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## How B Corps are hybrid? Unpacking hybridity in social enterprises

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### Abstract

Researchers have extensively studied the hybrid condition of organizations that simultaneously pursue social and economic goals. Yet hybridity manifests itself in multiple ways. This paper aims to identify the different facets of the hybrid condition, conducting an empirical study in a specific setting of hybrid organizations: the B-corporations (i.e., for-profit organizations awarded with a prosocial certification). We propose and test a multi-factor scale measuring how hybridity (i) occurs, (ii) influences firms' organizational processes, and (iii) shapes firms' social impact thesis. We test the scale on a sample of 101 Italian B Corp firms, identifying four factors that determine the hybrid nature of B Corps, and characterizing two ideal types of B Corps. We contribute to the literature on social entrepreneurship and hybrid organizations by capturing the nuances of B Corps' hybridity.

**Keywords:** hybrid organizations; B Corps; scale-development

## **1. Introduction**

Hybrid organizations are entities that diverge from socially legitimated traditional organizational forms (Battilana and Lee 2014) as they internally incorporate multiple institutional logics (Aguilera et al. 2024). Since hybrids can take different forms, the literature has started studying their characteristics in several contexts (Ebrahim et al., 2014; Wilson & Post, 2021). For instance, the academic spinoffs, which combine an entrepreneurial and an academic logic (Fini and Toschi 2016), or biotech companies, incorporating science and technology (Powell and Sandholtz, 2012), as well as public enterprises, which pursue both market and state logics (Vickers et al. 2017), are all examples of hybrid organizations.

Furthermore, entrepreneurship is increasingly characterized by the pursuit of sustainable outcomes (Volkman et al., 2021). Indeed the United Nations 2030 Agenda strongly requires businesses to tackle Sustainable Development Goals (SDGs), and Environment, Social and Governance (ESG) frameworks are supporting businesses to shape their approach to sustainability. Accordingly, social entrepreneurial initiatives emerged in both new ventures and established corporations with the goal of integrating sustainability objectives in their routines, processes, and practices. Such entities do not simply implement corporate social responsibility or ESG frameworks into their business models, rather they redefine their goal systems combining social and economic goals at same time (Ebrahim et al., 2014; Pache and Santos, 2013; Wilson & Post, 2021). Thus, literature see them as hybrid organizations, combining profit and non-profit logics in the same entity (Ebrahim et al., 2014; Wilson & Post, 2021). The depth with which such decisions permeate organizational goals, processes and practices stimulates new scholarly questions: How do multiple -in same case conflicting- firm-goals emerge? What is the relationship between such goals within the same organization? And what do those relationships imply for firms' outcomes (Aguilera, 2023; De Massis et al., 2020; Greve, 2008; Kotlar et al., 2018; Serafeim, 2022; Siebold, 2021)?

Literature has so far investigated the hybrid condition proposing social enterprises as an ideal type of hybridization, deepening on the features of a generalized setting that fits a hybrid form (Battilana and Lee 2014), as opposed to more traditional (non-hybrid) forms (e.g. pure commercial or non-profit firms). Social enterprises are commonly defined as businesses pursuing a social mission while conducting commercial activities. However, studies of hybrid organizations consider different organizational forms within the category of social enterprises, such as Work Integration Social Enterprises, microfinance institutions, Low-profit Limited Liability Companies (L3C), Community Interest Companies, and B Corps, that are all very different in nature (Gamble et al., 2020) and in the way they define profit and non-profit logics. All of them are indeed characterized by different degrees of hybridity (Sheperd, Williams, & Zhao, 2019), yet literature fall short in providing ways to assess hybridity features. Hybridity happens across different forms and context, but one size does not fit all.

In this paper, we define a measurement scale which aims at identifying how hybridity unfolds, capturing the facets and variations in organizational hybridity, and helping to move beyond the binary categorization of hybrid versus non-hybrid organizations. To develop the scale, we review the literature on hybrid organizations, to derive three stages of hybridity: i) the occurrence; ii) the establishment; and iii) the social impact thesis. The first level covers the mechanisms that lead firms to adopt a hybrid structure, the second level captures the internal practices specific to the hybrid organizing, while the third level encompasses how the hybrid condition shape the social impact thesis, its essential vision of sustainability outcome generation from a profit-making model.

Building on Fu (2024), which measures how profit and social logics create states of conflicts or synergies within a hybrid firm, we defined a measurement scale that integrates the three levels of hybridity to assess the processes, rather than the states, of the hybrid condition.

We test the measurement scale on 101 responses to a questionnaire distributed to B corporations in Italy. Organizations part of the B Corp movement are for profit firms that undergo certification of their social and environmental commitment and bind their governance to the sustainability purposes. Adopting a two-step exploratory and confirmatory factor analysis, we validate a measurement scale with four factors: i) the strategic interpretation of the pursuit of social impact; ii) the individual and entrepreneurial aspects that lead firms to adopt a hybrid condition; iii) the spread of hybrid-specific organizational competences and routines; and iv) the influence of external actors on the adoption of a hybrid form. Through an additional cluster analysis, we also identify two hybrid-ideal types: a Commercial-oriented B Corp and an Identity-oriented B Corp, both of which present distinctive features.

We believe this research is timely and relevant as efforts to date fall short in reconciling how an ideal type of hybrid condition (e.g. social enterprise) could explain heterogeneity across different hybrid organizational forms. Indeed, despite the vast array of contexts in which hybrid conditions emerge (Battilana & Dorado, 2010; Battilana et al., 2012; Battilana et al., 2015; Haigh et al., 2015; Hagedoorn et al., 2022), the literature presents limited evidence and few empirical exercises in capturing and measuring hybridity (Fu, 2024).

This paper contributes to the literature on entrepreneurial population variation (Aldrich, 1990) and the ecology of social enterprises (Haugh et al., 2022; Volkmann et al., 2021). Specifically, this work paves the way for novel research on the under-investigated aspect of heterogeneity of hybrid organizations. Furthermore, we offer a measurement tool that is tested in B Corps but is made to be replicated in different settings of hybrid organizations, helping to overcome the binary categorization of hybrids vs non-hybrid organizations, and grasping the granularity of how business hybrids' logics are governed.

The remainder of the paper is structured as follows: section 2 identifies the multiple dimensions of the hybrid condition; section 3 presents the research design and the methodology

for developing the multi-item scale; sections 4 and 5 respectively report and discuss the results, while section 6 presents the contributions to the literature and the conclusions.

## **2. Toward a multidimensional conceptualization of hybridity**

The emergence of the concept of hybridity in the realm of organizational studies and entrepreneurship stems from the escalating ambiguity surrounding the delineation of organizational boundaries across public, private, and non-profit sectors (Pache and Santos, 2013). Hybrid organizations have surfaced as a response to this ambiguity, seeking to navigate the blurred lines between traditionally distinct organizational forms, often characterized by conflicting operational logics. More specifically, hybrid organizations integrate two or more socially constructed elements in novel configurations, transcending established norms of organizational structure and order (Battilana & Dorado, 2010; Polos, Hannah, & Carroll, 2002, cited in Battilana & Lee, 2014). They represent an organizational innovation that scholars have primarily observed in the case of businesses increasingly embracing sustainability objectives. Then, extant literature has mainly distinguished the study of hybridity through theoretical constructs (Battilana et al., 2017). Scholars studying organizational behavior have generally framed hybrid entities from two perspectives: as categories or as archetypes. The former is the more traditional approach, with theorists defining organizations as a social category with specific features and social context (Ruef, 2000). These categories explain what an organization is and how it should behave, in accordance with the audience's expectations. In this view, hybrid organizations act as a locus of innovation, disorder and creativity, mixing conflicting categories of organizations pursuing social goals (e.g. non-governmental organizations) and economic goals (e.g. commercial businesses) (Battilana & Lee, 2014; Ruef & Patterson, 2009) into a single organizational form (Hsu et al., 2009).

Hybrids can alternatively be viewed as a fusion of archetypes: distinct configurations that embody a coherent set of values within specific institutional frameworks. Unlike categories, archetypes provide an institutionalized view of organizations, treating their characteristics as social realities. From this perspective, hybrids represent unique organizational forms that arise at the juncture of two different institutional realms, such as the merging of profit and non-profit models (Greenwood & Hinings, 1988).

This convergence of categories and archetypes contributes to the understanding of ideal organizational forms, with the discussion of hybrids still evolving. Traditionally, organizational forms are seen as archetypal structures that fit within a given institutional context (Greenwood & Suddaby, 2006, p. 30). These forms are characterized by specific features that align with socially recognized categories, each with well-defined boundaries (Romanelli, 1991).

Thus, extant literature in entrepreneurship and organizational behavior stressed the identification of the unique setting of social enterprise as an ideal type of hybrid organizational form in which social and economic objectives coexist (Battilana, Besharov and Minnitzer, 2017). Social enterprises consider all the vehicles through which social entrepreneurial dynamics occur, establish and generate values. Their hybridization is made of the combination of profit and non-profit logics in one single entity, and a proper field to study hybrid organizing (Battilana & Lee, 2014).

While most of the literature has treated hybridity as a binary condition, distinguishing social enterprises from non-hybrids such as pure commercial organizations (Litrico & Besharov, 2019), recent discussions have taken interest in the unexplained variations that social enterprises exhibit, challenging its initial generalization and admitting various facets. Litrico and Besharov (2019) advanced that hybrids are not homogeneous and provided empirical evidence that they vary in how they incorporate conflicting logics into their organizational functioning (Besharov & Smith, 2014). Similarly, Sheperd, Williams, and Zhao (2019)

investigated how hybrid organizations express varying degrees and intensity of hybridity. Accordingly, recent scholars have demonstrated the relevance of investigating the heterogeneity of organizations' hybrid condition (Gamble, Parker, & Moroz, 2020), posing questions on whether the archetypes of hybrid entities can be attributed to an overarching ideal form. As a matter of fact, various expressions and contexts, such as WISE, microfinance institutions, and B Corps, have been used in the literature to explore organizational hybridity. For instance, WISEs have been used to investigate how hybrids respond to different and conflicting stakeholder engagements (Ramus, Vaccaro, and Berrone, 2021) or to manage conflicting logics within firms (Pache and Santos 2013). Microfinance organizations have received attention for understanding what determines the sustainability of firms that need to balance financial objectives with societal impact generation (Battilana and Dorado, 2010), to capture governance structures that lead to better performance (Mersland, Beisland, and Pascal, 2019), or to investigate how hybrids can generate social innovation (Vassallo, Prabhu, Banerjee, and Voola, 2019). Similarly, B Corps have been studied to understand how hybrids address multiple sustainability goals (Tabares, 2021; Boni et al. 2023) or integrate social and environmental objectives into their missions (Gamble, Parker, and Moroz, 2020).

Despite the vast array of heterogeneity in hybrid contexts, the evaluation of such diversity is often hidden, and the contributions aimed at assessing hybridity and determining its various facets are still scarce. The literature requires mechanisms to systematize the concept of hybridity, to better interpret the different dimensions through which organizational hybridity varies and unfolds. Only recently the literature has started to recognize that organizations in hybrid conditions exhibit multiple facets and variations, identifying specific measurements to assess hybridity across dimensions of compatibility and centrality. Specifically, Fu (2024) builds on the "logics multiplicity" framework (Besharov and Smith 2014) and develops measurement dimensions to understand whether profit and social logics are i) central and ii)



compatible within the organization, using five key features of hybridity: mission, capital sources, workforce, beneficiaries, and suppliers. While these key features define a “state” perspective of hybridity, we offer a complementary perspective to her study. We propose a framework to view hybridity as a “process”, characterized by its occurrence in organizations, its internal organization, and the change-making mechanisms that aim to generate positive outcomes for society and the environment. Accordingly, in the next three subsections, we systematize the literature on hybrid organizations addressing the three levels identified: the occurrence, the establishment, and the impact thesis of the hybrid condition.

## **2.1 The occurrence of the hybrid condition**

The emergence of a hybrid condition in organizations hinges on the motivations and factors that drive decision-makers to blend social and economic goals (Grossi et al., 2019). Consequently, scholars have extensively studied entrepreneurs who seek to address social needs while also generating economic returns, either by founding a hybrid enterprise or incorporating a social initiative into an existing for-profit business (Mair & Martí, 2004; McMullen & Warnick, 2016).

Entrepreneurs may pursue hybrid approaches for various reasons. First, they might identify a social objective as a market opportunity, aiming to bridge gaps in welfare systems (Zahra et al., 2014). Here, a hybrid structure can facilitate the incorporation of social components into the business model. Secondly, entrepreneurs might be motivated by a desire to enact change, leveraging their expertise, personality traits, and empathy to seize market opportunities (Bornstein, 1998; Boschee, 1995; Mair & Noboa, 2006). In the first scenario, the hybrid condition emerges from a strategic corporate decision to transform social goals into business opportunities, a concept encapsulated by Corporate Social Responsibility (CSR) (Dahlsrud, 2008). This strategic integration can deeply embed CSR strategies into the

organizational vision, promoting a stronger alignment of social and economic objectives (Haigh et al., 2015; Marrewijk, 2002). Scholars suggest that businesses gain a competitive edge when they generate social impact, as this often involves more comprehensive stakeholder engagement and reporting (Eccles et al., 2014; Flammer, 2013; Godfrey, Merrill, & Hansen, 2009). Thus, a hybrid condition can arise when a social entrepreneurial venture demonstrates economic potential.

In the second scenario, however, the hybrid condition is driven more by individual social consciousness than by corporate strategy. Research has delved into the personal and individual-level factors that foster social consciousness in entrepreneurs, highlighting their drive to make a social impact through business (Dacin et al., 2022; Teasdale et al., 2023). Scholars have examined the determinants of social entrepreneurial ventures to identify key individual traits that predict the creation of hybrid organizations (Hockerts, 2017).

The literature predominantly emphasizes individual-level analysis, focusing on how personal experiences and behavioral traits lead entrepreneurs to social initiatives (Hockerts, 2017; Mair & Noboa, 2006). Some streams of research view social entrepreneurs as heroic figures motivated not just by market opportunities, but also by altruism (Roberts & Woods, 2005; Tan, Williams, & Tan, 2005). Personal experiences often play a critical role in galvanizing these entrepreneurs (Braga, Proença, & Ferreira, 2014). From this perspective, social entrepreneurship diverges from traditional entrepreneurship in its application: traditional entrepreneurship aims at commercial success (Shane, Locke, & Collins, 2003), while social entrepreneurship strives for social outcomes (Boyd & Vozikis, 1994; Dacin, Dacin, & Tracey, 2011). Thus, the hybrid condition typically involves personal motivation being channeled into business activities aimed at driving social change.

## **2.2 The establishment of the internal hybrid condition**

Social entrepreneurship is not just a system of facilitating factors characterizing the inception of a venture but also a blend of processes and practices that balance social and economic value generation, enabling a firm to thrive in the traditional market (Battilana et al., 2015; Jay, 2013; T. Hahn et al., 2018). The literature has explored how internal resources can be managed and allocated to routinize the social entrepreneurial attitude (Bruneel et al., 2016). Accordingly, scholars have emphasized the concept of “hybrid organizing” to investigate hybridity from an organizational behavior perspective (Battilana & Dorado, 2010; Pache & Santos, 2013; Battilana & Lee, 2014; Battilana et al., 2015; Battilana, Besharov, & Mitzinneck, 2017), exploring actions, approaches, practices, and processes that shape the internal logics of an ideal hybrid organization.

However, in their attempt to integrate social and economic dimensions within the same entity (Battilana & Lee, 2014; Shepard, Williams, & Zhao, 2019), hybrid organizations often encounter tensions that can lead to improper resource allocation, interpersonal conflicts, or inertia in decision-making processes (Fiol, Pratt, & O’Connor, 2009; Pache & Santos, 2010; Smith, Gonin, & Besharov, 2013; Reuter 2022). Recent literature suggests that hybrid organizing has not been studied with sufficient nuance (Shepard, Williams, & Zhao, 2019), indicating that the ways to internally arrange conflicting logics may vary depending on their reciprocal compatibility (Besharov & Smith, 2014) or integration (Battilana et al., 2017; Ebrahim et al., 2014).

On one hand, the hybrid condition can be internally managed by developing a new organizational identity that overcomes the potential friction between conflicting institutional logics (Battilana & Dorado, 2010). Firms can employ hiring and socialization strategies to facilitate this new identity. Specifically, hiring strategies might involve a ‘mix-match’ approach, where organizations recruit individuals with capabilities from each logic, or a ‘tabula

rasa' approach, where individuals with no prior experience in either logic are hired and trained from scratch (Bruneel et al., 2016). Socialization strategies, on the other hand, aim to convey both logics to existing employees through clear communication, training, and dedicated incentives (Battilana & Dorado, 2010).

On the other hand, organizations can navigate competing logics by selectively coupling distinct practices from each logic (Pache & Santos, 2013). For instance, micro-finance institutions are social enterprises that blend banking and social development practices to combat poverty. This internal hybrid structure acknowledges conflicting logics as separate and strives to balance competing objectives (Bruneel et al., 2016). Instead of developing a new hybrid identity and investigating how social and economic logics integrate, some hybrid organizations adopt a selective strategy that maintains the separation of logics, combining intact elements of each organizational logic.

### **2.3 The shape of the impact thesis of a hybrid condition**

The concept of the social impact thesis completes the circle on hybrid organizations by providing meaning to both the emergence of social entrepreneurial approaches and the management of their internal operations and procedures. To achieve this, researchers have sought to understand the outcomes of various social entrepreneurship strategies (Bengo et al., 2016; Nigri & Del Baldo, 2018). Some have focused on the social objectives of these enterprises (Bengo et al., 2022; Mascarenhas, Nunes, & Romas, 2015), exploring methodologies for measuring, monitoring, and demonstrating their positive social impacts (Costa & Pesci, 2016; Maas & Liket, 2011; Rawhouser, Cummings, & Newbert, 2019). However, criticism of this literature arises because it primarily categorizes the results and impacts of socially responsible behavior, offering limited insights into connecting entrepreneurial intentions and internal processes with outcomes and impacts (Husted, 2000; Mitnick, 1993; Whetten et al., 2002).

In response, some scholars have embraced the theory of change as a comprehensive framework linking social impact to the inner workings and characteristics of a business with social objectives (Clark et al., 2004). Traditionally adopted by entrepreneurs and managers in the social sector, this theory recently enlarged its scope in the for-profit sector as a tool to define impact strategies of businesses (Fierro and Hill 2016). The theory of change focuses on explaining how and why a desired change is anticipated within a specific context. Recognizing that hybrid organizations vary in their contributions to society (Hahn & Ince, 2016), the theory of change offers a roadmap for distinguishing cause from effect and outlining the specifics of the impact thesis—from inputs to outcomes.

From an academic perspective, scholars studying hybrid organizations recognize that the importance of the social logic can vary compared to the commercial logic (McMullen & Warnick, 2016), but they have yet to thoroughly investigate the characteristics of the social impact thesis that inform the social logic. Here, the theory of change introduces two phases through which a social enterprise can clarify its social impact thesis.

Firstly, the theory of change aids in assessing the extent to which social impact extends over the long term. Departing from a purely positivistic approach to socially responsible behavior (Wicks & Freeman, 1998), the literature argues that hybridization efforts focused solely on project-level contributions often result in limited overarching social ambitions. By contrast, organizations that integrate social objectives into their core business model tend to articulate their vision around achieving enduring, broad-reaching social goals (McMullen & Warnick, 2016). In essence, the theory of change posits that a more integrated social component leads to more sustainable long-term social impact.

Secondly, the theory of change facilitates identification of the necessary conditions for achieving social goals. It systematically evaluates the causal link between entrepreneurial objectives, processes, outputs, outcomes, and impact (Donaldson, 2003; Donaldson & Preston,

1995), highlighting how specific practices within a social enterprise generate social impact. While a positivistic approach assumes that defining, monitoring, and measuring social objectives benefit the organization (Wicks & Freeman, 1998), the theory of change advocates for structuring an impact thesis that shifts the focus of benefits towards stakeholders (Donaldson, 2003; Donaldson & Preston, 1995). This approach allows the hybrid condition to elucidate distinct organizational objectives with varying degrees of impact intensity for stakeholders.

To sum up, we have examined the extant literature to isolate three levels at which the hybrid condition unfolds. We integrate them in a framework that supports the development of a measurement scale of hybridity to be tested and validated. Table 1 shows a recap of the concepts highlighted for each of the three levels of hybridity.

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Insert Table 1 about here

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### **3. Research Design**

#### **3.1 Research context**

To address our research objective, we adopt a deductive approach and define a set of items to measure the hybrid condition in the specific setting of B Corps. B Corps have been examined within the framework of hybrid organization conceptualization (Cao and Gehman, 2021). The review by Cao and Gehman (2021) identifies hybridity in B Corps either as a personal, identity-related organizational structure that reflects the sustainability values of the entrepreneur (Roth and Winkler, 2018) or as a result of institutional forces prompting corporations to adopt sustainability principles within the commercial landscape (Rawhouser, Cummings, and Crane, 2015). Furthermore, B Corps serve as a locus of blended value generation, wherein environmental and social components drive the internal structuring of processes and practices, thereby leading hybridity to provide a competitive advantage in the market (Fosfuri et al., 2016; McMullen and Warnick, 2016).

Our decision to conduct this analysis on a specific setting - B Corps - is because we think of hybrid organizations as adopting different positioning on a spectrum made of two extremes: non-profit organizations and fully commercial organizations (Dees, 1998; Haigh, 2015). Despite being considered in the literature under the unique label of social enterprises (Battilana and Lee 2014), hybrid forms are several and can be either inclined towards the profit logic or the non-profit logic. In the **Appendix (d), Table 15**, we provide a visual representation. The way hybrids combine non-profit and for-profit logics determined various hybrid settings that exist in the field, but for which literature still requires proper specific hybridity assessments. For example, organizations part of the B Corp movement adopt a positioning in the hybrid spectrum that is closer to fully commercial for-profit organizations. B Corps are purely for-profit firms, which adopt a hybrid structure given by their social or environmental mission, having no legal obligation of profit retentions (Cao and Gehman 2021).

B Corps have voluntarily chosen either to obtain the legal status of Benefit Corporations or to undergo third-party audits, directed by the B Lab, to achieve certifications (Lucas, Grimes, & Gehman, 2022). The business model of B Corps is not constrained by the social objectives. Differently, Work Integration Social Enterprise (WISE) or Low-profit Limited Liability Companies (L3Cs) take a position closer to non-profit extreme in the hybrid spectrum. Specifically, both examples conduct commercial activities and can generate revenues for the achievement of a social mission, but their specific form respectively shrinks the commercial scope of the firm and mandatorily limits their profitability (Ebrahim, Battilana and Mair, 2014). The limitations are even more pronounced in WISE, where the revenue model relies on integrating individuals with disadvantages or disabilities (Battilana et al. 2015).

For these reasons, being all these examples – B Corps, WISEs, L3Cs – considered as hybrid organizations, we believe it is valuable to understand and measure hybridity in each respective setting separately, measuring how hybridity unfolds across the three dimensions of

occurrence, establishment, and the shape of the impact thesis. This paper focuses on the Italian context of the B Corp movement, an example of hybridization in which affiliated organizations strive to “use business as a force for good” (i.e., to generate positive social impact). Organizations have participated in the B Corp movement for more than a decade (Cao, Gehman, & Grimes, 2017) and have been active in Italy since 2013. To obtain the B Corp certification, firms must achieve a B impact Assessment (BIA) of at least 80 points out of 200, through indicators measuring employees, governance, community, and environment. Nowadays, B Corps can also assess their contributions to the SDGs through the SDG Action Manager (Boni et al. 2023). The B Corp movement counts over 9000 certified B Corps. Nearly half of them are in United States and Canada, and the rest is spread across 93 countries ([www.bcorporation.net](http://www.bcorporation.net)). The Italian context represents one of the fastest growing countries in terms of firms affiliating to the B Corp movement, evidencing a growth rate of affiliates of nearly 40% per year since the Covid-19 pandemic in 2019 (<https://www.bcorporation.eu/>). Italy the first country outside the United States in which the regulatory framework for B Corps have been established (Del Baldo 2019), making it a relevant context where to investigate how hybridity unfolds within the B Corp movement. In Europe, similar to Italy, France is adopting the regulatory framework for B Corps, which helped the B Corp movement in the country growing at 30% rate yearly(<https://www.bcorporation.eu/>). Regarding historical data on all-time overall BIA scores, the global average is nearly 94 points. Italian and French affiliates of the B Corp movement average 91 points, while affiliates in the United States have an average score of 95.5 points since the establishment of the B Corp movement (<https://www.bcorporation.net/>).

All in all, given the fastest-growing type of hybrid organization (Pollack et al., 2021), we believe that the B Corp movement is a suitable domain for defining how hybridity unfolds,



with Italy representing an emblematic context in which hybridity is rapidly diffusing through the B Corp phenomenon.

### **3.2 Items selection**

We collect data through a survey instrument, structured as follows. First, we collect information on the respondent and the company, as well some industry and firm level information. Then, we administer a battery of 43 items (each presented on a 7-point Likert scale), consistent with the three constructs identified through the literature review (i.e., the *occurrence*, the *establishment*, and *the shape of the impact* of the hybrid condition). In the Appendix (a) we provide further details on the items' selection.

To further refine and validate our item list, we undertook interviews with 12 social enterprises in the B Corp movement between November and December 2019 (Creswell, 2014), of which further details can be retrieved in the Appendix (b).

Between December 2019 and June 2020, we distributed the questionnaire online to 305 organizations part of the B Corp movement that had public contacts; we received 101 responses (a response rate of about 33%). First, we sent out a generalized invitation to complete the questionnaire. Second, we personally engaged those companies that did not answered to our request. The collected data were analyzed using exploratory (EFA) and confirmatory (CFA) factor analysis.

## **4. Results**

### **4.1 Description of the sample and descriptive statistics**

The survey was completed by founders or C-level individuals. Among the 101 B Corps that responded to the questionnaire, 71 were in service industries (mostly providing consulting, insurance or financial services), while 30 were in manufacturing (mostly developing consumer products). Most of the firms were micro and small organizations: respectively, 34 and 31,

corresponding to the 66% of our sample. Micro firms feature 2 to 10 employees, while small firms have 11 to 49 employees. The rest of the sample included 19 entrepreneur-driven firms (fewer than 2 employees) and 16 larger firms (more than 49 employees). Figure 1 and Figure 2 respectively show the distributions of the companies' ages and the number of years in the B Corp movement in 2019, while Figure 3 shows a comparative table of the regional distribution of Benefit Corporations. In Figure 1, the distribution is skewed to the right, evidencing that the companies are mostly young, ranging from 1 to 9 years old. In Figure 2, the sample is characterized by a more homogeneous distribution of companies in the B Corp movement, with the longest tenure being 7 years. We further analyzed our sample by distinguishing between companies that joined the B Corp movement at their foundation year and those that transformed later after being established. Nearly 20% of our sample (19.8%) present B Corp-born companies, while the vast majority (71.2%) is made of established corporations that joined the B Corps movement after a specific duration. From a geographical perspective, Figure 3 shows that approximately 60% of the respondents are located in three Italian regions—Lombardy, Veneto, and Emilia Romagna—highlighting a significant concentration of Benefit Corporations from this study in northern Italy.

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Insert Figures 1, 2 and 3 about here

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#### **4.2 Exploratory Factor Analysis**

We first ran an Exploratory Factor Analysis (EFA) to extract constructs that could explain the hybrid condition in organizations, and help refining the measurement scale (Gatignon et al. 2002). We conducted separated EFAs for each group of items. Table 2 presents the whole set of items and their relative groupings. First, we applied the Kaiser-Meyer-Olkin measure of sampling adequacy to ensure that our item groups were adequate for the factor analysis. All item groups evidenced a satisfying result above 0.8. In addition, we obtained a significant result

on Bartlett's test of sphericity, indicating that the sampled data were appropriate for a factor analysis. Given our objective to identify latent factors from our pool of items (Hair et al., 2010), we ensured the suitability of our items for factor analysis by employing a principal factor methodology (Hinkin, Tracey, & Enz, 1997).

Considering the variables under analysis, there are no specific or mandatory rules governing factor retention. Typically, factors are retained based on eigenvalues exceeding 1 or a scree plot indicating the variance explained (Cattell, 1966). However, the decision on how many factors to retain is influenced not only by these statistical thresholds but also by how well the factors align with the underlying theory (Hinkin, Tracey, & Enz, 1997). Therefore, we chose to extract four factors that best harmonize our theoretical framework with the empirical findings. In our endeavor to create scales that effectively capture various constructs, we opted for an orthogonal rotation of factors, which is the most suitable method to eliminate redundant items in our model. Beginning with a pool of 43 items, we conducted two separate rounds of item selection until achieving a stable structure consisting of 22 items.

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Insert Table 2 about here

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Following the initial Kaiser-Meyer-Olkin measure, we mainly selected items on the basis of loadings' values, cross loading, and uniqueness scores' rules.

Table 2 outlines the criteria and outcomes for item retention. Initially, we retained items with loadings above 0.50, as recommended by Hair et al. (2010). For cross-loading criteria (Chin, 1998; Flatten et al., 2011), we excluded items if their loadings on other factors were within 0.1 of the highest loading. Additionally, we retained items with uniqueness levels below 0.5, as higher uniqueness indicates independence from the factor structure. The first item selection process resulted in 31 items, and the second refined this to 22 items.

In the final model, we assessed the internal reliability of the three constructs using Cronbach's alpha (Hinkin, Tracey, & Enz, 1997), which exceeded 0.7 in all cases (Nunnally &

Bernstein, 1994). Based on items loadings, we identified four factors: Pragmatic Social Objectives (Factor 1), Marketization of the Social Identity (Factor 2), Social Culturization of Internal Competences (Factor 3), and External Pressure (Factor 4). We conducted discriminant validity analyses on our constructs using average variance extracted (AVE) and composite reliability (CR) analyses. Following the guidelines proposed by Hair et al. (2010), Cheung and Wang (2017), and Fornell and Larcker (1981), we can generally affirm the achievement of discriminant validity. The composite reliability consistently exhibits values well above the 0.7 threshold, and each standardized factor loading exceeds the 0.5 level. While the AVEs do not uniformly exceed 0.5 for all constructs, the literature supports the acceptability of measures that are not markedly below 0.5, as in our case. Therefore, considering the CR values are well above the threshold and the standardized factor loadings of all items are above 0.5, we can affirm the discriminant validity. The results of the exploratory factor analysis (EFA) are detailed in Tables 3, 4, and 5. These factors will be thoroughly discussed in the next section before proceeding to the confirmatory factor analysis (CFA).

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Insert Tables 3, 4, and 5 about here  
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### **4.3 Confirmatory Factor Analysis**

In the next step, we performed a Confirmatory Factor Analysis (CFA) in order to enhance our confidence in the factor structure (Gerbing & Anderson, 1988; Mackenzie et al., 2011; Noar, 2003).

The quality of the factor structure was assessed by comparing its goodness-of-fit against competing models with different characteristics (Hinkin, Tracey, & Enz, 1997). Specifically, we tested three models: (i) a model where all items load on a single common factor, (ii) an uncorrelated factor model, and (iii) a correlated factor model (Noar, 2003). To compare these

models, we utilized three fit indices: Chi-squared, Comparative Fit Index (CFI), and Root Mean Square Error of Approximation (RMSEA).

The Chi-squared statistic evaluates the overall fit and discrepancy between the sample and covariance matrices: Lower values indicate better goodness-of-fit. The CFI compares the fit of the target model to that of a null (independent) model, with values above 0.90 generally indicating a good fit (Hair et al., 2010; Hinkin, Tracey, & Enz, 1997; Noar, 2003). Lastly, the RMSEA assesses how well a model fits a population beyond the current sample: An RMSEA below 0.06 typically signifies a good fit (MacKenzie et al., 2011; Noar, 2003), although some suggest a range from 0.03 to 0.08 (Chen et al., 2008; Hair et al., 2010).

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Insert Table 6 about here

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Table 6 shows that both the one-factor model and the uncorrelated-factors model had poor goodness-of-fit. In contrast, the correlated factors model demonstrated a better fit. Figure 4 illustrates the factor loadings of the hierarchical model structure, with all loadings being significant ( $p < 0.001$ ).

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Insert Figure 4 about here

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#### **4.4 Clustering of factor scores**

We utilized predicted factor scores for post-estimation analysis to refine the interpretation of the hybrid nature of B Corps, exploring potential contingencies and grouping allocations detailed further in Appendix (c), Table 13 and Table 14. Factor scores were clustered for each observation to investigate the interrelationships among factors in defining specific hybrid types of B Corps. Our factor analysis employed orthogonal rotation to maximize the distinction

among factors, supported by the previously discussed levels of Cronbach’s Alpha (see Table 4). This approach not only emphasized the differences among variables to define pertinent factors explaining hybridity but also aimed to identify combinations of B Corps types based on significantly distinct features of the hybrid condition.

We employed k-means, a non-hierarchical, partitional clustering method (Barirani, Agard, & Beaudry, 2013), testing clustering options ranging from 2 to 10 and applying the cluster-stop procedure to assess the Calinski/Harabasz criterion for each proposed cluster solution. The number of clusters corresponding to the highest F value of the Calinski/Harabasz measure indicated the optimal cluster structure for our data (Crum et al., 2020). In our case, the highest F value (e.g., 115.46) led us to select two clusters. Consequently, the cluster analysis of factor scores enabled the delineation of two distinct hybrid types among B Corps presented in Table 7. To reinforce our analysis on the factor scores, we adopted robustness checks to evidence that our constructs hold consistently across geographical areas in Italy. We considered Eurostat’s categorization of the Italian geographical regions (<https://ec.europa.eu/eurostat/data/database>), classifying our observations across North, Centre and South of Italy. As presented in Tables 8, 9, 10, 11, our results on the ANOVA confirm that factors do not vary across geographical categories, except marginally for Factor 3. In table 12, we conducted a Bonferroni test on Factor 3, for which we evidenced no significant differences across North, Centre and South of Italy.

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Insert Tables 7, 8, 9, 10, 11, and 12 about here  
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## 5. Discussion

We used factor analysis and cluster analysis to explore the hybrid condition in B Corps. Our model converged on four factors – *Pragmatic social objectives*, *Marketization of the social identity*, *Social culturization of internal competences*, and *External pressures*.

The first factor, Pragmatic Social Objectives, indicates that B Corps focus on shaping their social impact thesis around achievable goals. They set short-term (I\_37) and medium-term (I\_38) social impact objectives aimed at benefiting local communities while addressing broader issues (I\_12). B Corps emphasize the importance of continuously monitoring and measuring these impacts (I\_42), grounding their hybrid approach in a pragmatic theory of change that prioritizes tangible and immediate results. This approach is supported by internal controls to verify outcomes (I\_41), establishing a causal relationship between efforts and results. Research has shown that organizations risk being seen as hypocritical if they set overly ambitious or unrealistic social goals (Carlos & Lewis, 2018). Our findings suggest that B Corps strategically define their social objectives and structure their impact thesis to focus on local impact. This approach not only engages specific stakeholders more effectively but also helps avoid accusations of greenwashing (Delmas & Burbano, 2011; Mahoney et al., 2013).

The second factor, Marketization of Social Identity, reveals that B Corps are driven by motivations centered around market inclusion. Key elements such as reputation (I\_2), recognition (I\_9), and the attraction of new customer segments (I\_10) are crucial for establishing their hybrid nature. For B Corps, hybridity also provides opportunities to join a defined community (I\_4) and access strategic suppliers (I\_5).

Thus, while financial investors have historically been hesitant to engage with social-oriented organizations due to their perceived unattractive commercial propositions and lack of entrepreneurial mindset (Dees & Anderson, 2004; Dees, 2007), our findings indicate that B Corps acknowledge the significance of maintaining a presence in the mainstream market and leveraging their social component to access new market opportunities. The B Corp context evidences entrepreneurs' prosocial motivations that are characterized by including the organization in the traditional market dynamics, more than proposing to breakthrough established rules. As the entrepreneur's prosocial motivations influence internal routines

(Sheperd, Williams, & Zhao, 2019), this finding has implications on the hybrid organizing process, which affect the following factor retained.

The third factor, Social Culturization of Internal Competences, highlights how B Corps manage their internal conflicting logics. Entrepreneurial motivations, driven by the marketization of social identity, involve resource mobilization to shape organizational processes and practices that define internal hybridity. This factor indicates that specific incentives for managers (I\_32) are essential for establishing B Corps' hybrid condition. To foster internal hybridity, firms must develop both specialized (I\_26) and cross-functional (I\_28) managerial competences, and require employees to have socially oriented backgrounds.

This approach suggests that B Corps create their hybrid condition more through the development of a novel identity than by selectively coupling different logics. Consistent with existing literature, socialization policies like training and incentives are vital in teaching and reinforcing the behaviors and beliefs necessary to balance the organization's conflicting logics (Van Maanen & Schein, 1979).

The fourth factor, External Pressure, indicates that the hybridity in B Corps primarily arises as a response to external demands and subsequent adaptations (I\_17) rather than being driven by a singular visionary leader. Influences from clients (I\_15), suppliers (I\_14), and media (I\_16) are significant external factors that shape how hybridity develops in B Corps. This finding shifts the perspective of hybridity away from the traditional 'heroism' often associated with social-entrepreneurial initiatives (Dacin, Dacin, & Tracey, 2011) and aligns it more with the dynamics of the external context.

While the factor analysis outlined the features that characterize the hybrid condition of B Corps, the cluster analysis helps the interpretation of how B Corps shape around these features. The clustering of factor scores helped to distinguish specific types of B Corps. The



results revealed two types of hybrid conditions in B Corps showing opposite features and heterogeneity across factors characterizing hybridity.

The *commercial*-oriented cluster of organizations prioritizes achieving feasible, measurable, and proximate social objectives through a market-based logic. These hybrid firms emphasize commercial goals over social ones, viewing social objectives as a means to enhance market share. Consequently, they aim to deliver consistent and reliable social contributions through their products or services, targeting their social impact primarily at customers rather than employees. Moreover, this type of hybrid organization adopts a bottom-up approach, where commercial goals drive the integration of a social component, rather than external pressures.

Conversely, the *identity*-oriented cluster comprises hybrid organizations focused on cultivating a socially conscious culture internally. These organizations prioritize internal practices and often avoid emphasizing precise social objectives with market implications. This hybrid condition adopts a top-down approach, making internal changes in response to external pressures. Consequently, identity-oriented hybrids integrate a social component that targets internal resources, aiming to disseminate an organizational long-term vision for creating inward-oriented social impact.

In summary, the factor analysis has enabled us to identify and characterize the key factors that define the B Corp movement. It has provided valuable insights into how the hybrid process integrates pragmatism in generating social impact, emphasizes market centrality, shapes internal organizational identity, and responds to external pressures. Additionally, cluster analysis has helped to identify two distinct hybrid types within B Corps: one focused on leveraging social components to enhance commercial dynamics, and another dedicated to fostering positive social outcomes within the organization itself.

## **6. Contributions and conclusions**

Our paper challenges the one-size-fits-all perspective of hybridity, stressing the necessity to assess and determine how hybrids are different. With this work, we tackle the under-developed discussion regarding the heterogeneity of hybridity in organizations (Battilana et al., 2012), proposing a tool that can be used one setting at a time to determine the degree of hybridity. Our paper analyzes hybridity in the specific context of the B Corp movement, providing evidence on the granularity of how business hybrids' logics are governed.

Our work specifically contributes to the recent literature on the ecology of social enterprises (Haugh et al., 2022), which recognizes that organizations can enact their economic and social logics to different degrees. Taking inspiration from social entrepreneurial dynamics that are increasingly characterizing new venture creations and the innovations occurring in large corporates to address SDGs and comply with the ESG trends (Lepoutre et al., 2011; Volkmann et al., 2021), this paper provides a tool that measures such variety (Wilson & Post, 2013).

We considered the highly debated and emerging context of B Corps in order to uncover the characteristic patterns that mark their hybrid condition. Our findings follow extant attempts to investigate variations in hybrid conditions (Besharov & Smith, 2014; Gamble, Moroz, & Parker, 2020; Litrico & Besharov, 2019), while proposing an empirical groundwork for evaluating assumptions that hybrid organizations are not one-size-fits-all (McMullen & Warnick, 2016). The common wisdom is that traditional for-profit organizations are motivated by material concerns and seldom consider social welfare (Newbert, 2003), and literature states 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). For these reasons, our work addresses recent call for studies that synthesize multiple firm-goal systems (De Massis et al., 2020) in order to identify the factors that affect firms' decisions to adopt a purpose-driven approach, such as the B Corp movement.

Our paper addresses the need to better understand variations in entrepreneurial populations (Aldrich 1990). By focusing on the importance of studying specific forms of hybridity, we enlarge the general conceptualization on hybrids, while also clarifying how hybridity unfolds in a specific organizational form.

The systematization of the levels of hybridity complements extant literature investigating the heterogeneity of the hybrid condition. Battilana and Lee (2014) indicated social enterprises as an ideal category grouping several different types of hybrids. Besharov and Smith (2014) investigated different hybridity integration models, while Sheperd, Williams and Zhao (2019) captured the degrees of hybridity in organizations. Recently, Fu (2024) developed a measure for hybridity that focuses on mission, capital, workforce, beneficiaries, and suppliers to determine the degree of compatibility and centrality of profit and social logics in hybrid organizations. She proposed two main dimensions and called for future research to explore alternative drivers of hybridity. Our framework embraces her suggestion and develops dimensions that complement her view of hybridity as a “state” with our perspective that considers hybridity as a “process.” By systematizing hybridity through the occurrence, establishment, and impact thesis as levels of the hybrid condition, we defined four factors that determine the hybrid features in a specific setting of B Corps. Thus, our framework helps define the backbone of the hybrid condition in Italian B Corps, as well as provides future researchers with a measurement scale that can be adapted to different hybrid settings and geographical localizations.

Our findings also offer context-specific advancements on how hybridity unfolds, which can facilitate future literature advancements. First, we enhanced the understanding of the social impact thesis by exploring the theory of change conceptually. Our findings indicate that B Corps pursue short- and medium-term social objectives, actively generating, monitoring, and evaluating their immediate impacts. This pragmatic approach diverges from positivistic views

in ethical organizational studies (Wicks and Freeman, 1998) and aligns with CSR literature, which emphasizes practical solutions for social responsibility (Blindheim and Langhelle, 2010). The clarity and directness required in discussing social responsibility outcomes are crucial. Given the limited exploration in existing literature on social enterprises' objectives, our study addresses the essential elements of defining the *what should be* of social objectives in B Corps. This contribution underscores the importance of pragmatic approaches (Singer, 2010), prompting further research on effective social objectives that integrate seamlessly into business propositions, emphasizing measurable impacts (Kotlar et al., 2018).

Secondly, we present evidence that the hybrid nature of B Corps, and consequently their social impact, is influenced by market opportunities and external pressures. This finding contributes to the existing literature exploring the motivations behind launching social enterprises (Haugh et al., 2022). While previous literature often emphasizes the heroic qualities of social entrepreneurs (Dacin, Dacin, & Tracey, 2011), our research suggests that B Corps' entrepreneurs are motivated to derive market-oriented solutions from their social objectives and are responsive to contextual dynamics. Thus, our study challenges the predominant focus on altruism and self-efficacy in characterizing entrepreneurs who establish social enterprises (Braga, Proença, & Ferreira, 2014; Roberts & Woods, 2005; Tan, Williams, & Tan, 2005).

Thirdly, the paper sheds light on how hybrid organizations manage their internal complexity. In the case of B Corps, they interpret their hybrid nature as a process of forging a new organizational identity rather than simply blending elements from each logical domain. These findings corroborate earlier studies that employed a case-study approach (Battilana and Dorado, 2010), echoing recent calls for more empirical research in the study of hybrid organizations to enhance the applicability of findings (Bruneel et al., 2016).

A particular strength of our study is its use of quantitative data to explain the ecology of social enterprises (Haugh et al., 2022), moving beyond the binary condition of hybrid vs non-

hybrid. From this data, we uncovered evidence for four distinct factors of hybridity that have produced two general types of hybrid structures among Italian B Corps: *commercial*-oriented vs. *identity*-oriented approaches. In this way, our work contributes to the discourse about prototype members of the B Corp movement, (Conger et al., 2018). In that vein, our paper complements extant literature efforts that aimed at defining heterogeneous types of hybrids (Battilana & Lee, 2014; Besharov & Smith, 2014; Sheperd Williams & Zhao, 2019), adding a tool that help refining extant frameworks attempting to categorize hybridity (Santos, Pache and Birkholz, 2015).

Furthermore, our paper extends the existing findings of Fosfuri et al. (2016). In their study, they posit that B Corps cultivate values-based relationships with specific customers, while our research demonstrates that one aspect of B Corps utilizes social values internally to establish the hybrid nature of the organization, aligning with literature that characterizes B Corps as products of individual entrepreneurial values (Roth and Winkler, 2018). In line with this, future research activities could explore our *Identity*-oriented ideal-type of hybrid in relation with the timing of the certification. Our results evidence that this type of hybrid follows stakeholder pressures to generate social impact internally, making such hybrid condition inward oriented. Given that only 19.8% of the corporations in our sample joined the B Corp movement at the same time of their foundation, it would be interesting to further distinguish *Identity*-oriented ideal types of hybrid for the timing of the certification. This direction can further detail the identity construction aspects, elucidating whether such prototyping arises from imprinting or is more an evolutionary process of corporation. Given that *identity*-oriented ideal-type of hybrid follows a top-down approach, this research pathway can connect with Pache, Santos and Birholz (2015) taxonomy of hybrids, informing different practices of hybrid governance structure.

Additionally, our paper contributes to Fosfuri et al. (2016) by identifying a second facet of hybridity in B Corps – *commercial* orientation – wherein an emphasis on for-profit objectives may introduce the risk of mission drift. This perspective is consistent with Rawhouser, Cummings and Crane (2015), who approach B Corps from an institutional standpoint, suggesting that affiliation serves functional commercial purposes. Building on these advancements in the literature, future research could explore how this *commercial*-oriented hybridity might lead organizations to compromise their social missions, thereby jeopardizing their competitive advantage and potentially resulting in negative demand-side externalities. In a nutshell, further research may enhance our findings by exploring the antecedents and determinants of these two types of B Corps.

Practically speaking, understanding the features that determine the hybrid conditions in B Corps is crucial for policymakers who want to incentivize sustainability objectives in businesses. Given the debate over B Corps and their blurred boundaries (Conger et al., 2018; Lucas, Grimes, & Gehman, 2022), our work can help policymakers understand the process through which B Corps form the identity of their hybrid organizational model. In light of the rapid growth of the B Corp movement in Italy and the increasing complexity brought about by the spread of legally defined statuses (such as Benefit Corporations) (Mion et al. 2024), our work can support institutions and policymakers in better understanding the true nature of these companies. First, B Lab can use this work to refine the B Impact Assessment by considering the ways in which B Corps, within specific contexts, integrate social and economic logics. A “one-fits-all” approach to evaluate the social impact generated by hybrid organizations does not work. For instance, business practices, which are part of such assessment, are different depending on the nature of the organization, as we have shown in our work. An evaluation, able to differentiate among specific characteristics of the firms, would be able to better depict the social impact generated by these companies. Second, this work can assist policymakers in

designing targeted incentive systems and protections that uphold the integrity of these organizations' social missions, while discouraging greenwashing. In this way, replications of our analysis across other hybrid contexts could not only illuminate the distinct elements of hybrid firms, or define different ideal types, but also stimulate punctual policy actions depending on the type of hybrid condition that emerges.

In addition, our measurement scale helps managers and entrepreneurs understand the various aspects of a hybrid business model and frames their thinking around the two ideal types of B Corps within the Italian context. Managers and entrepreneurs can use this framework as a compass to guide their hybrid trajectory, asking themselves: Does the way we navigate our hybrid condition align us more with a *commercial*-oriented or an *identity*-oriented type of B Corp? How do we want to evolve or refine our hybrid approach in one direction or the other? The four factors emerging from our analysis can be used as levers to design, adjust or even innovate the way hybridity is managed.

In sum, this work offers future researchers a toolkit for evaluating the hybridity of organizations. We hope to encourage academics and policymakers to replicate the use of the tools to capture the nuances of how those organizational forms develop, manage their competing organizational logics, and generate positive outcomes for the society.

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## Tables and Figures

*Table 1. Literature referring to three levels of the hybrid condition*

<b>The occurrence of the hybrid condition</b>	<b>The establishment of the hybrid condition</b>	<b>The impacts thesis of a hybrid condition</b>
Social entrepreneurial dynamics (Mair & Martí, 2004; Mair & Noboa, 2006; Hockerts, 2017)	Competing internal logics (Battilana et al., 2015; Bruneel et al., 2016; Jay, 2013; T. Hahn et al., 2018)	Impact generation (theory of change) (Clark et al. 2004; Husted, 2000; Mitnick, 1993; Whetten et al., 2002)
Market opportunities (Zahra et al., 2014)	New identity creation (Battilana & Dorado, 2010)	Measurement, monitoring and disclosure of social impact (Maas & Liket, 2011; Costa & Pesci, 2016)
Entrepreneurial self-efficacy (Bornstein, 1998; Boschee, 1995)	Selectively coupling (Pache & Santos, 2013)	
Financial opportunities (Flammer, 2013; Godfrey, Merrill, & Hansen, 2009)		

Figure 1. Companies' age

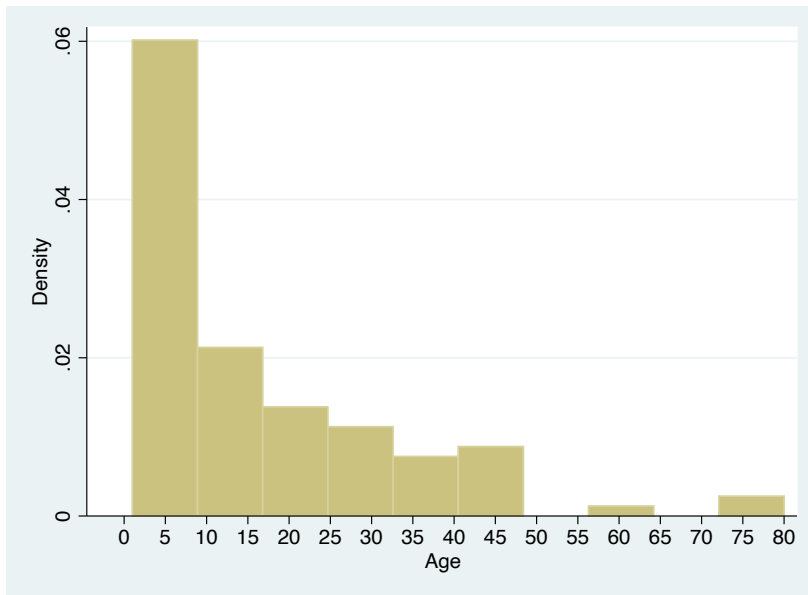


Figure 2. Years since companies joined the B Corp movement

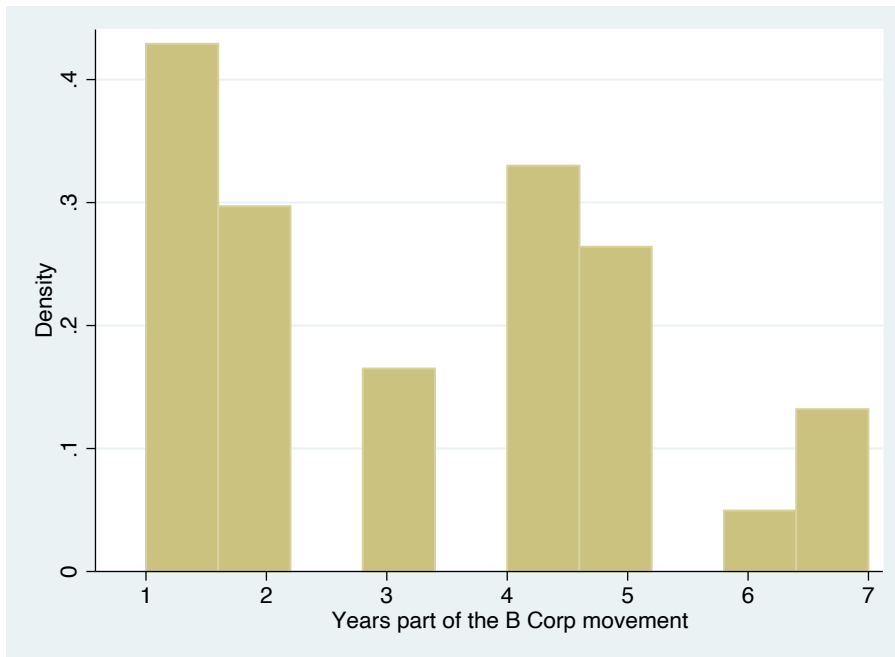
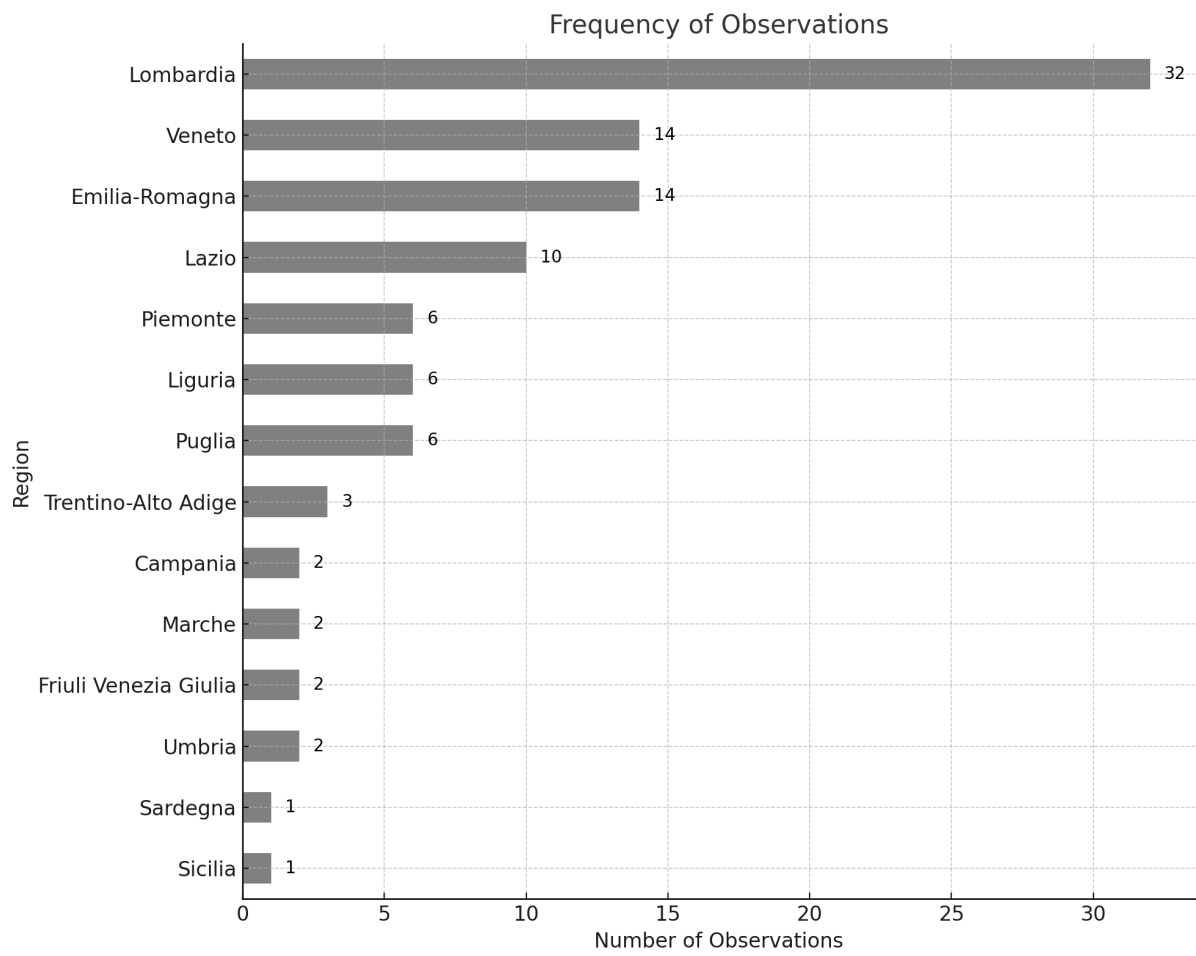




Figure 3. Frequency of observations across geographical regions



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

Relevant stream of literature	Item	Code	Remarks	References	
Occurrence of the hybrid condition	Improve social performance	I_1	Cross loading	(Mair and Martí 2004)	1 <sup>st</sup> items selection
	<b>Improve reputation</b>	I_2		Mair and Noboa 2006	
	Effective and responsible resource allocation	I_3	Low factor loading	Teasdale et al. 2023	2 <sup>nd</sup> items selection
	<b>Get in touch with firms part of the same network</b>	I_4		Dacin et al. 2011	
	<b>Access to strategic relationships with suppliers</b>	I_5		Hockerts 2017	
	<b>Competitive advantage</b>	I_6		Hockerts 2017	
	Internally share the organizational culture	I_7	High uniqueness	Dacin et al. 2011; Teasdale et al. 2023	1 <sup>st</sup> items selection
	New social objectives	I_8	High uniqueness	Bornstein, 1998; Boschee, 1995	1 <sup>st</sup> items selection
	<b>Market recognition</b>	I_9		Zahra et al. 2017	
	<b>Attract new customers</b>	I_10		Zahra et al. 2017	
	Founders' will	I_11	High uniqueness	(Mair and Martí 2004; Hockerts 2017	1 <sup>st</sup> items selection
	<b>Contribute to solve an overarching social problem</b>	I_12		Bornstein, 1998; Boschee, 1995	
	Shareholders' push	I_13	High uniqueness	Cheng, Ioannou, and	1 <sup>st</sup> items selection

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				Serafeim 2014	
	<b>Suppliers' push</b>	I_14		(Mair and Martí 2004)	
	<b>Customers' push</b>	I_15		Mair and Noboa 2006; Zahra et al. 2017	
	<b>Institutions' push</b>	I_16		Mair and Noboa 2006	
	<b>Align with peer organizations</b>	I_17		Dacin et al. 2011	
	Improve value of the product/service	I_18	Low factor loading	Cheng, Ioannou, and Serafeim 2014;	2 <sup>nd</sup> items selection
	Innovation strategy	I_19	Cross- Loadings	Hockerts 2017	2 <sup>nd</sup> items selection
	Credit access	I_20	High uniqueness	Godfrey, Merrill, and Hansen 2009	2 <sup>nd</sup> items selection
	Visibility with respect to financial investors	I_21	Low factor loading	Cheng, Ioannou, and Serafeim 2014;	2 <sup>nd</sup> items selection
	Part of a community of similar organizations	I_22	High uniqueness	Flammer 2013; Hockerts 2017	1 <sup>st</sup> items selection
	<b>Be close to a community of stakeholders</b>	I_23		Flammer 2013;	
	Make business as a force for social good	I_24	High uniqueness	Zahra et al. 2017; Bornstein, 1998; Boschee, 1995	2 <sup>nd</sup> items selection
Establishment of the internal hybrid condition	Financial resources availability	I_25	Cross- loadings	Flammer 2013;	1 <sup>st</sup> items selection

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<b>Have managers with specific competences</b>	I_26		Battilana and Dorado 2010	
<b>Have employees with specific competences</b>	I_27		Battilana and Dorado 2010	
<b>Have managers with broad competences</b>	I_28		Battilana and Dorado 2010	
Establish a dedicated group-work for social and environmental monitoring	I_29	Cross-loadings	Pache and Santos 2013	2 <sup>nd</sup> items selection
Make suppliers active participants	I_30	Cross-loadings	Battilana et al. 2010; Pache and Santos 2013	2 <sup>nd</sup> items selection
Hire socially-aware employees	I_31	Cross-loadings	Battilana et al. 2010; Pache and Santos 2013	1 <sup>st</sup> items selection
<b>Associate managers' rewards to corporate social and environmental performance</b>	I_32		Battilana et al. 2010; Pache and Santos 2013; Battilana et al. 2015	
<b>Establish dedicated trainings for employees with respect to the social and environmental culture of the firm</b>	I_33		Pache and Santos 2013	

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	Promote the interaction and the integration across different internal functions, among commercial, social and environmental objectives	I_34	Cross-loadings	Battilana et al. 2010; Pache and Santos 2013	2 <sup>nd</sup> items selection
Impacts thesis of the hybrid condition	Define social objectives that are measurable	I_35	High uniqueness	Clark et al. 2004; Maas and Liket 2011; Costa and Pesci 2016	1 <sup>st</sup> items selection
	Define social objectives whose impact is associated to a precise group of stakeholders	I_36	High uniqueness	Clark et al. 2004; Maas and Liket 2011; Costa and Pesci 2016	1 <sup>st</sup> items selection
	<b>Establish and define precise short-term social or environmental objectives</b>	I_37		Clark et al. 2004; Mitnick, 1993; Husted, 2000; Whetten et al., 2002	
	<b>Establish and define precise medium-term social or environmental objectives</b>	I_38		Clark et al. 2004; Mitnick, 1993; Husted, 2000; Whetten et al., 2002	
	Establish and define precise long-term social or environmental objectives	I_39	High uniqueness	Clark et al. 2004; Mitnick, 1993; Husted, 2000; Whetten et al., 2002	1 <sup>st</sup> items selection
	Avoid the definition of precise social objectives	I_40	High uniqueness	Clark et al. 2004; Mitnick, 1993; Husted,	1 <sup>st</sup> items selection

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		2000; Whetten et al., 2002
<b>Definition of standardized processes to achieve social impact</b>	I_41	Clark et al. 2004:
<b>Standardized monitoring and measurement of the social objectives</b>	I_42	Clark et al. 2004:
<b>Aim at overcoming ex-ante defined social objectives</b>	I_43	Clark et al. 2004:

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Table 3. Factor analysis

Variable	Factor1	Factor2	Factor3	Factor4
I_38	<b>0.828</b>	0.209	0.029	0.019
I_42	<b>0.779</b>	0.040	0.032	0.196
I_37	<b>0.722</b>	0.146	-0.047	-0.004
I_43	<b>0.627</b>	-0.039	0.061	0.076
I_41	<b>0.606</b>	0.024	0.057	0.165
I_12	<b>0.509</b>	0.143	0.212	0.118
I_23	0.474	0.189	0.094	0.174
I_2	-0.051	<b>0.821</b>	0.014	0.024
I_9	0.045	<b>0.799</b>	0.135	0.069
I_10	0.190	<b>0.722</b>	0.063	0.053
I_5	0.229	<b>0.704</b>	0.078	0.161
I_6	0.151	<b>0.661</b>	0.172	0.219
I_4	0.232	<b>0.654</b>	0.081	0.079
I_26	-0.182	0.083	<b>0.785</b>	0.124
I_27	0.206	0.016	<b>0.737</b>	0.151
I_28	0.043	0.275	<b>0.617</b>	0.061
I_32	0.492	0.233	<b>0.514</b>	0.149
I_33	0.457	0.135	0.480	0.052
I_15	0.163	0.035	0.127	<b>0.680</b>
I_16	0.316	0.150	0.106	<b>0.654</b>
I_14	0.024	0.215	0.190	<b>0.642</b>
I_17	-0.037	0.167	0.147	<b>0.591</b>

Factor loadings in bold characters identify values above 0.5

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 extracted factors

Factor	Variance	Difference	Proportion	Cumulative
Factor 1	3.88237	0.31032	0.2966	0.2966
Factor 2	3.57205	1.32190	0.2729	0.5695
Factor 3	2.25015	0.32623	0.1719	0.7415
Factor 4	1.92392	0.1470	0.147	0.8885

LR test: independent vs. saturated:  $\chi^2(231) = 1159.22$  Prob> $\chi^2 = 0.0000$

Table 6. Goodness of fit indexes of the estimated models for the CFA

	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

Figure 4. Factor model

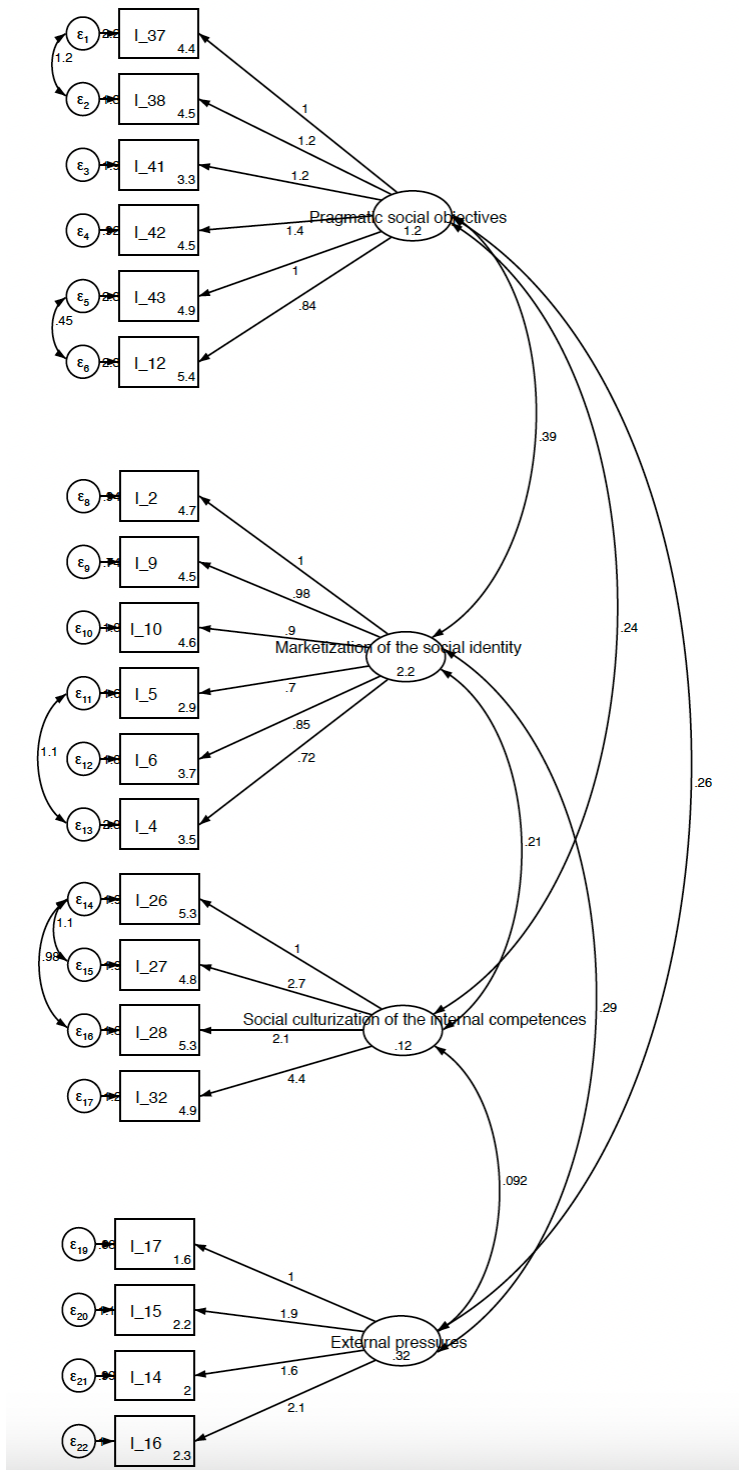




Table 7. Cluster structure of the factor scores

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

Table 8. ANOVA results on Factor 1 scores

	Partial SS	df	MS	F	Prob>F	Other Info
Geographical categories (North, Centre, South)	1.7525115	2	0.87625575	0.97	0.3835	Number of obs = 101 R-squared = 0.0194
Residual	88.735894	98	0.90546831			Root MSE = 0.951561
Total	90.488406	100	0.90488406			Adj R-squared = -0.0006

Table 9. ANOVA results on Factor 2 scores

	Partial SS	df	MS	F	Prob>F	Other Info
Geographical categories (North, Centre, South)	2.7248392	2	1.3624196	1.53	0.2208	Number of obs = 101 R-squared = 0.0304
Residual	87.03421	98	0.88810419			Root MSE = 0.942393
Total	89.759049	100	0.89759049			Adj R-squared = 0.0106

Table 10. ANOVA results on Factor 3 scores

	Partial SS	df	MS	F	Prob>F	Other Info
Geographical categories (North, Centre, South)	6.8606251	2	3.4303125	4.33	0.0158	Number of obs = 101 R-squared = 0.0811
Residual	77.72087	98	0.7930701			Root MSE = 0.890545
Total	84.581495	100	0.84581495			Adj R-squared = 0.0624

Table 11. ANOVA results on Factor 4 scores

	Partial SS	df	MS	F	Prob>F	Other Info
Geographical categories (North, Centre, South)	0.27961305	2	0.13980653	0.18	0.833	Number of obs = 101 R-squared = 0.0037
Residual	74.836868	98	0.76364151			Root MSE = 0.873866
Total	75.116481	100	0.75116481			Adj R-squared = -0.0166

Table 12. Bonferroni post-hoc test on Factor 3

	Estimate	Std. Err.	Bonferroni	
			95% Conf. Interval Lower	95% Conf. Interval Upper
North vs Centre	-0.545067	0.2672836	-1.196108	0.1059739
South vs Centre	0.1149833	0.3565032	-0.753376	0.9833427
South vs North	0.6600503	0.2766303	-0.0137569	1.333858

## **Appendix**

### **a. Items selection**

Regarding *occurrence*, the proposed questions aimed at capturing the motivations that led to a hybrid condition. We included 24 items related to the importance of personally striving to achieve social impact, solving overarching problems, being part of a movement, being part of a network of organizations, and garnering potential competitive advantages (in terms of credit access, suppliers, or customers) through a hybrid structure.

Regarding *establishment*, the proposed questions focused on organizing features: 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 this level, we included 10 items regarding the firm's internal functioning, such as the social-oriented incentives for managers, the internal division of labor, and the methodologies through which employees are hired and trained. We also asked about the balance of social and economic objectives, the importance of financial stability, and the willingness to scale up both objectives or just one of them.

Regarding the *shape of the impact*, the proposed questions detailing the theory of change of each organizations' social objective, with the aim of defining its characteristics. As the theory of change helps to define the causality between the proposed social-oriented actions and their outcomes (social and environmental), we introduced nine items that evaluate the extent to which these actions are not only measured and monitored over time, but can also be linked to a precise group of stakeholders with dedicated practices. Moreover, we assessed whether the theory of change supports a short-, medium- or long-term perspective.

### **b. Interviews**

We used a semi-structured interview that covered key aspects of our reasoning. For example, when asking about the specific dynamics leading to a hybrid entity, we collected 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”*. Regarding organizational structuring, we found evidence 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 confirmed that the 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”*. Thanks to these interviews, we adjusted and rephrased our items to make our survey complete and exhaustive.

### **c. Post-estimation analysis**

As part of the post-estimations analysis, we represented each factor with a set of predicted factor scores in order to avoid an unequal weighting issue that can result from extracting variables from clusters instead of scores (Fiedler & McDonald, 1993). Factor scores are defined as weighted combinations of correlated variables within factors, which have higher chances of being more reliable than the individual variables. Accordingly, we predicted the factor scores by adopting the regression method<sup>1</sup>.

In short, we investigated the differences in factor scores in order to better evaluate the hybrid condition of B Corps, specifically comparing the results based on industry type (Table 13) and geographical localization (Table 14). In general, we did not uncover heterogeneity issues under our set of observable characteristics. Regarding the industry, we found no statistically different scores across factors, meaning that the extracted factors are suitable for evaluating the hybrid condition of

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<sup>1</sup> The alternative would have been the Barlett method, but the regression method considers the smallest mean squared error from the original factors’ structure (Maxwell, 1961; Thomson, 1939).

B Corps across industries. Concerning the geographical localization, we observed a statistically significant difference in terms of *Social culturization of internal competences*, which is more important in the South group. No statistically significant differences emerged across other factors. These results confirm that the four-factor model is valid for assessing hybridity in B Corps across industries. Although on one factor only, the four factor model evidences potential geographical heterogeneity issues.

Table 13. Intergroup comparison (industry)

	Products (32 observations)		Services (69 observations)		T-test
	Mean	Sd	Mean	sd	
1. Pragmatic social objectives	-.1196462	1.013065	.0554881	.9398611	-0.8500
2. Marketization of the Social identity	.1526988	1.004716	-.0708168	.9339539	1.0924
3. Social culturization of internal competences	-.0403886	.8604923	.018731	.9807787	-0.2926
4. External pressures	.1494748	.8768705	-.0693217	.9102323	1.1368

Table 14. Intergroup comparison (geographical localization)

	North (78 observations)	South (23 observations)	Ttest		
	Mean	Sd	Mean	sd	
1. Pragmatic social objectives	-.0394206	1.002196	.1336871	.8169262	-0.7567
2. Marketization of the social identity	.0452371	.9744388	-	.9016348	0.8733
3. Social culturization of internal competences	-.1336276	.9258951	.4531719	.1795604	-
4. External pressures	-.0263552	.8594175	.0893784	1.046902	-0.5393

\*p < 0.005

#### d. Spectrum of hybrid organizations

We follow extant literature considering hybrid organization in a spectrum (Haigh, 2015). Here in Table 15 we present the visual representation of three types of hybrid setting – B Corps, WISEs, and L3Cs. They are differently positioned in the in the hybrid spectrum because they enact profit and non-profit components with different emphasis, and with a different equilibrium. Accordingly, our paper decides to measure hybridity one setting at a time to control for conformity of the hybrid structure.

Table 15. Spectrum of hybrid organizations

*Non-profit orientation*

*For-profit orientation*



<b>Non-Profit logic</b>	<b>Hybrid</b>			<b>For-Profit logic</b>
Non-Profit organizations	WISE	L3Cs	B Corps	Fully commercial For-Profit organizations