different stream of literature concentrated on the characteristics of the social logics, trying to deepen on the peculiarities of the social impact proposed. As a matter of fact, literature investigating the social logic mostly concentrated on the methodologies for which social impact could

be measured, monitored and disclosed (Maas and Liket 2011; Costa and Pesci 2016). Often interpreted through the concept of Corporate Social Performance (CSP), the literature investigating the characterization of businesses' social impact has been criticized for being just a classificatory tool for the outcomes of socially responsible behavior, missing to link organizations' purposes, processes and outcomes (Mitnick, 1993; Husted 2000; Whetten et al., 2002)

Despite a great heterogeneity of approaches proposed, an effective methodology to better understand social impact is through the framework of the theory of change (Clark et al. 2004). This concept focuses on the description of *how* and *why* a desired change is expected to happen in a particular context. Thus, as hybrid organizations are heterogeneous with respect to their social contributions (R. Hahn and Ince 2016), the theory of change provides a guideline that sorts to what extent the social impact defines and details its cause and effect. Scholars investigating the field of hybrid organizations acknowledge that the social logic may be more or less relevant with respect to the commercial logic (McMullen and Warnick 2016): however, as literature generally stopped their investigation a step before deepening the characteristics of the social logics, the theory of change helps understand the characteristics of the social logic that hybrid organizations adopt in two main phases. First, it helps identifying the extent to which social impact has long term range. Oftentimes, following a pure positivistic approach of socially responsible behavior (Wicks and Freeman 1998), literature assumes that project-level social contributions identify lower over-arching social ambitions with respect to organizations that integrate social impact in their business propositions (McMullen and Warnick 2016). Second, it evidences the causality of the social logic in the business proposition, identifying the extent to which certain conditions are in, for the goals to occur. Traditionally, scholars' positivistic approach focused on simply defining the social logic (Wicks and Freeman 1998), generally agreeing that monitoring and measuring the social performance benefit the organization. However, what is more important is understanding how the practices for social impact should be implemented (Donaldson 2003; Donaldson and Preston 1995). Accordingly, the theory of change

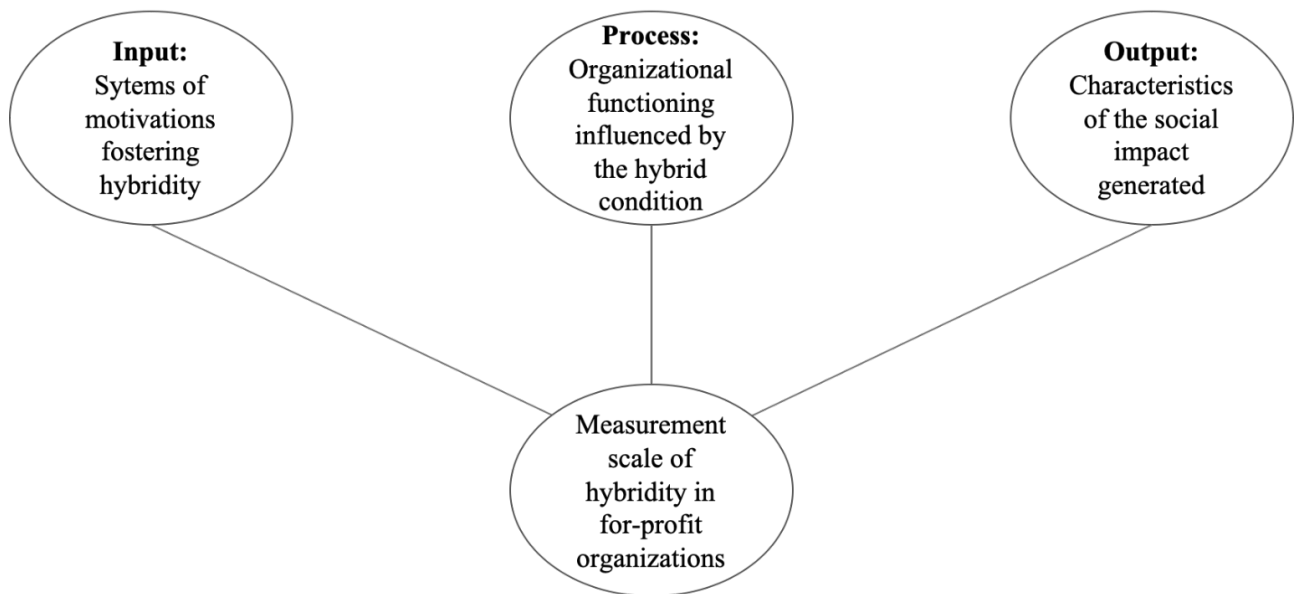
evaluates the causal link between purposes, processes and outputs, which gives a straightforward interpretation of how certain practices are implemented to generate social impact.

To sum up, we have identified ex-ante streams of literature considering hybrid organizations. However, scholars investigated hybrid organizations from input-, process-, and output oriented approaches through parallel and separated research trajectories. In this paper, we link these separated streams of literature to create a comprehensive framework for measuring hybridity in organizations. Starting from the relevant literature in the field, the objective of the paper is to explore under what factors hybridity levels can be assessed across organizations, contributing to better understand the phenomenon of hybridization in organizations.

Table 1. Input-process-output literature review

Input-level perspective of hybrid organizations	Process-level perspective of hybrid organizations	Output-level perspective of hybrid organizations
(Mair and Martí 2004): social entrepreneurial dynamics	(Battilana and Dorado 2010): new identity creation	Maas and Liket 2011; Costa and Pesci 2016): measument, monitoring and disclosure of social impact
(Zahra et al., 2014): market opportunities	(Pache and Santos 2013): selectively coupling	(Mitnick, 1993; Husted, 2000; Whetten et al., 2002; Clark et al. 2004.): comprehensive framework of impact generation (theory of change)
(Bornstein, 1998; Boschee, 1995): entrepreneurial self-efficacy	(Jay 2013; Battilana et al. 2015; Bruneel et al. 2016; T. Hahn et al. 2018): dealing with competing internal logics	
(Cheng, Ioannou, and Serafeim 2014; Flammer 2013; Godfrey, Merrill, and Hansen 2009).: financial opportunities		

Graph 1. Conceptual framework identifying the three main dimensions for assessing hybridity in organizations



3. Research Design

To address the research objective mentioned above, we deduced from the literature in hybrid organizations a set of items structure for which we explore possible constructs emerging. As the literature review disentangled extant research's main arguments with respect to hybrid organizations, we build, assess, and validate a multi-item scale, which considers the factors for measuring hybridity. We adopted the context of the B Corp movement in Italy, whose member organizations use businesses as a tool to achieve social impact.

Organizations that are associated to the B Corp movement exist since a decade (Cao, Gehman, and Grimes 2017). These firms are for-profit organizations that have voluntarily decided either to gain the legal status of Benefit Corporations, or to submit third-party social and environmental audits directed by B Lab. Both options are allowed as well, and mandatory for certified B Corps after 2 years from the certification.

To get the B Corp certification, firms must achieve a B impact Assessment (BIA) of at least 80 points out of 200, throughout indicators measuring employees, governance, community and environment. To grant the continuity of non-financial value creation, the BIA should be conducted almost every 2 years. Despite certified B Corps spread worldwide are 3327, more than half are located in Canada and in the US, while the rest spreads across 69 countries ([www. Bcorporation.net](http://www.Bcorporation.net)). In Italy the B Corps are currently 89.

Other than in Italy, the legal status of Benefit Corporations is currently available in Colombia, United States of America, and Scotland. Being legally recognized as a Benefit Corporation provides a legal protection to the social aspirations declared in the organizations' manifesto, especially with respect to deceiving managers and future shareholders divergences (Zorzi and Lenzi 2018). This condition serves to lock the social mission and commit the governance to be legally tied at a social or environmental objective.

Accordingly, we are confident that the B Corp movement perfectly fits our measurement scale for hybridity. Despite Italy has a great cultural tradition of social oriented businesses (Zamagni 2005; Zamagni 2013), the B Corp movement is a novel phenomenon that is growing faster than in any other country in the world (www.nativa.it). For these reasons, an explorative approach for capturing hybridity in an emergent and increasingly relevant setting may be timely and reliable.

3.1 Development and test of a scale

Aware of the ex-ante examination of the literature and the consistency of the setting for investigating hybrid organizations, we created a survey instrument characterized by Likert-like scale, to collect data from the B Corp movement. The survey was structured as follows. After recording the name of the respondent's company and some peculiarities on the industrial sector of the organization, it narrows down on the related topics that emerged from the literature review. The 43 items, which reflect the three main literature arguments, were detailed on a 7-point Likert scale. More specifically,

for each main literature construct – system of motivations, internal management of the hybrid condition, and the characteristics of the social impact – we identified a pool of questions that help addressing our research objectives.

Following our literature review, within the system of motivations construct, we proposed questions that aim at capturing individual reasoning leading to a hybrid condition in businesses. For example, we included 24 questions regarding the importance of achieving social impact, or solving overarching problems, as well as being part of a movement, being part of a network of organizations, and its potential competitive advantages in terms of credit access, suppliers or customers.

Considering the internal management of the hybrid condition, we aimed at understanding whether hybridity is internally managed through processes of selective coupling, or the organization foresees the creation of a precise organizational identity that attempts to overcome potential logic disequilibria. For these reasons, we included 10 questions regarding the internal functioning, such as social-oriented incentives to managers, the internal division of labor, and the methodologies through which employees are hired and trained over time. In addition, we included questions regarding how social and economic logics are balanced, of which the importance of the financial stability, and the willingness to either scale up both objectives or just one of them.

In terms of the output-oriented perspective of hybrid organizations, we had the objective of detailing the theory of change of each organizations' social logics. As the theory of change assesses the causality between the proposed social-oriented actions and their outcomes, we introduced 9 questions that evaluate the extent to which these actions are measured and monitored over time, have a short-, medium- or long-term perspective, and can be linked to a precise group of stakeholders.

To validate and further elucidate the development of our items' pool, we undertook interviews to a set of 12 organization between November and December 2019 (Creswell 2014). We used a semi-structured interview mechanism covering key aspects of our literature reasoning. For example, we deepened the individual sphere of hybridization asking for the dynamics leading to a hybrid entity, collecting answers ranging from *"I got experienced with a social issue so that I wanted to play my part fighting it through a business activity"*, to *"there are plenty of opportunities to make my organization better through adopting a socially responsible aptitude"*. Then, we asked for organizational structuring evidencing that entrepreneurs may *"share with all the set of employees and managers the achievement of social impact"* or *"identify specific units for which monitoring the impact we generate"*. In addition, entrepreneurs confirm that theory of change may vary from *"I still have to assess and understand the impact we generate"* to *"the generation of social impact is widespread across organizations' unit"*. Thank to these set of interviews we adjusted and rephrased our items' pool in order to make our survey complete and exhaustive.

Accordingly, between December 2019 and June 2020, the questionnaire was distributed online up to 305 organizations part of the B Corp movement, for which we were able to find contacts, recording 101 responses. First, the data collection went through a generalized invitation to fill the questionnaire. Then, it followed a singular engagement for those companies that did not provide initial responses. The data collected through the questionnaire were analyzed using exploratory (EFA) and confirmatory factor analysis (CFA).

4. Results

4.1 Description of the sample

The survey was conducted by founders or C-levels individuals. Among the 101 responses, we obtained data from 50 organizations both certified B Corps and legally identified as Benefit Corporations, 42 organizations with just the status of Benefit Corporation, and 9 organizations with just the B Corp Certification. In terms of business characteristics, 69 organizations are involved in the service industries, mostly providing consulting, insurance or financial services, while 32 organizations are involved in manufacturing, which most of them develop consumers' products, accurately representing the population.

4.2 Exploratory Factor Analysis (EFA)

Our starting point is the EFA. We conducted separated EFA for each items' groups characterizing different research inquiries. The Table 2 shows the whole set of items and their relative groupings. First, we checked for the adequacy of our items' groups for the factor analysis. To do this, we adopted the Kaiser-Meyer-Olkin measure of sampling adequacy for all the items groups. All items' groups (Q22, Q23, Q24, and Q29) evidenced a satisfying Kaiser-Meyer- Olkin measure of sample adequacy, above .8. In addition, the Bartlett's test of sphericity was significant, showing that sampled data are appropriate to conduct a factor analysis. As our objective is to identify latent factors from our pool of items (Hair et al. 2010), we wanted our items to be suitable for a factor analysis, so that we examined the data through a principal factor methodology (Hinkin, Tracey, and Enz 1997)

Considering the factors to be extracted from the analysis, there are neither specific, nor mandatory rules for retaining factors. Eigenvalues greater than 1 or a scree plot evidencing the percentage of variance explained (Cattell 1966) are used to determine the number of factors to retain.

However, the number of factors to be retained depends not only on the statistically accepted thresholds, but also on the explanatory power of the factors for the underlying theory (Hinkin, Tracey, and Enz 1997). For these reasons, we decided to extract 4 factors from the analysis, because it best balances theory and empirical results.

As our intent is to develop scales that explain different constructs, we used an orthogonal rotation of factors, which is the most reasonable solution for avoiding items not relevant for our model. We started from a pool of 43 items, and we went through two independent processes of items selection, which concluded with a stable structure of 22 items.

Table 2. Description of the complete list of items with the refinement steps

Relevant stream of literature	Item	Code	Remarks	
Systems of Motivations	Improve social performance	Q22_1	Cross loading	1 st items selection
	Improve reputation	Q22_2		
	Effective and responsible resource allocation	Q22_3	Low factor loading	2 nd items selection
	Get in touch with firms part of the same network	Q22_4		
	Access to strategic relationships with suppliers	Q22_5		
	Competitive advantage	Q22_6		
	Internally share the organizational culture	Q22_7	High uniqueness	1 st items selection
	New social objectives	Q22_8	High uniqueness	1 st items selection
	Market recognition	Q22_9		
	Attract new customers	Q22_10		
	Founders' willingness	Q23_1	High uniqueness	1 st items selection
	Contribute to solve an overarching social problem	Q23_2		
	Shareholders' push	Q23_3	High uniqueness	1 st items selection
	Suppliers' push	Q23_4		
	Customers' push	Q23_5		
	Institutions' push	Q23_6		
Align with peer organizations	Q23_7			
Improve value of the product/service	Q23_8	Low factor loading	2 nd items selection	
Innovation strategy	Q23_10	Cross-Loadings	2 nd items selection	
Credit access	Q23_11	High uniqueness	2 nd items selection	
Visibility with respect to financial investors	Q23_12	Low factor loading	2 nd items selection	
Part of a community of similar organizations	Q23_14	High uniqueness	1 st items selection	

	Be close to a community of stakeholders	Q23_17		
	Make business as a force for social good	Q23_18	High uniqueness	2nd items selection
Internal management of the hybrid condition	Financial resources availability	Q24_1	Cross-loadings	1st items selection
	Have managers with specific competences	Q24_2		
	Have employees with specific competences	Q24_3		
	Have managers with broad competences	Q24_4		
	Establish a dedicated group-work for social and environmental monitoring	Q24_5	Cross-loadings	2nd items selection
	Make suppliers active participants	Q24_6	Cross-loadings	2nd items selection
	Hire socially-aware employees	Q24_7	Cross-loadings	1st items selection
	Associate managers' rewards to corporate social and environmental performance	Q24_8		
	Establish dedicated trainings for employees with respect to the social and environmental culture of the firm	Q24_9		
	Promote the interaction and the integration across different internal functions, among commercial, social and environmental objectives	Q24_14	Cross-loadings	2nd items selection
Characteristics of the social impact	Define social objectives that are measurable	Q29_1	High uniqueness	1st items selection
	Define social objectives whose impact is associated to a precise group of stakeholders	Q29_2	High uniqueness	1st items selection
	Establish and define precise short-term social or environmental objectives	Q29_3		
	Establish and define precise medium-term social or environmental objectives	Q29_4		
	Establish and define precise long-term social or environmental objectives	Q29_5	High uniqueness	1st items selection
	Avoid the definition of precise social objectives	Q29_6	High uniqueness	1st items selection
	Definition of standardized processes to achieve social impact	Q29_7		
	Standardized monitoring and measurement of the social objectives	Q29_8		
	Aim at overcoming ex-ante defined social objectives	Q29_9		

To drive the selection of items, after the initial Kaiser-Meyer-Olkin measure, we mainly follow loadings' values, cross loading, and uniqueness scores' rules. First, as suggested by Hair et al. (2010), we retained items' loading higher than 0.50. Second, for the cross-loading rules (Chin 1998; Flatten et al. 2011), we dropped items which load on factors less than 0.1 higher. Third, we retained items with levels of uniqueness lower than 0.5, since highest levels of uniqueness signal independency of items within the factor structure. The first process of items selection led to a structure of 31 items. The second, final process of items selection led to 22 items. Within this final model, the

internal reliability of the three constructs was estimated through Cronbach's alpha (Hinkin, Tracey, and Enz 1997), which in every case was higher than 0.7 (Nunnally and Bernstein, 1994). The combination of loadings helped identifying *Pragmatic social objectives* as Factor 1, *Market oriented motivations* as Factor 2, *Social culturization of internal competences* as Factor 3, and *External pressure* as Factor 4 Then, we can move to the confirmatory part of the study.

Table 3. Rotated factor loadings

Variable	Factor1	Factor2	Factor3	Factor4
Q29_4	0.812	0.199	0.008	0.028
Q29_8	0.754	0.005	0.038	0.181
Q29_3	0.712	0.144	-0.057	-0.025
Q29_9	0.645	-0.034	-0.011	0.130
Q29_7	0.609	0.021	0.063	0.146
Q23_2	0.533	0.148	0.180	0.162
Q23_17	0.505	0.191	0.119	0.128
Q22_2	-0.065	0.810	0.046	-0.007
Q22_9	0.041	0.795	0.193	0.015
Q22_10	0.203	0.743	0.047	0.049
Q22_5	0.228	0.702	0.039	0.240
Q22_6	0.153	0.647	0.216	0.168
Q22_4	0.205	0.619	0.030	0.184
Q24_2	-0.173	0.063	0.768	0.128
Q24_3	0.207	0.010	0.695	0.211
Q24_4	0.035	0.264	0.602	0.052
Q24_8	0.497	0.238	0.518	0.097
Q24_9	0.487	0.160	0.504	-0.012
Q23_7	-0.049	0.158	0.154	0.646
Q23_5	0.174	0.015	0.195	0.623
Q23_4	0.055	0.224	0.269	0.579
Q23_6	0.325	0.109	0.186	0.575

Table 4. Cronbach's Alpha

	Cronbach's Alpha
Overall Factors	0.8821
Factor 1	0.8411
Factor 2	0.8790
Factor 3	0.7859
Factor 4	0.7709

Table 5. Variance explained by the extracted factors

Factor	Variance	Difference	Proportion	Cumulative
Factor1	5.095	0.523	0.262	0.262
Factor2	4.572	1.779	0.235	0.496
Factor3	2.792	0.552	0.143	0.640
Factor4	2.241	.	0.115	0.755

4.3 Confirmatory Factor Analysis (CFA)

As generally interpreted, CFA serves to enhance the confidence of a factor structure (Gerbing and Anderson 1988; Mackenzie et al. 2011; Noar 2003). The quality of the factor structure is usually tested by measuring its goodness-of-fit compared to rival models with different characteristics (Hinkin, Tracey, and Enz 1997). In this work, we tested (i) the model in which all items load on a single common factor, (ii) an uncorrelated factor model, and (iii) a correlated factor model (Noar 2003).

Therefore, we compared the models considering three fit indexes: the chi-squared, the Comparative Fit Index, and the Root Mean Square Error of Approximation. The chi-square assesses the overall fit, and the discrepancy between the sample and the covariance matrices: in general, the lowest chi-square, the better is for models' goodness of fit. The Comparative Fit Index (CFI) compares the fit of a target model to the fit of null, or independent model: values higher than .90 are considered of good fit (Hair et al., 2010; Hinkin, Tracey, and Enz 1997; Noar, 2003). Then, the Root Mean Square Error of Approximation (RMSEA) evaluates how good a model fits a population, and not just a sample adopted for this work: in general, RMSEA lower than .06 indicate a good fit (MacKenzie et al. 2011; Noar, 2003) whereas others suggest considering it within a range from .03 to .08 (Chen et al. 2008; Hair et al. 2010)

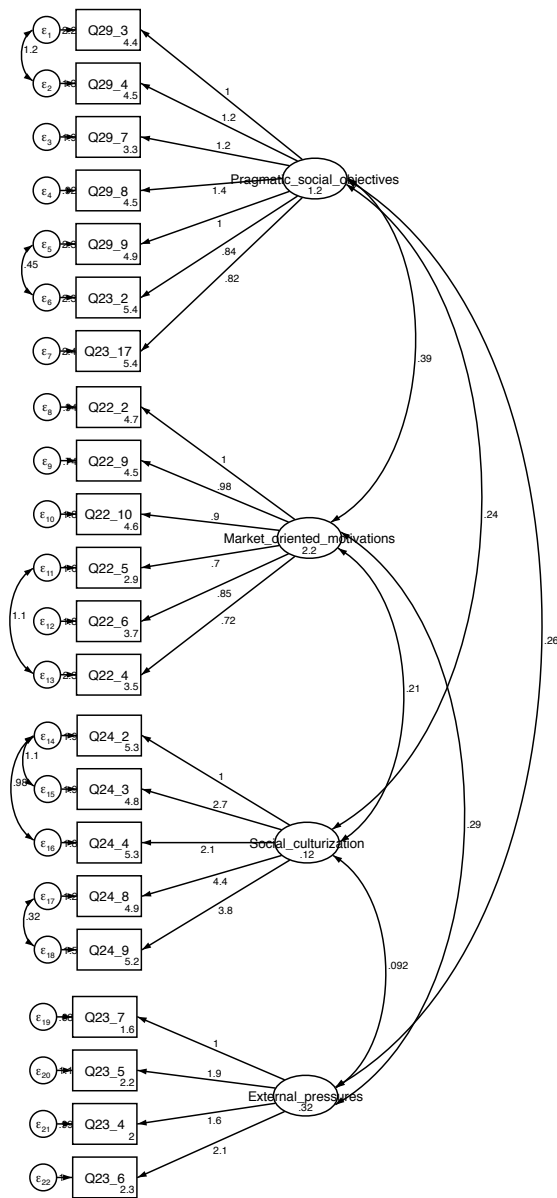
Table 6. Goodness of fit indexes of the estimated models

	Chi-square	CFI	RMSEA
One Factor model	790.703	0.435	0.166
Uncorrelated Factors model	328.399	0.878	0.078
Correlated Factors model	267.701	0.931	0.06

As expected, Table 6 evidences that the one-factor model, and the uncorrelated factors model report poor goodness of fit, whereas the correlated factor model evidence better values of fit. Figure 1 reports the factor loadings of the hierarchical model structure. All factor loadings were significant ($p < .001$).

Despite other scholars applied CFA on the same sample of the EFA (Bolzani et al. 2015), further tests on alternative samples should be considered to fully validate the factor structure and the reliability of the scale (Flatten et al. 2011; Worthington and Whittaker 2006).

Graph 2. Factor model



4.4 Between-group comparison

Then, we investigate differences in the factors-score that evaluate the hybrid condition of organizations, comparing results according to the type of industry (Table 7) and the geographical localization (Table 8). In general, we did not evidence heterogeneity issues under our set of observable characteristics. Considering the industry, we found no statistically different scores across factor, meaning that organizations' pillars are suitable for evaluating hybridity across industry. Concerning the geographical localization, we evidenced a statistically significant difference in terms of *Social Culturization of Internal Competences*, which is more important in the South group. Across other factors, no statistically significant differences emerged.

Table 7. Intergroup comparisons (Type of Industry)

	Products (32 observations)		Services (69 observations)		Ttest
	Mean	Sd	Mean	Sd	
Pragmatic Social objectives	-.1196462	1.013065	.0554881	.9398611	-0.8500
Market oriented motivations	.1526988	1.004716	-.0708168	.9339539	1.0924
Social Culturization of Internal Competences	-.0403886	.8604923	.018731	.9807787	-0.2926
External pressures	.1494748	.8768705	-.0693217	.9102323	1.1368

Table 8. Intergroup comparisons (Geographical localization)

	North (78 observations)		South (23 observations)		Ttest
	Mean	Sd	Mean	Sd	
Pragmatic Social objectives	-.0394206	1.002196	.1336871	.8169262	-0.7567
Market oriented motivations	.0452371	.9744388	-.1534128	.9016348	0.8733
Social Culturization of Internal Competences	-.1336276	.9258951	.4531719	.1795604	-2.7120
External pressures	-.0263552	.8594175	.0893784	1.046902	-0.5393

4.5 Clustering among factor scores

We finally clustered the factor scores of each observation to check for tendencies in organizations' hybridity measurement. We adopted the k-mean, non-hierarchical, partitional type of clustering (Barirani, Agard, and Beaudry 2013). We then took 2 to 10 grouping options, and performed the cluster-stop procedure on each proposed cluster to evaluate the Calinski / Harabasz levels. The number of clusters corresponding to the highest level of F of the Calinski / Harabasz measure indicates the most accurate cluster structure for our data (Crum et al. 2020): in our case, the highest value of F (e.g. 115.46) suggested selecting two clusters.

From our analysis, it emerged that organizations scoring high on *Pragmatic Social objectives* and *Market-oriented Motivations* present lower scores on *Social Culturization of Internal Competences* and *External Pressures* (e.g. Cluster 1 - Commercial oriented), and viceversa (e.g. Cluster 2 - Identity oriented).

Table 9. Means of factor scores for the selected cluster structure

	Pragmatic social objectives	Market-oriented motivations	Social culturization of internal competences	External pressures
Cluster 1 – Commercial oriented	.072	.056	-.199	-.029
Cluster 2 – Identity oriented	-.076	-.059	.211	.031

5. Discussion

The developed scale converged on four factors – *Pragmatic social objectives*, *Market-oriented motivations*, *Social culturization of internal competences*, and *External pressures*–, identifying the structure for measuring the hybrid condition in organizations.

The Factor *Pragmatic social objectives* suggests that hybrid organizations set short (Q29_3) and medium-term (Q29_4) social impact objectives that mostly target a proximate community of

people but whose vision is contributing to solve overarching problems (Q23_2), aware of the importance of constantly monitoring and measuring them (Q29_8). Accordingly, in our context of investigations, hybrid organizations can be evaluated through a theory of change characterized by pragmatism, for which social impact should provide concrete and immediate results. Moreover, this should be supported by an internal control of the results achieved (Q29_7), demonstrating a process of causality. Literature already evidenced that ambitious or dream-like social objectives may be misinterpreted by stakeholders, incurring in the risk of hypocritical judgements (Carlos and Lewis 2018). Accordingly, our results indicate that hybrid organizations are defining a theory of change that aims at achieving proximate impact, a condition that may favor the engagement of stakeholders and distances from greenwashing practices (Delmas and Burbano 2011; Mahoney et al. 2013).

The factor *Market-oriented motivations* evidences that hybrid organizations are moved by a structure of motivations that seek for market inclusion, for which reputation (Q22_2), recognition (Q22_9) and the reaching of new customer segment (Q22_10) are main hybridity inputs for organizations. In addition, hybridity is explained by the opportunity of being part of clear community (Q22_4), and the access to strategic suppliers (Q22_5), for which being part of the B Corp movement plays a crucial role. Accordingly, as financial investors traditionally outdistanced from social-oriented organizations because of their unappealing commercial proposition and lack of entrepreneurial mindset (Dees and Anderson 2004; Dees 2007), our results suggest that hybrid organizations increasingly perceive social opportunities in an entrepreneurial perspective, aware of the importance of staying in the mainstream market.

The Factor *Social culturization of internal competences* evidenced that specific training programs for employees (Q24_8), and incentives for managers (Q24_9) are crucial actions characterizing the hybridization processes. Besides this, organizations favor the development of both specific (Q24_2) and cross-cutting (Q24_2) managerial competences, but require specific social-

oriented background for their employees to disseminate hybridity internally at the bottom of the organization. Accordingly, in our context of investigation, hybridity is determined more by the creation of novel organizational identities, than by selectively coupling between logics. Following extant literature, socialization policies such as training and incentives, teach and strengthen desired behaviors and beliefs (Van Maanen and Schein, 1979), being crucial levers for the development of a common organizational identity that strikes a balance between the conflicting logics combined in the organization.

The fourth Factor *External pressure* suggests that hybridity is more a response to external demands and an adaptation strategy (Q23_7), than a leading individual spark. As a matter of fact, solicitations from clients (Q23_5), suppliers (Q23_4) and media (Q23_6) characterize the hybridization in organizations. This result distances hybridity from the traditional heroic individual-picturing of social-entrepreneurial initiatives (Dacin, Dacin, and Tracey 2011), evidencing that hybridity is conditioned by forces that shed lights on the contextual dynamics.

By analyzing the results of the factor scores with a cluster approach, we evidenced two ideal types of hybrid organizations that present opposite characteristics. The *Commercial-oriented* cluster of organizations provides higher importance to defining measurable and concrete social results within a market-driven perspective: these organizations are characterized by a hybrid condition in which the commercial logic is more relevant than the social one, but they recognize the importance of achieving straight-forward social objectives to improve their market shares. This type of hybrid organization acknowledges the importance of introducing coherent and reliable social contributions in the product or service provided, with the aim of making the social impact perceived more by the relevant customers than by the employees. In addition, this type of hybrid organization follows a bottom-up approach: it is not externally pressured to introduce a social component in its business, but pursue pure strategic, commercial decision that takes advantage of a social impact component.

Conversely, the *Identity-oriented* cluster evidences hybrid organizations that aim at internally disseminating a socially conscious culturization, focusing on the internal practices, but avoiding to concentrate on the market implications of defining precise social objectives. This hybrid condition is determined by a top-down approach, receiving pressures from external institutions to adopt internal organizational changes. Accordingly, *identity-oriented* hybrids present a social component in the organizations that targets internal resources, aiming at spreading an organizational long-term vision for generating in-ward oriented social impact.

6. Conclusions

Our paper contributes to better understand the phenomenon of hybrid organizations, shedding lights on how can hybridity be measured in organizations. As literature in hybrid organizations conducted parallel stream of research to address hybrid organizations' inner complexity, it still misses a framework attempting to provide a holistic, nitty-gritty assessment to the hybrid condition. Accordingly, we distributed a questionnaire through which organizations explain their hybrid condition across three main dynamics of inputs, processes and outputs. Exploring the context of the B Corp movement in Italy, we figured out that *Pragmatic social objectives*, *Market-related opportunities*, *Social culturization of internal competences*, and *External pressures* are 4 factors that group 22 tools evaluating a hybrid condition in businesses. Moreover, from highlighting how hybridity unfolds in organizations, the measurement of the factors characterizing hybridity in our sample evidenced that organizations cluster around 2 ideal type of hybrid organizations with opposite characteristics: *Commercial-oriented* and *Identity-oriented* hybrid organizations.

These findings provide four main contributions. First, exploiting the concept of the theory of change, we evidenced that the social logic of hybrid organizations is characterized by short- and medium-term approaches for which the organization monitor and measure the results achieved. The in-depth characterization of the social objective provides an interpretation of hybrid organizations' social logic through the introduction of pragmatism. In extant literature, pragmatism has been associated to CSR literature, defined as a viable solution for social responsibility in the study of organizations (Blindheim and Langhelle 2010), which distances from the positivistic interpretation of ethical organization (Wicks and Freeman, 1998). Pragmatic approaches require a business conversation on social responsibility to provide clear and straightforward interpretation of the outcomes achieved. As extant literature lacked an in-depth investigation on the characteristics of hybrid organizations' social logics, our work addresses the *what should be* of the social logic, and contributes to the literature of pragmatism (Singer 2010), through which it opens up novel research stimuli to better interpret what type of social objectives stimulate the integration in the business propositions.

Second, we evidence that hybridity in organizations depends also on the market opportunities and external pressures, aware that commercial objectives and institutional forces are a crucial feature for the achievement of social impact. This result shed lights on the stream of literature investigating social entrepreneurial dynamics. Despite extant literature strongly argued the heroic features of social entrepreneurs (Dacin, Dacin, and Tracey 2011), our findings evidence that entrepreneurs aim at finding marketable solutions out of a social objective and are affected by contextual dynamics for their hybridization processes. Thus, this paper challenges the purely altruistic perspective and the self-efficacy push characterizing social entrepreneurial perspective of hybrid organizations (Roberts and Woods 2005; Tan, Williams, and Tan 2005; Braga, Proença, and Ferreira 2014), proposing instead that entrepreneurs engage in hybrid ventures as a process of market opportunity and external pressures.

Third, the paper contributes to better understand the extent to which certain organizations address their institutional complexity: corporations in the B Corp movement tend to interpret their hybrid condition more from a novel organizational identity process, than on selectively coupling from each logics. These results confirm previous literature findings based on a case-study approach (Battilana and Dorado 2010), embracing the recent call for more empirical investigations in hybrid organizations' research to improve the generalization of findings in hybrid organizations' research (Bruneel et al. 2016).

Fourth, by measuring the four factors of hybridity and clustering the score of each hybrid in our sample, we evidenced that organizations may present opposite characteristics of hybridity. In the case of *commercial-oriented* hybrid organizations, the focus is on developing a business proposition that intrinsically contribute to precise social and/or environmental key performance indicators (KPIs), appealing for the market and the relevant audience. Conversely, *identity-oriented* hybrid organizations absorb external hints to develop an internal hybrid vision of doing business, whose effects are related to the long-term organizational processes, overlooking the market component.

These results contribute to the discussions on heterogeneity of the hybrid condition (Battilana et al., 2012). Traditionally, while commercial for-profit organizations are characterized by material motivations and seldom consider social welfare as afterthoughts (Newbert 2003), literature agreed that hybrid organizations should be driven by immaterial forces that help them identify and attempt to address social and environmental issues (Hahn et al. 2018). Our results challenge this general conceptualization on hybrids, addressing the under-explored perspective that hybridity is not a one-size-fits-all. With this work, we provide a toolkit for measuring the hybrid condition, evidencing that hybrid organizations can present opposite angles across precise factors of hybridity measurement (McMullen and Warnick 2016). Accordingly, this work challenges traditional perspectives of hybrid

organizations, offering researchers a reason to ask themselves “what kind of hybrid organization are we talking about” in next research chapters of hybrid organizations’ literature.

In general, our study of hybridity in organizations follows researchers in organizational behavior that focus on the evolutionary path of the hybrid condition (R. Hahn and Ince 2016), providing a scale for measuring a hybrid condition that distances further research inquiries from the traditional static investigation of the hybrid condition.

Limits of the work and future directions of this study

Our work presents some limitations. The work uses the context of the B Corp movement to extract the empirical sample of hybrid organizations. As described in Chapter 2, hybrid organizations are heterogeneous, comprising, for example, social enterprises, cooperative, and work integration social enterprises (WISE). Thus, our sample considers only a specific group of hybrids associated to the B Corp movement, aware that other groups of hybrids could have been suitable for our research design. We acknowledge this limitation, so that the next steps of this work propose the introduction of additional studies that help validating our measurement scales.

As a matter of fact, another limitation of this current work refers to the application of the Confirmatory Factor Analysis (CFA) to the same dataset used for the Factor Analysis. Despite the presence of studies adopting similar approaches (Bolzani et al. 2015), extant literature treating measurement scales suggests applying the confirmatory part of the analysis to separated samples to enhance the overall validity of the factors’ model and the validity of the scale (Flatten et al. 2011; Worthington and Whittaker 2006). For these reasons, adopting mechanisms that ensure equivalent jargons and languages (Davidov and De Beuckelaer 2010), we have initiated the replication of the study in the American/Canadian B Corp movement, aiming at testing the scale in a context presenting identical a B Corp legal framework, but with different socio-economic cultures. As far as research in

scale development is concerned (Brown et al. 2015), the validity of scales increases when effectively assessed in alternative samples of different cultures. Moreover, to enlarge the validation of the measurement scale to other typologies of hybrid organizations, we are simultaneously identifying a different sample of hybrid organizations in the Italian context (e.g. Impresa Sociale SRL) to test the scale.

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Chapter 5.

Paper: Pro-social claims in hybrid organizations: a study in conditions of not institutionalized intermediaries

Abstract

This study investigates the enactment of the hybrid condition, assessing the implications of pro-social claims in hybrid organizations. We interpret pro-social claims as the decisions of hybrid organizations to publicly validate their social commitment. Since hybrid organizations mix business and social paradigms in the same entity, this institutional complexity affects the financial sustainability of the firms. Accordingly, some of them make pro-social claims aiming at improving their legitimacy with respect to the general audience. However, others avoid this decision, and prevent the risk that the market misinterprets pro-social claims.

Using a sample of 186 Italian hybrid organizations, we consider the decision to adhere at the B Corp movement as pro-social claims. The B Corp movement is the external intermediary institution through which organizations voluntarily decide to receive a public validation for their social commitment. However, since the B Corp movement is a new framework in its preliminary stage of development, it is validating a very heterogeneous set of corporations across industries, size and levels of social commitment. For these reasons, it lacks a clear identification and it is still considered a not fully legitimated intermediary which may increase information asymmetries between its associated firms and their stakeholders. Our context, thus, allows us to investigate whether and how pro-social claims pay off for hybrid organizations, under conditions of not institutionalized intermediaries.

Our results show that pro-social claims have negative effects on the financial performance of the firms. We also identify specific contingencies under which the negative effects of pro-social claims may be reversed. In context of uncertainty due to not institutionalized intermediaries, the demonstration of *substantial* social commitment over time helps organizations differentiate from others, contrasting the information asymmetry issues with relevant commitment. On the other hand,

the association of *concrete* business outputs to pro-social claims helps the cognitive interpretation of the claim, relaxing information asymmetry issues.

1. Introduction

Organizations mixing social and commercial objectives are a phenomenon increasingly characterizing the traditional market. From an institutional perspective (Thornton 2004), these are hybrid organizations since they blend both profit and non-profit institutional paradigms in the same entity. Hybrid organizations challenge the underlying principles that rule societal sectors, combining values, norms and outputs traditionally separated and contrasting each other's (Mongelli et al. 2017). Accordingly, they operate in situations of institutional complexity (Greenwood et al. 2011), because they violate traditional socially construed categories (Hsu, Hannan, and Koçak 2009). As a result, they incur in the risk of social sanction from a large pool of external actors and institutions, a condition that may exclude them from trades, market competitions, and lead to organizational demise (Battilana, Besharov, and Mitzinneck 2017)

To address this institutional complexity, some hybrid organizations decide to make their social commitment publicly validated, while others do not. We interpret the decisions of hybrid organizations to publicly validate their social commitment as pro-social claims, explained by their perception of need of legitimation from the external stakeholders. Since legitimacy provides organizations with social recognition in the mainstream market dynamics (Kraatz and Block 2008), some hybrid organizations perceive legitimacy shortages due to the difficulties of addressing conflicting demands, so that they act to publicly validate their social commitment to get the general audience acceptance. However, other hybrid organizations may avoid to publicly validate their social efforts, not making legitimacy actions, in order to prevent the risk of exposing their social dimension to severe external judgements that can potentially damage the organization (Carlos and Lewis 2018).

Accordingly, we are interested in understanding whether and how pro-social claims (e.g. the concept that reflects the decisions of organizations to publicly validate their social dimension) affect the financial dimension of hybrid organizations. This linkage is conditioned by the role of intermediaries, a third-party actor whose aim is to audit organizations' social effort. We argue that

the institutionalization of intermediaries is a crucial condition for reducing the information asymmetry between the organizations making the pro-social claims and their stakeholders.

To address our research inquiries, we use a sample of 186 Italian hybrid organizations of which some of them decide to publicly validate their social commitment, while others do not. For the former group, we consider those that made pro-social claims related to the B Corp movement. The B Corp movement is the external intermediary institution through which organizations voluntarily decide to receive a public validation for their social commitment. Despite an increasing number of studies and research interests (Bainoet 2016; Gehman and Grimes 2017; Gehman, Gamble, and Moroz 2018; Grimes, Gehman, and Cao 2018; Moroz et al. 2018; Sharma, Beveridge and Haigh 2018; Siqueira et al. 2018), the extant literature suggests that the B Corp movement is still at its infancy, gathering a very diverse set of organizations in its social and environmental assessment program, and not yet institutionalized as an authoritative third-party audit (Conger et al. 2018). As third-party audits set the benchmark for the interpretation of pro-social claims, when intermediaries are institutionalized and established, the value of pro-social claims increases, and stakeholders trust the information delivered. Conversely, not institutionalized third party audit makes pro-social claims not easily recognizable, enhancing information asymmetry between the firm and the stakeholders (Doh et al. 2010; Fowler and Hope, 2007). Our context, thus, allows us to investigate the effect of pro-social claims in hybrid organizations, under conditions of not institutionalized intermediaries.

Our results show that making pro-social claims related to the B Corp movement negatively affects the financial performance of the firm. Moreover, this result is turned into positive by two mechanisms i) the extent of substantial compliance with the third party audit criteria (e.g. the evaluation of the social and environmental commitment), and ii) the characteristic of concreteness of the business. As far as our boundary conditions, results evidence that making pro-social claims showing *substantial* social commitment helps attenuating information asymmetry issues, evidencing the necessary condition of making reliable and trustworthy pro-social claims in condition of not institutionalized intermediaries to turn the negative effects of the financial performance into positive.

Second, when pro-social claims are associated to business outputs characterized by high degree of concreteness, the visualization of the pro-social claim and its cognitive interpretation are improved so that the information asymmetries decrease, and the negative effects on the financial performance are reduced.

With our paper we intend to shed lights on the fact that hybrid organizations should carefully decide whether making pro-social claims in situations of not institutionalized third-party audits. This work provides novel insights on the conditions determining the survival of hybrid conditions: as they should live through the paradox of mutually addressing conflicting stakeholders' demands (Nicholls 2009; Jay 2013; Battilana et al. 2015; T. Hahn et al. 2018), before making pro-social claims hybrid organizations should be aware that the quest for legitimacy depends on the institutionalization of intermediaries that justify their intended action. Moreover, the paper contributes to the discussion of heterogeneity within hybrid organizations (R. Hahn and Ince 2016): first, entrepreneurs and decision makers differently make sense of the hybrid condition depending on their perception of legitimacy shortages, an interpretation that gets along with the literature that refers to the management of competing internal demands (Battilana and Dorado 2010; Pache and Santos 2013). Second, as extant literature already evidenced a negative relationship between pro-social claims and financial performance (Parker et al. 2017), our reasoning emphasizes the implications of not institutionalized intermediaries to give theoretically-sound explanations to this relationship, with the support of boundary conditions that further stretch the logics we propose.

The following paragraphs are structured as follows. First, we explain the conditions of institutional complexity of hybrid organizations to best understand the reasons for pro-social claims. Second, we dig into the development of hypothesis, and the theoretical reasoning that justify our positioning. Third, we present the sample construction, the B Corp movement, and methodology to conduct our analysis. Fourth, we explain the results and robustness checks. To conclude, discussions and final remarks.

2. Managing the institutional complexity in hybrid organizations: the role of pro-social claims

Hybrid organizations are entities merging socially construed categories that, taken singularly, are conflicting to each other's (Besharov and Smith 2014). In particular, the mix of social and commercial categories makes organizations diverging from the established archetypes of for-profit organizations and non-profit organizations (Ruef and Patterson 2009), posing threats on their inclusion within the social context (Doherty, Haugh, and Lyon 2014). Accordingly, the incongruous condition that hybrid organizations face, leads to a dilemma on how to simultaneously address contrasting stakeholders' needs (Jay 2013) and survive in the social context.

Literature refers to hybrid organizations as facing a paradoxical condition where conflicting but yet interconnected logics live simultaneously and remain over time (Smith and Lewis, 2011). This paradox leads to dilemmas that sometimes paralyze organizations' advancement, and, eventually, cause its demise (Jay 2013; Besharov and Smith 2014).

Accordingly, literature suggests that paradox can't be solved but rather navigated (Cameron 1986; Lewis 2000; Smith and Lewis 2011), with the objective of reducing uncertainties associated to their institutional complexity. To do this, the concept of legitimacy serves to explain what leads certain hybrid organizations to make precise actions for navigating the paradox.

From a managerial perspective, legitimacy is defined as the social inclusion in the system of beliefs, norms, and values (Navis and Glynn 2010). Legitimation and social acceptance are necessary conditions for the organizations' survival and sustainability in the economic system because they increase the flow of vital resource (Kraatz and Block 2008), which are particularly relevant for institutionally complex organizations (Battilana and Lee 2014). Literature reports that legitimation sustains the operability of the organization and makes the firm effectively participating in the mainstream market with access to strategic resources, alliances and better employees (Aldrich and

Fiol 1994; Oliver 1991). Legitimacy is a social construction that generates positive value as long as the organizational behavior is endorsed by external stakeholders.

Accordingly, literature identified that organizations sometimes commit to do specific actions to earn societal support, when they perceive legitimacy shortage or misfit with the social context (Suchman, 1995). Scholars have suggested these legitimacy actions are mostly voluntary (Berrone, Gelabert, and Fosfuri 2009; Perez-Batres et al. 2012), and take the forms of labels, signals, or certifications provided by a third-party audit that publicly validate their social commitment.

Oftentimes, hybrid organizations navigate the paradoxical conditions by making pro-social claims. Following previous literature adoptions, we consider pro-social claims the decision of organizations to publicly validate their respective good environmental and social behavior (Chan, Watson, and Woodliff 2014). When associated to certifications or legal statutes, pro-social claims propose to take the form of category membership in which organizations gain legitimacy (Gehman and Grimes 2017; Conger et al. 2018) through a third-party audit that provides an evaluation of the social effort.

In general, literature adopted a positive approach to publicly disclose organizational practices, being it a condition in which transparency improves the reputation of the firms from stakeholders (Lev 1992; Staw and Epstein 2000) and makes firms better off. In particular, the validation of responsible and ethical practices has been associated to positive stakeholder judgements when it referred to pure commercial organizations (Orlitzky, Schmidt, and Rynes 2003): initiatives such as events with charities, corporate philanthropy and volunteering are endorsed by commercial stakeholders as long as they remained at a project-level (Mcmullen and Warnick 2016), and do not harm the core business. However, when it comes to hybrid organizations, research focused on the consequences of dealing with conflicting logics (Battilana et al. 2015), but provided vague explanations on the consequences for the financial logics by publicly validating the efforts for the social logics. Within the framework of the B Corp movement, Parker et al. (2017) evidenced the short term negative effects of the pro-social claims on the revenues of the firm, without evidencing a

theoretically-sound explanation for their results, and asked for future research inquiries in this direction.

Taking a paradoxical perspective in hybrid organizations (Hahn et al. 2018), literature argues that certain pro-social claims that meet the favor of commercial stakeholder – necessary to survive – over social stakeholders – necessary to achieve their mission –, may exposes hybrid organizations to harsh external judgements (Margolis and Walsh 2003; W. Smith and Lewis 2011). Vice versa, pro-social claims that emphasize social commitment may lead to myopic organizational strategies for the long-term sustainability of the firm (Waddock and Graves 1997).

Accordingly, given this uncertain scenario, we are interested in investigating the consequences of making pro-social claims on the financial dimension of hybrid organizations. To do this, we emphasize the role of institutional intermediaries, which has not been extensively explored yet.

3. The role of institutional intermediaries: information asymmetry issues to explain the effects of pro-social claims on the financial performance of hybrid organizations

The value of pro-social claims for the organizations depend on the capability of the claim to reduce information asymmetry between the firm and the stakeholder, especially when firms such as hybrids should meet high expectations of social impact while accomplishing strong economic results.

As pro-social claims serve to recover the perception of legitimacy shortages, they often took the form of codified information publicly revealed. Accordingly, the more the information disclosed helps stakeholders align with the organization, the better is for organizations' performance. However, as the economic context is not characterized by perfect information, information asymmetries may be an issue for the effectiveness of pro-social claims. For example, when information is not

homogeneously recognized with a common standard of evaluation, high- and low-quality goods can coexist (Akerlof 1970): potential buyers need information to buy quality goods, and the impossibility of ensuring buyers with the required information needed, open the markets to potential entries of low-quality goods.

However, information asymmetries can be reduced through practices involving transparency (Cheung, Jiang, and Tan 2010). Organizations adopt practices of information disclosure of various forms and intensity, but some of them may be not satisfactory (Nayyar 1990). One of the reasons for these inefficiencies is the role of intermediaries. Especially in the context of certification, more than the way the firm exploits the certification per se, is the legitimacy of the third party audit that makes the difference (Doh et al., 2010). Very few studies previously addressed the role of third-party audit in determining the market perception of the firms' external claims (Fowler and Hope 2007).

Stakeholders evaluate the attributes of a firm through the methodology developed by institutional intermediaries (Rindova et al. 2005). Despite some scholars stated that publicly revealing the certification from authorized third-parties should always be beneficial (Sine, David, and Mitsuhashi 2007), recent studies evidenced that third-party audits should be authoritative, rather than simply authorized to do so (Doh et al. 2010). Other scholars confirmed that pro-social claims are valuable for the organization as long as the third-party audit is mandated by state governments (Delmas and Burbano 2011): when the government endorses the third-party audit and mandates specific assessment frameworks, the reputation and the credibility of the third-party audit increases. However, novel frameworks of third-party audits that are neither externally recognized nor mandated by authoritative institutions do not deter the risk of greenwashing of related organizations' pro-social claims.

Since third party audit are institutions whose value is socially construed (Jepperson 1991) and its judgement is useful only after receiving the acceptance from external audience, the legitimation and the recognition of the third party audits define the level of information asymmetry between the organization and its stakeholders. Accordingly, pro-social claims may occur either in frameworks

characterized by third-party audit that are recognized enough to reduce information asymmetry, or in those in which the third party audit is newly established, so that the information asymmetry is higher. To make an example, Doh et al. (2010) recognized that the two most widely adopted third-party audit in guiding investors' asset allocation are the Domini social index and the Calvert social index. They are authoritative institutional intermediaries that define firms' CSR performance. The extent to which firms are included or excluded by the third-party audit, signal respectively reliable or unreliable pro-social claims. The B Corp movement is characterized by weak third-party audit, especially in Italy. Besides the fact that the Italian government did not confer authority to the B Corp movement, literature reports that there is a general ambiguity about the legitimation and value of the 'B Corp' brand, movement and assessment system (Lofft, Maniar, and Rosenberg 2012; Parker et al. 2017).

For these reasons, despite hybrid organizations' perception of legitimacy shortages with respect to certain stakeholder groups lead them to make pro-social claims for matters of reputation and survival (Scott 1995; Suchman 1995), literature asserts that pro-social claims do not necessarily improve the reputation and the performance of firm (Orlitzky, Schmidt, and Rynes 2003; Shen and Chang 2009). In line with the inefficiencies of the role of intermediaries, scholars agree that the decreasing value added of pro-social claims is the great proliferation of statuses, practices, or certification pledging social commitment to firms' stakeholders (Cao, Gehman, and Grimes 2017; Dineen and Allen 2016; Edelman 2011). Literature suggests that the lack of a socially accepted standard makes reliable pro-social claims hard to be distinguished from un-reliable ones. Accordingly, as with institutionalized intermediaries the trustfulness of pro-social claims is ensured by the legitimation of the third party audit (Delmas and Burbano 2011), in context with not-institutionalized intermediaries, the pro-social claims may suffer from the poor establishment of the third party audit.

In addition, even without framing their reasoning around the role of institutional intermediaries of the third-party audit, literature already evidenced that the public exposure in search for legitimation can be risky and ineffective per se, especially for hybrid organizations (W. K. Smith,

Gonin, and Besharov 2013). As hybrid organizations' stakeholders present conflicting demands, the effects of their pro-social claims should not be neared to those of pure commercial businesses. The public exposure of socially responsible initiatives is a pure subjective decision that organizations may consider as a part of its corporate strategy, a *raison d'être*, or just a stand-alone project (Mcmullen and Warnick 2016). Accordingly, the nature of the organizations influences stakeholders' expectations of firms social responsibility claims: previous scholars suggests that a purely commercial firm adopting ethical and responsible practices are favorably considered by its stakeholders (Chan, Watson, and Woodliff 2014; Staw and Epstein 2000). When it comes to social hybrid organizations, the expectations of the claims are higher than just showing off good behavior, so that validating social commitment by not institutionalized third party audits may be detrimental from the perspective of stakeholders' forecasted outcomes.

For this reason, literature refers to “greenhush” to consider the phenomenon of remaining silent or withholding to conform at certain public exposure scheme, especially when organizations fear from the potential judgement of social and environmental activism (Horiuchi et al., 2009). Accordingly, some firms are better off from being hesitant to show-off social commitment or attract the attention to their social endeavors (Bansal and Roth, 2000; Delmas and Burbano 2011; Lyon and Maxwell 2011), especially when regulatory contexts are uncertain.

To sum up, the combination of not-institutionalized intermediaries and the complexity of hybrid organizations are crucial conditions for which the decisions to make pro-social claims do not pay-off. Avoiding public exposure that depicts firms to the risk of external misinterpretation may be better in situation of not-institutionalized third party audit. As this situation increases information asymmetry issues, pro-social claims do not improve the trust from stakeholders, and since hybrid organization should meet higher expectations for their social commitment, the difficulties to homogeneously and clearly give value to the social impact generated may make it more beneficial to avoid the risks of making pro-social claims.

Thus, in contexts of augmented information asymmetries, we hypothesize that actions to publicly reveal social commitment have negative effects on hybrid organizations' performance.

H1: in situations of not institutionalized third party audit, there is a negative relationship between the decision to make a pro-social claim and the financial performance of social hybrids

4. Making pro-social claims based on substantial social commitment in condition of high information asymmetry

When organizations decide to make pro-social claims, the third-party audit may evaluate them differently: accordingly, the assessment may indicate different levels of intensity of the social or environmental effort.

Literature asserts that certain pro-social claims draw additional inquiries to the organizations that could increase the chances of being identified as a “greenwasher” by external stakeholders. As this scenario could damage firm's reputation and financial performances (King 2008; Vasi and King 2012), in condition of augmented information asymmetry due to not institutionalized intermediaries, the association of substantial social commitment to pro-social claims may help attenuating the negative effects of pro-social claims on revenues. Since pro-social claims in situations of not institutionalized intermediaries are not enough to receive the endorsement from the relevant audience, we argue that nearing pro-social claims with stronger social performance improves the overall level and quality of the information disclosed over time, generating better results than organizations making pro-social claims with undistinguished, lower average social performances.

Often times, literature distinguished between highest or lowest levels of pro-social attitudes to identify not just whether organizations are good or not, but to what extent they claim they are better or worse than others (Eccles et al. 2014; Cheng, Ioannou, and Serafeim 2014; Flammer 2013). In

particular, organizations deciding to publicly evaluate their social commitment to increase their reputation, are subjected to the reputation of the third-party audit itself (Parker et al. 2017): in case of uncertainty with respect to the third party audit, claiming to be better than others evidences distinctiveness among those complying to the not institutionalized third party audit.

In pro-social contexts, literature agrees that high levels of social performance positively influence firms' financial performance (Orlitzky, Schmidt, and Rynes 2003; Eccles et al. 2014), and lead more virtuous organizations to attract more financial resources than others (Flammer 2013). On the other hand, scholars asserted that in contexts with uncertain regulatory frameworks limiting the transparency of the assessment process, distinguishing for premium performances makes the organization in a better position to avoid greenwashing penalties (Delmas and Burbano 2011).

For these reasons, in situation of augmented information asymmetry, we propose that pro-social claims associated to substantial social commitment attenuate information asymmetry issues, reversing the negative consequences on the financial side.

H2: in situations of not institutionalized third party audit, receiving a public validation of substantial social commitment attenuates the negative relationship between pro-social claims and financial performance of social hybrids

5. The degree of output concreteness associated to the pro-social claim in condition of high information asymmetry

In situations of not institutionalized intermediaries, as strong social commitment of pro-social claims may turn out to damage the firm, certain characteristics of the business may play a role to make the interpretation of the pro-social claim effective.

We draw on a theoretical conceptualization of concreteness, to explain that pro-social claims are effective when can be recalled to a product-based output of the business. We argue that the concreteness of outputs is a feature that enhances the cognitive interpretation of pro-social claims, and help relaxing high information asymmetry issues.

The concept of concreteness has been investigated mostly in social and cognitive psychology (Rosch et al. 1976; Trope and Liberman 2010) . Extant research in psychology investigating the concept of concreteness within social constructs, evidenced that the communication of concepts associated to concrete representations are better perceived and interpreted by observants (Gibb and Wales 1990). Extant research investigating organizations' semantic structures of information disclosed, focused on its potential relationship with sensory features associated to the external oriented claims (Iliev and Axelrod 2017). Interestingly, researchers evidenced that concepts associated to concrete-sensory outputs present several cognitive advantages because observants can immediately link information disclosed to its precise materialization (Paivio, Rogers, and Smythe 1968) Following psychological literature, when information is disclosed and associated to concrete-sensory outputs, the information asymmetry is reduced, and the counterpart is more able to visualize and understand the information. On the contrary, when the same information disclosed is associated to a lower level of output concreteness (higher abstraction), it is more complicated to cognitively represent certain messages, that are perceived by the observant of a higher-level, or superficial.

Considering our context of investigation, as hybrid use “*business as a force for good*”, the claims of being *good* are connected to the business they conduct. Accordingly, within the same typology of claims, we find heterogeneous business proposition. For example, within the B Corp movement, we find business propositions ranging from consultancy to manufacturing. Several consulting firms decided to align their project management services and its consultancy activities to an overarching set of social objectives: their output is a pure service, and their B Corp claims can be reflected either in the way the service is provided, in the targets of the service itself, or in side social activities implemented ad-hoc. On the other hand, in the same B Corp movement, we may find manufacturing firms whose outputs are concrete products. For example, Davines is a B Corp that aims at spreading *sustainable beauty* through the production of cosmetics with no environmental impact. Its output is a concrete product, and its B Corp claims can be reflected in every bottle of skin-cream they sell. Despite both manufacturing and consulting firms are part of the same pro-social type of claim, manufacturing firms are able to associate their social and environmental contribution to a concrete product that is the real form of firms’ sustainability approaches, while consulting firms find it more difficult to have a clear and concrete representation of their social and environmental contribution within their services.

For these reasons, when organizations make pro-social claims, we hypothesize that the level of concreteness of organizations’ output influences the effectiveness of the claim itself, because concrete outputs help stakeholders’ visualizing the claims, reducing information asymmetries.

H3: in situations of not institutionalized third-party audit, businesses characterized by higher degrees of output concreteness attenuate the negative relationship between pro-social claims and financial performance of social hybrids

6. Data and methods

6.1 Sample construction

For this study, we build our sample by considering the framework of hybrid organizations: we identified hybrid organizations for our sample as for-profit organizations that present a social or an environmental mission, following the definition of the extant literature (Battilana and Dorado 2010).

We considered data starting from the population of Italian for-profit organizations whose mission statement presented social or environmental objectives: Italy has a long tradition of ethical, responsible enterprises that cooperates with the social community (Zamagni 2005; Zamagni 2013), so that we limited our research to for-profit companies within the Italian framework of *Societa a Responsabilita Limitata (SRL)*, *Societa per Azioni SPA*, *Societa Responsabilita Limitata Semplice (SRLS)*, *SPA a socio unico*, *SRL a socio unico*, which defines the juridical boundaries of for-profit organizational activities.

Within this sample, we decided to concentrate on those firms whose pro-social claims referred to the B Corp movement in Italy. We gathered information for 192 hybrid organizations part of the B Corp movement, and 33 hybrid organizations without any special legal status or certification, for a total of 225 organizations.

Within this group of firms, we realized that some organizations were born as a hybrid organization, while others made a transition from pure commercial businesses to hybrid organizations over the years. Accordingly, since we could not control for the precise timing in which the transition occurred, we decided to concentrate exclusively on firms that born with social objectives, in order to have a more consistent and homogeneous sample of hybrid organizations.

Then, the final sample comprises 156 hybrid organizations part of the B Corp movement and 30 hybrid organizations without any special legal status or certification, for a total of 186 organizations

Table 1. Sample construction

	B Corp movement		<i>Total</i>
	Yes	No	
<i>Born hybrid organizations</i>	156	30	<i>186</i>

6.2 The B Corp movement

Despite social hybrid organizations and enterprising with social purposes have a long tradition across various forms, those organizational forms that are related to the B Corp movement exist since a decade (Cao, Gehman, and Grimes 2017). These firms are for-profit corporations that have voluntarily decided to submit to third-party social and environmental audits directed by B Lab, a non-profit organization located in the US. Through its auditing procedure, B Lab creates awareness and legitimacy to the creation of social and environmental value out of businesses while aiming at pushing a general social change in the world of entrepreneurship (Hiller 2013; Woods 2016).

To achieve the B Corp certification, firms must achieve an B impact Assessment (BIA) of at least 80 points out of 200, throughout indicators measuring employees, governance, community and environment. The BIA is taken almost once every two years, in order to grant the continuity of non-financial value creation. As worldwide certified B Corps are 3327, more than half are located in US and Canada, and the rest spread across other 69 countries ([www. Bcorporation.net](http://www.bcorporation.net)). The B Corp

movement born in US in 2007 with 82 certifications, in Italy the certified B Corps are 89 since 2013, as Nativa became the first Italian corporations to get the certification.

Besides the certification, the legal status of Benefit Corporations is available in Italy, Colombia, United States of America and Scotland, and provides a legal protection of the social intentions stated in the statute, with respect to deceiving managers and future shareholders divergences (Zorzi and Lenzi 2018). The status of Benefit Corporations provides legitimacy to the organizations as it communicates the social mission lock-in and the commitment of the governance to the social or environmental objective. Benefit Corporations are not requested to achieve any score on the BIA, so that some of them use it to assess their social and environmental performance. Anyway, just having the legal status generates a 10-point BIA equivalents. In Italy, once the organization gains the legal status of Benefit Corporations, it gains the suffix “SB” or “Società Benefit” in the name of the company. In addition, certified B Corps must gain the status of Benefit Corporations in 2 years after the certification if they want to preserve the certification. Since 2016, legally recognized Benefit Corporations in Italy are around 300.

Accordingly, the Italian B Corp movement offers a pertinent context in which investigating pro-social claims in a newly established third-party audit. Literature agrees that the B Corp movement is currently growing, but previous research scholars confirmed that the BIA is not enough widely adopted and acknowledged by the general audience to consider it as a standardized methodology to assess social and environmental impact (Conger et al. 2018; Grimes, Gehman, and Cao 2018). The B Impact Assessment (BIA) has the privilege of providing a holistic measure of non-financial performance that attempts to answer to the call for a more standardized process of social and environmental impact accountability. However, as the B Corp movement embraces organizations across size, industries, and geography, the BIA misses a clear and straightforward mechanisms that weights across such contextual variables. For these reasons, through a set of interviews, we evidenced that the B Corp movement present ambiguities that harm also organizations that are part of the

movement themselves. The founder of a small company operating as a supplier for the mechanical industry declared: *“I believe in the principles of the B Corp movement, and on the fact that businesses should be a driver for sustainable development. I made several internal adjustments to my routines for accomplishing to the B Corp movement, and I bet that having a score of 85 for my company is different from a score of 85 for a listed company, which can count on an internal set of processes that could be easily adjusted without radically changing their routines.”* Similarly, the founder of a business-to-business company that operates in the pallet industry clearly stated: *“I own a small company, a family business that has a long tradition of ethical and sustainable internal processes for doing businesses. For us, being a B Corp was a natural transition. How could it be that I have to share the membership to the B Corp movement with listed companies that are clearly driven by the stock market mechanisms and short-termism?”*

Accordingly, the B Corp movement presents ambiguities that have been evidenced from their internal members, which refers to lack of clarity. This aspect slows down its establishment as a movement of social-oriented businesses: more precisely, scholars that study the B Corp movement from a legal standpoint criticize the fact that the BIA is a tool pretending to have a legal compliance with regulatory systems concerning impact reporting, but it is too much “inclusive”, ending up with a largely heterogeneous pool of members having distant levels of social commitment. The B Corp movement does not prevent organizations to state that they use the BIA to measure their impact, or that they generate social or environmental impact through their Benefit Corporation legal status, with the results of an unclear and scattered positioning of the organizations part of the B Corp movement with respect to their relevant audience: besides some corporations that promote their certification claiming substantial social and environmental impact generation, others adopt symbolic strategies about the membership, which results in an ambiguous system of norms and values.

6.3 Variables

6.3.1. *Dependent variable*

As the objective of the paper is to understand how actions characterizing the social logics affects the commercial logics, our dependent variable is operationalized through the *revenues*. Social businesses generally struggle to scale up and grow (Dees 2007), and since they should live through the paradox of accomplishing conflicting stakeholder demands, their deliberated social-oriented strategies are able to continuously generate social impact as long as they are supported by financial flows. Accordingly, the implications of social-oriented actions on the organizations' commercial performances are crucial for the long-term sustainability of hybrid organizations. In line with the interpretation of hybrids as organizations that deal between conflicting logics – social and commercial (Battilana et al. 2015, 2016), we considered *revenues* as a measure of performance for the commercial logic. We used the logarithm of the revenues of each organization extracted from 2009 to 2018, which is the widest range of information available. Some organizations are born after 2009, so that extractions of information will cover less years.

6.3.2 *Main independent variable*

Our main predictor – *Pro-social claims* – is a time-variant dummy indicating with the value of 1 the years after the organization decide to make their social dimension publicly recognized through the B Corp movement , and with the value of 0 the years before the decision is taken. The pro-social claim is interpreted as the action for which the organization decide to validate their social commitment through an institutional intermediary. In our research design, the validation of the social dimension is provided by the B Corp movement's Impact Assessment system (BIA).

6.3.3 *Boundary conditions*

The conditions undertaken to further explain our main effects reflect the intensity of the social commitment associated to the pro-social claim and the characteristics of the business proposition

In our analysis, the intensity of the social commitment reflects the social evaluation that the third-party audit provides to the organization: especially in the context of the B Corp movement, extant literature defined it also in terms of the level of compliance to the third-party audit criteria (Parker et al. 2017). To operationalize the intensity of the social commitment, we identify a continuous, time-variant variable taking values between 0 to 1. The variable called *Social evaluation* reflects a measure of saturation that considers the BIA scores provided in each specific year i , being it the ratio of the BIA equivalents provided on the maximum score available (200):

$$Social\ evaluation_i = \frac{BIA\ equivalents\ disclosed_i}{200}$$

For example, an organization that makes a pro-social claim in which the BIA provides a score of 80 in 2015, it would reflect a *Social evaluation* of 0.4 from 2015 until the year in which the BIA score is updated. In general, the higher the score provided, the higher the saturation towards 1, so the higher the substantiality of the pro-social claim. For years before 2015, if the organizations did not receive any score from the BIA equivalents, the *Social evaluation* would be 0.

In addition, if an organization makes a pro-social claim that reflect just the status of Benefit Corporation, the BIA equivalents provide a score of 10 to this firm's characteristics², so that we assigned to this condition a *social evaluation* of 0.05 from the year in which the firms is legally recognized as such, ceteris paribus, and in absence of further BIA equivalents provided. In the years

² We obtained this information from bcorporation.eu

in which firms neither claim any special legal status nor receive any other BIA equivalents, we assign *Social evaluation* of 0.

Then, we identify a continuous, time-variant variable that characterizes the output of organizations' business proposition in terms of its concreteness – *Output concreteness*. The concreteness of the output is the extent to which the organization delivers a materialized product. Following previous literature's scale development to identify features of product concreteness (Johnson et al. 1992; Breivik 1995), the variable takes values ranging from 1 to 10, where 1 reflect organizational outputs that are pure services (e.g. consultancy, asset management), while 10 reflect organizational output such as retail products (e.g. food and beverage, cosmetics). Intermediate scores were assigned to organizational outputs reflecting by-products, or business-to-business activities. We build this variable by checking each organizations' websites, public information available, and firms' business proposition statements. To validate the scale, we triangulated public information with private interviews we arranged with a sub-sample of hybrid businesses involved in our investigation, from December 2019 to June 2020, and with an external, independent evaluator.

6.3.4 *Control variables*

The relationship we aim to test requires a careful assessment. The financial performance of the business could be affected by internal factors or external dynamics, meaning that our dependent variable should include in the model a set of controls for our main relationship.

We include control variables to minimize the effect of omitted variable bias and improve the specification of our model. For our approach, control variables are meant to deepen the understanding of the relationship between pro-social claim and the financial performance of the business.

First, we include a variable that captures the sensitivity of the industries towards social and environmental outcomes – *Industry social sensitivity*. Extant literature previously adopted metrics for the assessment of industry technological sensitivity (Cassar 2014). To our knowledge, this is the first

attempt to categorize industries depending on their inner contributions to social or environmental issues. Accordingly, we sort from 1 to 15 micro categorization of industries³, going from low sensitivity (1) to high sensitivity (15), and triangulated scores with an external, independent evaluator to define the final assessment.

Second, we include variables characterizing the organization: one indicating the number of employees – *Employees* –; and one indicating the age of the firm – *Maturity*. Table 2 provides an overview of the whole set of variables.

Third, as previous financial performance might predict future ones, we included the lagged value of the dependent variable.

Fourth, we acknowledge that region-fixed effects help avoiding cross-observation correlations and time-related shocks from our models (Roodman 2009), so that we included a variable distinguishing among North, Central and South of Italy geographical localization.

Table 2. Descriptive statistics of the dataset

Variable	Obs	Mean	Std.Dev.	Min	Max
Pro-social claims	1032	.343	.475	0	1
Industrial social sensitivity	1032	8.029	4.091	1	15
Social evaluation	1032	.075	.166	0	.738
Output concreteness	1032	3.767	3.19	1	10
Employees	1032	53.348	220.469	0	3536
Maturity	1032	9.408	10.839	0	60
Regional Area	1032	1.912	.6	1	3

³ According to Bureau Van Dijk’s framework, we identified 15 industrial sectors reported with their respective social and environmental sensitivity score: Finance (1); Distribution (2); Manufacturing (3); Technology (4); Tourism (5); Consulting (6) Research (7); Other (8); Utilities (9); Food (10); Health (11); Energy/Renewables (12); Education (13); Hospital (14); Social Integration (15)

6.4 Econometric specification

We conduct a panel data analysis of 769 hybrid organizations-year observations over the years 2009-2018. As our data on financial performance of the business may be subject to auto-correlation (i.e., the revenues in year t is dependent on the revenues in $t-1$), we adopted an iterative generalized method of moments (GMM) estimator (Wooldridge 2016). GMM models are useful in cases of panel dataset with limited number of periods (Bascle 2008), and are designed to assess i) linear functional relationships ii) a left-hand-side variable that depends on its own past values, so it is dynamic; iii) right end variables that are not all exogenous, meaning some of them should be correlated with past and possibly current error terms; iv) fixed individual effects (Roodman 2009).

Our models investigate the relationship between decision to make pro-social claims and financial performance, so that we require GMM estimator to consider the influence of past revenue levels on current revenue levels, and to account for the introduction of independent variables and control variables not strictly exogenous. We adopted a system GMM rather than a difference GMM because we simultaneously included in the model firm-fixed effects and time-invariant firm-level variables. In this perspective, the coefficient for time invariant firm-level variables are considered (differently from difference GMM estimation), and do not condition the coefficients for the other independent variables. This method tackles the concern of predetermining the dependent variable by including the lag of the dependent variable – *revenues* ($t-1$) – as an independent predictor, and allowing presence of instruments unrelated with the fixed effects.

In addition, our main dependent variable—*revenues*—is potentially endogenous, as pro-social claims may be part of commercial strategies of hybrid organizations. We manage this issue by identifying two time-variant, exogenous variables, that may predict pro-social claims without being

associated to the firm's financial performance. The first instrumental variable is *Women ratio*, a time variant, continuous variable ranging between 0 and 1, that measures each year the extent to which women populate the whole set of C-levels in each corporations. Recent literature evidenced a positive relationship between women entrepreneurs and pro-social claims (Grimes, Gehman, and Cao 2018) business-women and pro-social actions represent a linkage that explain the attitude to "lean-in" in social or environmental cause more than business-men, acting as a crucial driver of social change (Duflo 2012; Zhao and Wry 2016). More specifically, scholars emphasized the aspects of women to actively participate in pro-social actions in order to distinguish from stereotypes related to entrepreneurial gender issues (Gehman, Gamble, and Moroz 2018). The second instrumental variable is *Regional events*, a time variant, continuous variable, that counts pro-social claims of the B Corp movement within the geographical region in which an organization is established, in order to capture potential effects of proximities and localized diffusion. As extant literature in certification diffusion evidenced the concentration in clusters (Franceschini et al. 2010), spatial proximity is a driver that makes localized adoption more likely than random adoptions.

In our models, we treated the variable *year* as exogenous. The variable *revenues (t-1)* is treated as endogenous, and all the remaining ones are considered as predetermined (Roodman 2009). We considered robust standard errors, orthogonal deviations to control for some gaps in the panel, and small function to control for relatively small sample of observations.

7. Analysis

Table 3 shows the pairwise correlations for the variables included in our main specification: the results do not evidence any concern about possible multicollinearity. Table 4 exhibits the regression results for the analysis. Model 1 presents the regression results for our main effect. Model 2 presents the regression results with the interaction of the variable *Social evaluation* on our main effect. Model 3 shows the regression results with the interaction of the variable *Output concreteness* on our main effect. Model 4 exhibits the fully specified model.

Table 3. Correlations

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)
(1) Pro-social claims	1.000						
(2) Social evaluation	0.535*	1.000					
(3) Output concreteness	0.016	0.059*	1.000				
(4) Industry social sensitivity	-0.176*	-0.109*	-0.213*	1.000			
(5) Employees	-0.118*	-0.079*	-0.016	0.217*	1.000		
(6) Maturity	-0.264*	-0.027	0.099*	0.268*	0.107*	1.000	
(7) Regional Area	-0.020	-0.110*	-0.015	0.029	0.169*	0.048	1.000

* shows significance at the 0.1 level

Table 4. Models

	Model 1	Model 2	Model 3	Model 4
	DV: Revenues	DV: Revenues	DV: Revenues	DV: Revenues
Revenues (t-1)	0.593*** (0.116)	0.505*** (0.112)	0.601*** (0.114)	0.579*** (0.115)
Output Concreteness	-0.243 (0.301)	-0.459 (0.382)	-0.275 (0.310)	-0.312 (0.317)
Industry social sensitivity	-0.0906 (0.142)	-0.0743 (0.203)	-0.0857 (0.142)	-0.105 (0.146)
Regional Area	1.847 (1.423)	1.675 (1.614)	1.928 (1.424)	1.940 (1.444)
Maturity	0.0378 (0.0489)	0.0326 (0.0596)	0.0352 (0.0484)	0.0334 (0.0510)
Employees	-0.000269 (0.00180)	0.00484 (0.00453)	-0.000574 (0.00181)	-0.000441 (0.00188)
Social evaluation	1.330 (1.028)	-0.651 (1.392)	1.230 (1.017)	-1.259 (1.327)
HP1 Pro-social claims	-0.996* (0.433)	-1.665* (0.750)	-1.314** (0.453)	-1.638** (0.591)
HP 2 Pro-social claims x Social evaluation		4.337+ (2.296)		3.137+ (1.881)
HP3 Pro-social claims x Output Concreteness			0.0912+ (0.0469)	0.0855+ (0.0492)
_cons	0 (.)	2.401 (2.935)	0 (.)	0 (.)
N	769	769	769	769
Hansen's J p	0.579	0.311	0.295	0.236

Standard errors in parentheses; + $p < 0.10$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Model 1 shows a negative and significant effect of the *Pro-social claims* ($\beta = -0.996, p < 0.05$) on firm's revenue. Hypothesis 1 is thus supported. Also, Model 1 signal a positive and significant effect of firm's past revenues ($\beta = 0.593, p < 0.01$).

We also argue that the negative effect of *Pro-social claims* on firm's revenue may vary depending on the *Social evaluation*. Accordingly, Model 2 suggests that higher social evaluation in situations of not institutionalized intermediaries over time turn positive the effects of pro-social claims on revenues ($\beta = 4.337 p < 0.1$). Hypothesis 2 is then supported. These results confirm that, when third party audits are not institutionalized, pro-social claims are not enough for gaining legitimacy. Organizations that achieve distinctiveness and make substantial pro-social claims within the third-party social evaluation find a way to neutralize the negative effects of not institutionalized intermediaries.

Model 3 tests whether the relationship between pro-social claims and revenues is influenced by the characteristics of the business's outputs. Results suggest that the effect of pro-social claims on revenues turn positive for high level of firm's *Output concreteness* ($\beta = 0.086, p < 0.1$). This suggests that those social hybrids whose outputs are more concrete benefit more than those more service oriented. These results confirm that, despite the downsides of not institutionalized intermediaries, output concreteness allows the relevant audience to build the boundaries of the business's impact and hence enhances the cognitive interpretation of the pro-social claim. Hypothesis 3 is thus supported.

Model 4 presents the fully specified model, in which both moderators are included, and results confirm previous findings.

As regressions allow to assess the significance of a moderating variable through the evaluation of the sign and the p value of the coefficients, ultimate methodological advancements require a deeper statistical investigation (Ai and Norton 2003; Greene 2010). Accordingly, Greene (2010) proposed a graphical evaluation of the models testing hypothesis with an interaction term. Thus, we draw on the marginal effects at specific values of the variable, and plotted the results accordingly (Benton 2017;

Martinez, Cummings, and Vaaler 2015; Grimes, Gehman, and Cao 2018; Fini, Grimaldi, and Meoli 2020).

We computed the marginal effect of our moderating variables on the revenues depending on whether pro-social claims occurred or not. The analysis suggested that the *Social evaluation* and *Output concreteness* increase the revenues for social hybrids making pro-social claims.

Figure 1 presents the values of *Social evaluation* variable in the x-axis. The y-axis pictures the predicted values of the revenues of hybrid organizations. The figure reveals that the revenues of hybrid organizations increase for those making the pro-social claims with increasingly substantial social evaluation. Thus, Hypothesis 2 is supported.

Figure 2 presents the values of *Output concreteness* variable in the x-axis. The y-axis identifies the predicted values of the revenues of the firm. The figure shows that when *Pro-social claims* are associated to higher levels of *Output concreteness*, the performance of hybrid organizations increases more than those who do not make claims. Thus, Hypothesis 3 is confirmed.

Figure 1. Comparison of the moderating effects for Hp2

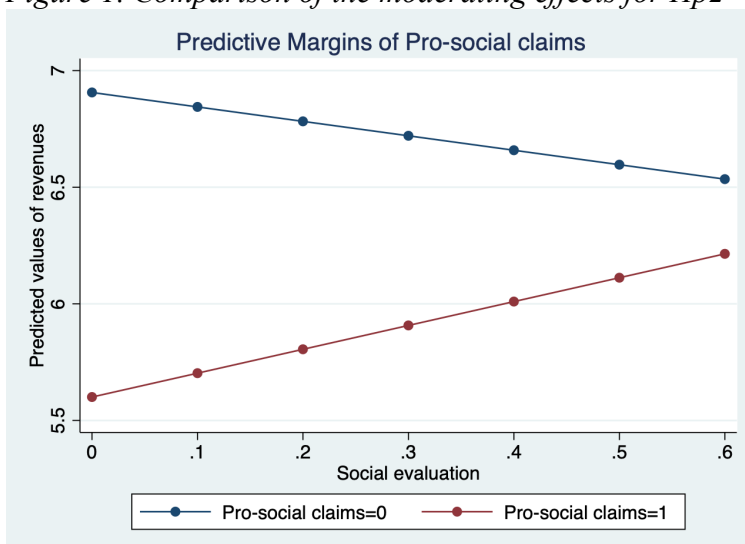
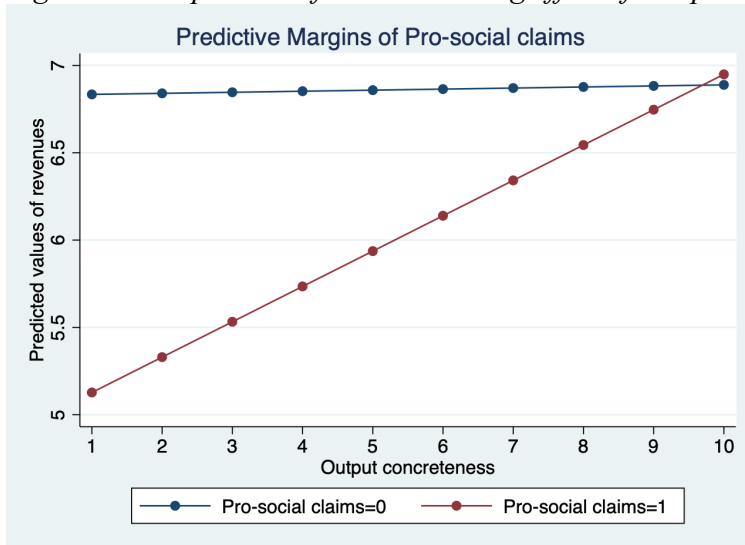


Figure 2. Comparison of the moderating effects for Hp3



8. Robustness checks

In this section, we try to test the robustness of our outcomes. We rely on extant literature advancements to assess the reliability of our results through visual evidences, especially to interpret the influence of moderating terms. Considering the specificity of our analysis, the methodological literature on GMM models suggest some procedures, even though experts in the field still present contradicting opinions.

First, the econometric specification follows the procedures indicated in literature to manage endogeneity issues. The instruments are required to be exogenous from a theoretical perspective (Bascle 2018), and some researchers started relying on Hansen's J statistics test to additionally assess the exogeneity of the instruments. Accordingly, besides having provided a theoretical argument, our analysis reflect p-values respectively of 0.579, 0.311, 0.295, 0.236 for Models 1, 2, and 3, 4, which are generally acceptable values. However, literature suggests not to take Hansen's J statistics too

faithfully since scholars still disagree on the thresholds determining the reliability of the analysis (Roodman 2009). However, according to Roodman (2009), the ratio identifying the number of instruments on the number of groups is an alternative rule of thumb that can help assessing the reliability of variables with respect to the models. The ratio should be lower than 1 in order to make the model fitting: our analysis throughout models present a ratio of 0.29, satisfying such condition.

Second, as Arellano and Bond (1991) found that their test is more punctual than Hansen's to assess the reliability of the model, and to identify invalid instruments for issues of autocorrelation, we evidenced levels of p-values generally lower than 0.05 for the Arellano-Bond tests (AR (1)) across all models (Arellano and Bond 1991). Thus, the test evidences no issues of autocorrelations.

Third, we include in our analysis a set of time dummies in order to avoid cross-observation correlations and time-related shocks from our models (Roodman 2009).

Fourth, the construction of variable *Output concreteness* was possible also with the support of an in-depth analysis of interview materials conducted between December 2019 and June 2020 on a sub-sample of 17 hybrid organizations: data gathered from interviews helped validating the scale.

Fifth, we repeated the analysis substituting the variable *Output concreteness* with a categorical variable named *Sector* which consider i) industrial ii) services ii) commercial sectors of organizations. Results explain a negative and significant effect of service sectors with respect to commercial sectors, confirming the results of our theoretical interpretation.

Sixth, we provided additional analysis to better understand the meaning of our results: in an unreported model, we tested whether *Output concreteness* moderates the relationship between *Social evaluation* and the *revenues*. The model is stable – AR(1) p value: 0.026; Hansen's J p value: 0.293 – and evidences that *Output concreteness* positively influences the relationship between *Social evaluation* and *revenues* ($\beta = 0.281$, $p < 0.05$). This result confirms that in context of augmented information asymmetries due to not institutionalized intermediaries, *Output concreteness* and *Social evaluation* mutually reinforce firms' performance and are reliable antidotes that simultaneously reverse the negative relationship between *Pro-social claims* and *revenues*. Interestingly, this result

suggests further research inquiries on how firms can gain from high levels of social impact even in contexts with not legitimated social impact assessments.

9. Discussion

The findings of our work evidence that pro-social claims have to be carefully considered in complex institutions such as hybrid organizations: the sensemaking of legitimacy shortages lead hybrid organizations either to make claims, or to withhold actions. According to our results, as their paradoxical situation exposes any hybrids' actions to high risk of misunderstanding with conflicting stakeholders, pro-social claims eventually lead to negative hybrid organizations' performances. These results are in line with some of the recent studies that highlight the theoretical conceptualizations of strategic silence and "greenhush" (Carlos and Lewis 2018), whereas organizations do not disclose the embeddedness with certain categories because of the fear of hypocritical judgements from external stakeholder. As literature in hybrid organizations rarely addressed the implications of pro-social claims, we contributed by explaining that the exposure of social commitment may be very threatening for hybrids. Nevertheless, we provide explanations that the effectiveness of the claims depends on the institutionalization of the third-party audit: as the B Corp movement reflect a not legitimated intermediary, pro-social claims suffer from systematic augmented information asymmetry. Accordingly, we identified two conditions that makes pro-social claims better off in situations of augmented information symmetries.

First, we evidenced that the more pro-social claims show high levels of commitment over time, the better the effects on firms' performance. These results respond recent scholars' demands for possible explanations to the negative effects of B Corp certifications on firms' growth (Parker et al. 2017): even though pro-social claims may signal better social performances than others, when they are framed in not institutionalized third party audits, our results evidence that pro-social claims need to carry high levels of social commitment over time, confirming that substantial legitimacy actions

make hybrids better off (Ashfort and Gibbs 1990), also in situations of increased uncertainty. The B Corp movement is not institutionalized enough to make its information fully trusted, so that improving the quality of the claim by disclosing high social commitment attenuate the social sanctions.

Second, we give further explanations to the negative relationship between pro-social claims and financial performance, evidencing that businesses characterized by concrete outputs reverse the downsides of information asymmetries, making pro-social claims more effective. Building on the theoretical implications of concreteness on the capability to cognitively interpret disclosed information (Iliev and Axelrod 2017), our results evidence that when pro-social claims are associated with higher level of output concreteness, it reduces uncertainty of the claims and the risk of misunderstanding. Accordingly, the paper contributes to the legitimacy theory by linking the effectiveness of actions for gaining legitimacy to a cognitive process of concreteness: since concreteness is a social psychological construct that favor comprehensibility and recall (Sadoski, Goetz, and Fritz 1993), our results confirm that legitimacy requires tangible recalls to be earned. More specifically, organizations' seek for legitimacy is more effective when it can be cognitively associated to sensory-based recall. Thus, in the process for which hybrid organizations navigate paradox through pro-social claims, we add that the gain of legitimacy – in uncomfortable conditions of high information asymmetries – is more effective when it can be associated to concrete representations.

Moreover, the paper gives more vigor to the debate on the heterogeneity of hybrid organizations (R. Hahn and Ince 2016), adopting a framework that considers the role of intermediaries for explaining how to address the risks of a hybrid condition, and the consequences deriving from the variety of the decisions. This paper fills the void of lack of empirical investigation in hybrid organizations' context (Bruneel et al. 2016), using a hand-collected sample that operationalize an emerging and increasingly adopted setting such as that of the B Corp movement.

From a practical perspective, the paper advances managerial implications that could be specifically adopted by the B Corp movement: aware of extant literature investigating this fields (Gehman and Grimes 2017; Siqueira et al. 2018; Moroz et al. 2018), we propose that since the third-party audit is still at its infancy, businesses should carefully manage the disclosure of information in case they do not reflect above-average social contributions, and depending also to the characteristics of their business output.

Finally, the paper proposes future research to focus on the under-investigated role of intermediaries in order to better understand the conditions through which firms can gain from pro-social claims. Especially in context of not institutionalized intermediaries, such as that of B Corp movement, future scholars may be willing to understand the motivations that lead complex institutions such as hybrid organizations to comply to not institutionalized third-party audit for seeking external legitimacy.

Limits of the work and future directions

The work may be subjected to further improvements with respect the endogeneity issues of the econometric model. Despite the study treats endogeneity adopting instrumental variables presenting both conceptual and empirical validity to ensure the exogeneity of instruments with respect to the dependent variables, additional improvements to the model may be requested (Bascle 2018). Although this study represents, to our knowledge, one of the first examples of longitudinal analysis with respect to the B Corp movement, the sample adopted is not particularly vast, and could be improved in order to make results more solid. From a theoretical standpoint, this version of the paper lacks theoretical strengths with respect to the literature of hybrid organizations. Accordingly, through a series of additional interviews and investigations, we reconsidered the B Corp movement as a context to investigate pro-social organizational categories with ambiguity traits (Durand and Paoletta 2013; Lee, Hiatt, and Lounsbury 2017), whose members are unidentified prototypes, furthermore

across industries, size and social commitment. Accordingly, the work initiated a process of theoretical revision that considers the literature of legitimacy and that of organizational categories. As several hybrid organizations look for recognizable affiliations to be legitimated, we are observing that most of them are taking part of very heterogeneous categories. Scholars overlooked the implications of becoming members of organizational categories whose prototyping system of values and norms is not clear. Drawing on recent works treating the memberships to pro-social organizational categories as a mechanism to seek legitimation, we revised this study by investigating the consequences of seeking legitimacy through becoming member of pro-social organizational categories whose meaning is yet ambiguous and unclear. An updated version of this work targets the Journal of Business Venturing (JBV), and is available upon request

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Chapter 6.
Conclusions

This dissertation aims at expanding extant research on hybrid organizations, shedding lights on the various facets of the hybridization processes occurring in for-profit organizations through three papers. Besides explaining and justifying the heterogeneity of hybridity in businesses, the dissertation contributes with a measurement scale for the hybrid condition of organizations, and understanding whether the enactment of the hybrid condition through the external legitimation of the social commitment pays-off for social hybrids.

By conceptually framing hybridity as a condition internally determined by processes of sense-making of the social logic, and externally manifested with legitimacy actions of pro-social claims, in the conceptual paper in Chapter 2 we provide a holistic characterization of the different features and facets of hybridity in organizations. Accordingly, this dissertation investigates hybrid organizations covering not only input, but also output perspectives: as a matter of fact, the paper in Chapter 4 provides a tool to measure a hybrid condition, and the paper in Chapter 5 evidences the mechanism for which hybrids can be better-off in traditional market dynamics. Thus, the dissertation completes extant academic efforts mostly focused on just the internal processes for which hybrids should be internally structured to balance profit and non-profit objectives.

To address the empirical part characterizing Chapter 4 and Chapter 5, in Chapter 3 we present the research setting. We exploited primary and secondary data sources, developing a unique survey that targeted a specific and emerging context of Italian hybrid organizations – the B Corp movement –, conducting semi-structured interviews with several entrepreneurs and managers living the hybrid condition, and being able to hand-collect extensive longitudinal financial data on mostly unlisted organizations. Thanks to a partnership with Assobenefit – the entity that oversee the network of the Italian organizations part of the B Corp movement, from Bureau Van Dijk, and Nativa – the consulting company that takes the role of Italian hub for the worldwide B Corp movement –, we

collected exclusive information on the Italian B Corp movement. Accordingly, this research tackles under-exploited empirical contributions to the field of hybrid organizations.

Thus, the three main papers respectively at Chapters 2, 4, and 5 evidence three main research outputs. The first one is a conceptual framework that tackles the lack of extant conceptualizations with respect to the heterogeneity in hybrid organizations. The second one, helps figuring out the factors that allow to assess the level of hybridity in for-profit organizations: through the analysis of data collected from the questionnaire, we were able to identify 4 pillars from a set of 22 tools characterizing the measurement scale for the hybrid condition, and 2 clusters of ideal hybrid organizations. The third output exploits data gathered from secondary sources, and shows that enacting the hybrid condition by seeking legitimacy through pro-social claims – the decision to adhere to B Corp movement – has negative effects on the revenues of the firm. Considering that the B Corp movement is a third-party audit at the beginning of its development process, not yet institutionalized, we explored the consequences of enacting the hybrid condition in contexts of uncertainty and high information asymmetries. Accordingly, we were able to evidence a mechanism solving such uncertainty: substantial social commitment and high levels of output concreteness reverse the downsides of externally communicating social commitment in context of augmented information asymmetry.

In general, this research contributes to the literature of hybrid organizations, providing an enlarged view of the concept of hybridity, for which we identified simple instruments for measuring hybridity in multiple contexts, and the conditions that makes a hybrid organization navigating the mainstream market effectively, offering more dynamic interpretations to the extensive but static discussions on hybridity in management and organizations literature.

