Changing Constellations of Hybridity Through the Phases of Sustainable Business Model Innovation

Greco, Angela

DOI
10.5465/AMPROC.2024.54bp

Publication date
2024

Document Version
Final published version

Published in
Academy of Management Proceedings

10.5465/AMPROC.2024.54bp

CHANGING CONSTELLATIONS OF HYBRIDITY THROUGH THE PHASES OF SUSTAINABLE BUSINESS MODEL INNOVATION

ANGELA GRECO[1,2]
[1]Delft University of Technology, Management in the Built Environment
Julianalaan 134, 2628 BL Delft
[2]TNOVector, Centre for Societal Innovation and Strategy
Anna van Buerenplein 1, 2595 JE DA The Hague

ABSTRACT

Through a 2-year ethnographic study at a Dutch social housing association introducing an energy-neutral house as a new product, I investigate the key stages and enabling mechanisms for a sustainable business model change in which the social and environmental goals conflict. The data reveal that the mechanisms responsible for organizational inertia, in its conventional (negative) connotation, may, in fact, enable the intended positive and enduring social and environmental goals over time.

INTRODUCTION

Impact-driven organizations, from non-profits to social enterprises, are at the forefront of managing the dual pressures of societal mission and financial feasibility (Ebrahim, Battilana, & Mair, 2014). As they grapple with increasingly complex and diverse societal issues, including the United Nations' Sustainable Development Goals, these organizations face a crucial challenge: How can they innovate their business models to embrace multiple and conflicting environmental and societal goals without compromising their core purpose? This challenge is at the heart of organizational hybridity –a model where organizations blend public, private, and voluntary sector strategies to maximize positive social impact (Battilana & Dorado, 2010). To thrive in this dual goal, hybrids are uniquely capable of balancing conflicting demands, particularly the tensions between financial survival and societal mission (Battilana & Lee, 2014) also known as the business-society paradox (Pamphile, 2022). Recent shifts in global sustainability goals have introduced new dynamics to these tensions, pushing hybrids to evolve and innovate their business model to address diverse societal goals simultaneously, shifting from duality to plurality (Ocasio & Radoynovska, 2016; Laasch, 2018). Yet, literature on business model innovation for sustainability (BMIfS) in the context of hybridity presents a contradictory view: while some suggest that organizations addressing sustainability are poised for innovative transformations (Gamble, Parker, & Moroz, 2020; Weissbrod & Bocken, 2017), others point out the inherent difficulties in maintaining the delicate balance of hybridity (Battilana and Dorado, 2010; Ramus & Vaccaro, 2017), highlighting their reluctance to change and innovate (Grimes, Williams, & Zhao, 2020). This study seeks to unravel this contradiction. By analyzing how and why BMIfS

10.5465/AMPROC.2024.54bp

occurs within hybrid organizations, I explore the enabling and hindering factors that influence whether these organizations can innovate while retaining their hybrid nature over time. Through an ethnographic study, I analyzed how and why BMIfS occurred, observing how it unfolded and which factors emerged that enabled or hindered its maintenance over time.

THEORETICAL BACKGROUND

Sustainable business model innovation and tension multiplicity

The theory of complex business models that tackle simultaneous contradictory tensions has traditionally been structured around improving competitive advantage (Smith, Binns, & Tushman, 2010). Such studies regard business model innovation for the sake of profit maximization. Contrarily, organizations engaging in business model innovation for sustainability (BMIfS) seek to position sustainable development at the core of the firm (Stubbs & Cocklin, 2008) as opposed to a merely philanthropic or corporate social responsibility effort. BMIfS's normative requirements suggest that the value proposition should provide both ecological and social value, as well as economic value through products and services (Boons & Lüdeke-Freund, 2013). In this process, organizations transform to embrace sustainability tensions emerging among financial, environmental, and social demands (Hahn, Pinkse, Preuss, & Figge, 2015). The body of empirical studies enriching the field of BMIfS grew largely from the assumption that for existing organizations, business model innovation sought to enable change from the first paradigm –increasing competitive advantage for the sake of profit– to the second one –creating value for sustainable development (Roome, & Louche, 2016). Organizations with social value as their core mission –like hybrids– require substantially different mechanisms for BMIfS, having structured their business model for duality (Huybrechts, & Haugh, 2018; Weerawardena, Salunke, Haigh, & Mort, 2019). Such duality is instrumental in addressing societal changes such as climate change or persistent poverty (Greco, Long, de Jong, 2021). Previous research mainly investigated how organizations sustain hybridity in the short term (Jay, 2013), while fewer contributions address this issue in the long term (Smith, & Besharov, 2019). Yet, these contributions overlooked the increasing logic of plurality (Ocasio & Radoynovska, 2016; Laasch, 2018). The literature documenting plurality is in its infancy (Castellas, Stubbs, & Ambrosini, 2019). It largely regards multiplicity of goals as something expected by the organization's external environment, including stakeholders' pressure (Mitchell, Weaver, Agle, Bailey, & Carlson, 2016), or legal and governmental prescriptions at the institutional level (Mair, Mayer, & Lutz, 2015). While these motives can co-exist, I argue that they are not the only reason hybrids are plural. As the case organization shows, internal organizational mechanisms, which the process of BMIfS can fuel, can occur within the organizational boundaries and not necessarily be maintained as a result of external demands.

10.5465/AMPROC.2024.54bp

RESEARCH CONTEXT AND METHOD

Given the exploratory nature of the research question, I use a 2-year longitudinal case study approach adopting the ethnographic method (Van Maanen, 2011). This time frame allowed for a strong process ontology to study the emergence, development, and growth (Langley et al., 2013) of BMIfS over time. A strong process ontology considers things subordinated to and constituted by processes (Chia & Langley, 2004; Van de Ven & Poole, 2005). The case organization consists of a Dutch housing association, which is an exemplary, institutionalized, and well-established type of hybrid organization (Nieboer & Gruis, 2016; Greco & de Long, 2022). This case presents specific characteristics that make it an interesting case to explore BMI in hybrid organizations. Firstly, in 2015, this housing association set an ambitious target to achieve energy neutrality for its entire portfolio of 20,000 houses by 2030, which is 20 years earlier than the national target. Secondly, given the social housing market in the Netherlands, housing associations do not compete with each other. This is due to the fact that social housing users cannot choose between housing associations unless they relocate to a different area. Hence, the new product was not driven by market demand or supply, which is unusual for successful green innovations (Horbach, Rammer, and Rennings, 2012).

RESULTS

Phases of Business Model Innovation for Sustainability

Focusing on how the environmental target had been induced and maintained, the data indicated that a movement for environmental change had already begun before setting the energy-neutral target. Upon further analysis, it became evident that despite opposing forces, this movement was unstoppable. I identified three fundamental stages of BMIfS. The first stage was the ‘induction stage’. In this stage, the analysis of the BMIfS revealed the central role of Alpha’s CEO. The second stage that surfaced was characterized by ‘resistance’. In this stage, departmental conflicts were motivated by the need to sustain their social mission and widespread resistance to change. Tensions among financial survival, environmental sustainability, and the original social mission became salient among the employees (Hahn, et al., 2015). Yet, the organizational resistance was insufficient to stop the induced changes. Despite the internal conflicts and the inertia shown by the different departments, the changes imposed in value creation, capturing, and delivering due to the BMIfS were supported going forward, even after the CEO’s departure. At the same time, these conflicts and inertia seemed instrumental in balancing the inherent tensions around BMIfS by ensuring that the overall value creation would not diverge from the social mission while simultaneously ensuring environmental and financial sustainability. The predominant regime of inertia seemed to have fueled momentum for maintaining and continue pursuing BMIfS. This, in turn, assured that hybridity was maintained despite the turbulence brought by the process of BMIfS. Through these phases, the balance

between social mission and financial survival, which remained stable for decades, appeared compromised at specific times and in specific instances, but not in others. For example, compromised at the project level but maintained at the portfolio level.

DISCUSSION

The main contribution of this study is twofold. Firstly, it contributes to the literature on BMIfS concerning organizational hybridity (Weerawardena et al., 2019) by investigating the intra-organizational mechanisms involved in the process of BMIfS in a situation of a plurality as opposed to the most commonly documented one of duality (Jay, 2013; Smith & Besharov, 2019). Few empirical studies have adopted a strong process ontology, as they largely study BMIfS mechanisms and relationships between tensions as snapshots in time, rather than through a processual lens. Empirical studies adopting a process perspective have surfaced the role of external networks and the role of leadership in initiating collaborations to facilitate the BMIfS process (e.g., Roome, & Louche, 2016), but did not do so focusing on organizational hybridity (Mitzinneck & Greco, 2021). Secondly, this study contributes to the organizational change literature on inertia (Hannan & Freeman, 1984; Kelly & Amburgey, 1991) by answering the calls for a more empirical understanding of inertia and its relationship to sustainability changes at the organizational level (Stål, 2015). More specifically, this research surfaced the role of organizational inertia in maintaining BMIfS over time without structurally compromising the hybrid nature of the organization. This study challenges the previous conceptualization of inertia as a negative force hindering BMI (e.g., Huang, Lai, Lin, & Chen, 2013; Yu, Hao, & Wang, 2020; Xie, Fang, Zeng, & Huo, 2016), suggesting that in the specific context of hybrids, inertia is instrumental in navigating the tensions around maintaining BMIfS efforts while sustaining organizational hybridity.

REFERENCES

Battilana, J., & Dorado, S. (2010). Building sustainable hybrid organizations: The case of commercial microfinance organizations. **Academy of Management Journal**, *53*(6), 1419–1440. https://doi.org/10.5465/amj.2010.57318391

Battilana, J., & Lee, M. (2014). Advancing research on hybrid organizing–Insights from the study of social enterprises. **Academy of Management Annals**, 8(1), 397-441.

Boons, F., & Lüdeke-Freund, F. (2013). Business models for sustainable innovation: state-of-the-art and steps towards a research agenda. **Journal of Cleaner production**, 45, 9-19.

Castellas, E. I., Stubbs, W., & Ambrosini, V. (2019). Responding to value pluralism in hybrid organizations. **Journal of Business Ethics**, 159(3), 635-650.

Chia, R., & Langley, A. (2004). The first organization studies summer workshop: Theorizing process in organizational research. **Organization Studies**, 25(8), 1486.

Deeds Pamphile, V. (2022). Paradox peers: A relational approach to navigating a business–society paradox. **Academy of Management Journal**, 65(4), 1274-1302.

Ebrahim, A., Battilana, J., & Mair, J. (2014). The governance of social enterprises: Mission drift and accountability challenges in hybrid organizations. **Research in Organizational Behavior**, *34*, 81–100. https://doi.org/10.1016/j.riob.2014.09.001

Gamble, E. N., Parker, S. C., & Moroz, P. W. (2020). Measuring the integration of social and environmental missions in hybrid organizations. **Journal of Business Ethics**, 167, 271-284.

Greco, A., & Long, T. B. (2022). Towards Sustainable Cities and Communities: Paradoxes of Inclusive Social Housing Strategies. In **World Scientific Encyclopedia of Business Sustainability, Ethics and Entrepreneurship** (pp. 113-135).

Greco, A., Long, T., & de Jong, G. (2021). Identity reflexivity: a framework of heuristics for strategy change in hybrid organizations. **Management Decision**, 59(7), 1684-1705.

Grimes, M. G., Williams, T. A., & Zhao, E. Y. (2020). Beyond hybridity: Accounting for the values complexity of all organizations in the study of mission and mission drift. **Academy of Management Review**, *45*(1), 234-238.

Hahn, T., Pinkse, J., Preuss, L., & Figge, F. (2015). Tensions in corporate sustainability: Towards an integrative framework. **Journal of Business Ethics**, 127(2), 297-316.

Hannan, M. T., & Freeman, J. (1984). Structural Inertia and Organizational Change. **American Sociological Review**, *49*(2), 149–164.

Horbach, J., Rammer, C., & Rennings, K. (2012). Determinants of eco-innovations by type of environmental impact—The role of regulatory push/pull, technology push and market pull. **Ecological Economics**, 78, 112-122.

Huang, H. C., Lai, M. C., Lin, L. H., & Chen, C. T. (2013). Overcoming organizational inertia to strengthen business model innovation: An open innovation perspective. ***Journal of* Organizational Change Management**, 26(6), 977-1002.

Huybrechts, B., & Haugh, H. (2018). The roles of networks in institutionalizing new hybrid organizational forms: Insights from the European renewable energy cooperative network. **Organization Studies**, 39(8), 1085-1108.

Jay, J. (2013). Navigating Paradox as a Mechanism of Change and Innovation MIT Sloan School of Management. **Academy of Management Journal**, 56(1), 137–159. https://doi.org/10.5465/amj.2010.0772

Kelly, D., & Amburgey, T. L. (1991). Organizational Inertia and Momentum: A Dynamic Model of Strategic Change. **The Academy of Management Journal**, 34(3), 591–612. https://doi.org/10.2307/256407

Laasch, O. (2018). Beyond the purely commercial business model: Organizational value logics and the heterogeneity of sustainability business models. **Long Range Planning**, 51(1), 158-183.

Langley, A. N. N., Smallman, C., Tsoukas, H., & Van de Ven, A. H. (2013). Process studies of change in organization and management: Unveiling temporality, activity, and flow. **Academy of Management Journal**, 56(1), 1-13.

Mair, J., Mayer, J., & Lutz, E. (2015). Navigating institutional plurality: Organizational governance in hybrid organizations. **Organization Studies**, 36(6), 713-739.

Mitchell, R. K., Weaver, G. R., Agle, B. R., Bailey, A. D., & Carlson, J. (2016). Stakeholder agency and social welfare: Pluralism and decision making in the multi-objective corporation. **Academy of Management Review**, 41(2), 252-275.

Mitzinneck, B., & Greco, A. (2021) "Organizational Hybridity." In **Oxford Bibliographies in Management**. Ed. Ricky Griffin. New York: Oxford University Press.

Nieboer, N., & Gruis, V. (2016). The continued retreat of non-profit housing providers in the Netherlands. **Journal of Housing and the Built Environment**, 31, 277-295.

Ocasio, W., & Radoynovska, N. (2016). Strategy and commitments to institutional logics: Organizational heterogeneity in business models and governance. **Strategic Organization**, 14(4), 287-309.

Ramus, T., & Vaccaro, A. (2017). Stakeholders matter: How social enterprises address mission drift. **Journal of Business Ethics**, 143(2), 307-322.

Roome, N., & Louche, C. (2016). Journeying toward business models for sustainability: A conceptual model found inside the black box of organisational transformation. **Organization & Environment**, 29(1), 11-35.

Smith, W. K., Binns, A., & Tushman, M. L. (2010). Complex business models: Managing strategic paradoxes simultaneously. **Long Range Planning**, 43(2-3), 448-461.

Smith, W. K., & Besharov, M. L. (2019). Bowing before dual gods: How structured flexibility sustains organizational hybridity. **Administrative Science Quarterly**, 64(1), 1-44.

Stål, H. I. (2015). Inertia and change related to sustainability - An institutional approach. **Journal of Cleaner Production**, *99*, 354–365. https://doi.org/10.1016/j.jclepro.2015.02.035

Stubbs, W., & Cocklin, C. (2008). Conceptualizing a "sustainability business model". **Organization & environment**, *21*(2), 103-127.

Van de Ven, A. H., & Poole, M. S. (2005). Alternative approaches for studying organizational change. **Organization studies**, 26(9), 1377-1404.

Weerawardena, J., & Sullivan Mort, G. (2006). Investigating social entrepreneurship: A multidimensional model. **Journal of World Business**, *41*(1), 21–35. https://doi.org/10.1016/j.jwb.2005.09.001

Weissbrod, I., & Bocken, N. M. P. (2017). Developing sustainable business experimentation capability – A case study. **Journal of Cleaner Production**, *142*, 2663–2676. https://doi.org/10.1016/j.jclepro.2016.11.009

Xie, X., Fang, L., Zeng, S., & Huo, J. (2016). How does knowledge inertia affect firms product innovation?. **Journal of Business Research**, 69(5), 1615-1620.

Yu, B., Hao, S., & Wang, Y. (2020). Organizational search and business model innovation: the moderating role of knowledge inertia. **Journal of Knowledge Management**. 24(7), 1705-1718. https://doi.org/10.1108/JKM-02-2020-010

Van Maanen, J. (2011). Tales of the field: On writing ethnography. University of Chicago Press.