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# When missions collide: Lessons from hybrid organizations for sustaining a strong social mission



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A specialized therapeutic boarding school in Montana, Cocoon (a pseudonym), founded by two psychologists, was devoted to the rehabilitation of teenage girls who were rebellious beyond what parents could control. The girls were afflicted with various problems, such as acting out in unhealthy ways by running away, and engaging in drug and alcohol abuse or promiscuous sexual activities. Cocoon experienced considerable success. Applications increased as its reputation grew. Its successful social mission was based in large part on its narrow focus on a specific set of problems experienced by teenage girls. When they were approached by a private equity firm that wanted to take over the school, there came a point in which the founding psychologists grew tired of the school's management demands on issues such as solving personnel issues, marketing to educational consultants, and conducting financial accounting. A deal was reached, and the new manager visited the school and spoke to employees. He told them, "I am a therapist. My company is a for-profit business and we want to make money, but we also want to help families and we don't believe these two goals are mutually exclusive." He reassured employees that things would continue in pretty much the same way as before.

Within a few weeks however, new pressures were felt. To increase the top line income, more girls needed to be admitted. To increase admissions in the short term, girls with disorders that the school wasn't prepared to handle, such as eating disorders or self-harming behaviors, were admitted. The added diversity and severity of the disorders stretched the model on which therapy was based and seemed to dilute its effectiveness. New demands were also placed on the education function of the school because newly admitted girls' parents wanted different courses to meet different needs, some of which were outside the teachers' training. There was no budget for additional employees. Adding more girls to the

bedrooms reduced privacy, which brought up additional challenges for rehabilitation. The length of time to rehabilitate the girls increased, but that was compatible with the profit goal of the private equity firm. Employees uncomfortable with the new profit mission left over the next two years and were replaced with people unfamiliar with the previous rehabilitation focus. The school's distinctive therapeutic competence was compromised in order to increase the business numbers. The social mission of helping teenage girls was diminished by the business mission of making money.

AND1, the sports shoe company, was co-founded by Jay Coen Gilbert in 1993 as a triple bottom line enterprise with goals for profit, people, and planet. Charitable activities and sustainability were absolutely core to the company's business. The progressive company had a basketball court at the office, yoga classes, generous parental leave benefits, widely-shared ownership of the company, and 5 percent of its profits (around \$2 million) donated to local charities that focused on urban education and youth leadership development programs. In addition to their domestic focus, they worked closely with suppliers overseas to ensure high health and safety standards, fair wages, and professional development. By 2001, AND1 was the number 2 basketball shoe brand in the U.S. Around the same time, the company faced hard competition in a consolidating retail shoe industry. After experiencing a dip in sales, the company was confronted with their first round of employee layoffs. Not long after, the management team decided to put the company up for sale. In 2005, when the company was acquired by American Sporting Goods Inc., Gilbert was frustrated to see within months of the sale that the new owners took apart the triple bottom line approach that he had worked so hard to establish. Gilbert watched as many of the social and environmental programs that had been put into place, from employee non-financial

benefits and local community work, to overseas supplier development, were dismantled and the company began to focus almost solely on profit-driven goals.

These two examples show how fragile a social mission can be in a profit-seeking organization. Both examples also illustrate organizations that are part of the hybrid organization movement, in which a mission-driven therapeutic school took on a simultaneous profit-making approach to sustain themselves and a for-profit business with a strong social mission struggled through an acquisition. The term hybrid organization means pursuing both profit and social missions within a single organization, which can be a challenge for organization leaders.

The purpose of this article is to explore leader actions for keeping a social mission strong in the face of profit-making mindsets. The next section discusses the trend of organizations adopting simultaneous commercial and social goals. We continue with the inherent conflict of pursuing potentially mutually exclusive goals. Then, we summarize the evolution of hybrid-type organizations. The article concludes with strategies that organizations can use to find alignment and balance between social and commercial goals.

## THE HYBRID ORGANIZATION

The simultaneous pursuit of social and profit goals within the same organization has led to the new name: hybrid organizations. A hybrid organization can be defined as an organization that includes value systems and behaviors that represent two different sectors of society in order to address complex societal issues. A hybrid is a financially self-sufficient organization, like a business, which at the same time, also creates a positive impact on a social or environmental problem. Hybrid organizations make positive societal impact a stronger goal than a corporation's traditional philanthropic activities do.

A hybrid organization has characteristics that provide some competitive advantages, such as lower marketing costs due to mission awareness and buy-in by clients, improved productivity and increased opportunities for innovation, higher employee morale and retention, and strong talent recruitment. In a survey from 2012 conducted by the consulting company Towers Watson, which reached 60,000 employees at 50 companies around the world, companies

that invested more in the well-being of their employees had almost three times the operating margins of companies who invested the least. Research on Millennials, who now account for around 50 percent of the global workforce, shows that they look for jobs where they can align personal values with corporate values.

For example, the outdoor gear company, Cotopaxi, says that having a strong social mission has given them a solid advantage, especially as a start-up. First, the social mission is great for recruitment. A month after the company launched in 2014, they received over 300 job applications for a company with a total of 12 employees. Second, the company was warned against emphasizing social benefit at the beginning, because of the fear that investors would see the social mission as a liability. They went ahead with a prominent social mission and were able to raise \$9.5 million. The company sees this success in raising money as showing that top venture capitalists see a social mission as advantageous.

The pressure toward being both financially viable and socially responsible has pushed both for-profit companies and nonprofit organizations into a hybrid zone, what some are even calling a "hybridization movement", in which both social and financial value creation are situated as part of the core business. This movement into a more hybrid-like approach has taken different names, such as shared value approach, conscious capitalism, social entrepreneurship, benefit corporations, and B corporation certification, as explained in [Table 1: Key Terms](#). Although some specific parts of the approaches may vary, they all focus on companies creating something of financial value that also has a positive societal impact.

## THE HYBRID'S DEEP CONFLICT

These two missions—financial profit and social benefit—often produce deep conflict, a mission collision of sorts, within an organization. Below the surface of a company's twin missions, there are personal assumptions, beliefs, and values. These are also referred to as the "logics" that people use to give meaning to their daily lives. The notion of logics helps explain where deeply embedded conflicts come from because they reflect the beliefs and values and duties that people attach to work practices and purposes. The divide

**Table 1** Key Terms

Term	Definition
<i>B Corporation</i>	A private certification issued by B Lab. An assessment of accountability and transparency in social and environmental performance.
<i>Benefit corporation</i>	A legal for-profit entity that includes positive social or environmental goals in addition to profit-seeking goals.
<i>Bottom of the pyramid ventures</i>	Models of doing business by creating products or services for poorer populations.
<i>Conscious capitalism</i>	Include social and environmental issues both at a local and global level. Awareness of the impact of products and services on people and the environment.
<i>L3C – Low profit limited liability company</i>	A legal structure that allows for investment in socially responsible enterprises that are for-profit.
<i>Shared Value Approach</i>	Business practices that increase the competitiveness of a company and at the same time contribute to positive economic and social impact in the community.
<i>Social entrepreneurship</i>	Founding of a new business venture with the goal of tackling a specific societal problem.

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