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Exploring Tension in Hybrid Organizations in Times of Covid-19 Crisis. The Italian Benefit Corporations' experience

Federica Bandini^a, Leonardo Boni^b , Magali Fia^c  and Laura Toschi^c 

^aDepartment of Management, University of Bologna, Forlì, Bologna, Italy; ^bDepartment of Management, Economics and Industrial Engineering, Politecnico di Milano, Milan, Italy; ^cDepartment of Management, University of Bologna, Bologna, Italy

ABSTRACT



The COVID-19 pandemic has caused an unprecedented social and economic crisis, not least for hybrid organisations, as they must manage the tension arising from their dual mission to create social and economic value. Building on a theoretical framework for hybrid tension, our work contextualises how tensions emerge and are managed in hybrid organisations when they are exposed to exogenous shocks. We address the following research question. How have hybrid organisations managed the tensions arising from their dual purpose during the COVID-19 crisis? Our focus is on Italian benefit corporations, which are organisations combining social and economic objectives. We conduct two focus groups with 12 Italian benefit corporations. Our findings show the emergence of four constructs that capture the responses to the COVID-19 crisis: social and/or commercial orientation; technological characterisation; internal and external stakeholder relationship; openness to changes. We explain the relationship of these constructs via a framework of performing, organising, learning, and belonging tensions.

KEYWORDS

Social hybrid organisations; social enterprises; tensions; COVID-19; benefit corporations

Introduction

Hybrid organisations are business ventures positioned at the crossroads of the market, public policies, and civil society (Nyssens 2007) that aim to respond to current societal challenges by pursuing a social goal through entrepreneurial activity (Battilana and Lee 2014; Borzaga and Defourny 2001; Doherty, Haugh, and Lyon 2014). A major threat to their mission is how to effectively balance social and economic goals. Over time, hybrids may prioritise revenue goals to the detriment of their social mission, which is referred to in the organisational literature as (social) mission drift (Strom 2010; Weisbrod 2004; Ebrahim et al. 2014; Cetindamar and Ozkazanc-Pan 2017). Alternatively, hybrids may focus on their social mission, diminishing their capacity to raise

CONTACT Magali Fia  magali.fia@unibo.it  Department of Management, University of Bologna, Bologna, Italy

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revenue, and thus become a *de facto* charity (Ebrahim et al. 2014). The vast organisational literature on hybrid organisations sheds light on the various tensions that emerge from these organisations' dual purpose and on the organisational responses to such competing forces (see, among others, Pache and Santos 2010, 2013; Battilana and Dorado 2010; Mason and Doherty 2016; Ebrahim et al. 2014; Smith et al. 2013). However, these studies mainly examine the day-to-day management of the dual mission. Our study differs by considering how ethical dilemmas and conflicting priorities are managed in times of extreme pressure, in this case, in the context of the COVID-19 pandemic.

The COVID-19 pandemic has completely disrupted our way of life, creating an unprecedented social and economic crisis. All business organisations must find ways to navigate this new world, with many struggling to stay afloat. The priority on survival may shift the attention away from corporate social responsibility (CSR) in favour of economic logics, even if the social contract between business and society has never been so important (Carroll, 2021).¹ Thus, for those organisations committed to both commercial and social objectives, the impact of COVID-19 warrants particular attention. Indeed, hybrids play a critical role in addressing societal issues and answering the social needs caused by the pandemic (World Economic Forum 2020). According to Weaver (2020, 1), 'social entrepreneurship is a critical tool for addressing issues both created and exacerbated from this virus'.

Battilana and Lee (2014) highlight that there are differences in the way and extent to which hybrids address social-business tensions. If this is the case in ordinary times, the differences are amplified in times of crisis. Exogeneous shocks may impact the complexities of tensions, exacerbating the pressure of finding trade-off solutions or raising latent issues (Ramus, Vaccaro and Brusoni 2017). Thus, our paper aims to contribute to the extant literature by answering the following research questions: *How do hybrid organisations manage tensions in the presence of an external shock, like the COVID-19 crisis? What tensions emerged and how did organisations respond?*

While the hybrid spectrum encompasses different entrepreneurial forms (see Alter 2007; Defourny and Nyssens 2010), in this paper we focus on a particular type of hybrid, namely the Benefit Corporation (BC). A BC is a recently recognised legal organisational form (Lenzi and Zorzi 2020) 'that includes positive impact on society, workers, the community and the environment in addition to profit as its legally defined goals' (Blasi and Sedita 2022, 4).² BCs emerged in the US in 2010 and have grown rapidly in Italy since 2015, as well as in British Columbia, Colombia and Scotland. BC's legal framework supports the pursuit of commercial and social objectives by requiring that BCs: identify an *expanded* mission that entails the pursuit of a general public benefit; adopt an *expanded* governance in which managers hold fiduciary duties towards multiple stakeholders (instead of serving shareholders only); and commit to a *widened* accountability in which they should produce both a public and annual report on their social impact (among others Cetindamar 2018; Hemphill and Cullari 2014; Robson 2015; Nigri, Del Baldo, and Agulini 2020). BCs are widely explored in recent hybrid literature (see among others Hiller 2013; Nigri, Del Baldo, and Agulini 2020; Rawhouser, Cummings, and Crane 2015; Sharma, Beveridge, and Haigh 2018; Gehman and Grimes 2017; Gheman et al. 2019), as they represent a transition from the traditional for-profit paradigms towards the non-profit world in which business venturing integrates purely

commercial goals with social issues. Here, unlike previous studies, we do not examine how different internal characteristics (e.g., governance structure and accountability) affect potential mission drift across a range of hybrid organisations, but instead focus on the BC because doing so will provide more robust results in understanding the impact of an exogenous event. Moreover, we focus on the Italian context because Italy is the first European country, and the second after the US, to introduce BC legislation (see also Gazzola et al. 2019). Further, Italy has been significantly affected by the COVID-19 (Ricci et al. 2020), more so than most European countries.

We undertook focus groups with 12 Italian Benefit corporations, finding that, rather than dealing with mission drift as a potential consequence of external events, BCs combine different ways to interpret and manage tensions arising from crises. Specifically, our data show that, in times of significant disruption, BCs adopt various practices to manage organisational tensions. Therefore, our work extends the theory of hybrid tensions with a more contextual understanding to incorporate the context of disruption. We also contribute to the understanding of the implications of COVID-19 for business and society research (Battaglia, Paolucci, and Ughetto 2021; Crane et al. 2015).

Tensions in hybrid organisations

The development of new business trends that seek to pursue both *profit* goals and *societal* returns—that is, hybrid firms (Nicholls 2012; Emerson 2003; Zimmerman et al. 2014)—has led to a strong interest in how corporations embed ethical, social, and environmental issues in their core business and strategies (see, for example, Villela, Bulgacov, and Morgan 2019). The trade-offs and tensions of this hybridisation process has been investigated in the literature (see Hota, Subramanian, and Narayanamurthy 2019 for a review), with interesting insights into what organisations must consider when managing the coexistence of commercial and social goals (see, for example, Siegner, Pinkse, and Panwar 2018; Mason and Doherty 2016; Mair, Mayer, and Lutz 2015; Ebrahim et al. 2014; Battilana and Lee 2014; Smith, Gonin, and Besharov 2013; Smith and Lewis 2011; Pache and Santos 2010, 2013; Battilana and Dorado 2010).

However, tension in business organisations is not specific to hybrid organisations. The management literature examines this issue for different kinds of organisations (See Lewis 2000; Smith and Lewis 2011). Lewis (2000) and Smith and Lewis (2011) offer a useful categorisation of tensions into four main typologies relating to an organisation's core activities: 'learning (knowledge), belonging (identity/interpersonal relationships), organising (processes), and performing (goals)' (Smith and Lewis 2011, 383).

Building on this categorisation, Smith et al. (2013) provide a systematic analysis of the same types of tensions in the context of hybrids. The scope of this paper is, thus, to gain a deeper understanding of how hybrids faced the tensions during exogenous shocks, using these four types of tension to frame our analysis.

The belonging tension

The *belonging* tension deals with the identity and the interpersonal relationships of individuals and groups working and dealing with the organisation. At the individual

level, managers may struggle to define 'who they are', posing risks to the organisational identity of the enterprise (Smith et al. 2013; Smith and Lewis 2011). This is due to the presence of divergent values and goals that leaders associate either with the commercial or social goals of the organisation without finding a trade-off solution, that is, they may identify either with the social mission or with the commercial goal, but not both. The belonging tension operates at the individual level, depending on the background of different individuals (e.g., leaders can have previous experience or training in the non-profit or profit sector). The main solution to this tension is to implement hiring and socialisation practices that support an overarching organisational culture of hybridity (Battilana and Dorado 2010).

Belonging tensions can also operate at group level when different categories of stakeholders may have conflicting goals. Stakeholders more oriented to the social logic of the organisation, such as the community and recipient non-profit organisations, may have identities that contrast with those of clients, suppliers, or investors. That is, within hybrid organisations, there may be groups of stakeholders more aligned to the social mission and others to the economic mission. For example, donors may have expectations in terms of social returns, while suppliers worry about quality and price (Smith et al. 2013). Hybrid organisations should carefully consider how to position themselves with respect to different types of stakeholders, having in mind that usually community and beneficiaries are more socially oriented with respect to suppliers, client, investor which are more commercially oriented (Bandini, Chiappini and Pallara 2022). Hence, hybrid organisations may wish to keep their social and economic pillars separate, addressing tensions by selectively coupling elements from each logic, or seeking compromise to mitigate conflict (Pache and Santos 2013).

The performing tension

The second typology is the *performing* tension and is caused by the presence of divergent goals and related performance metrics. Financial goals are more easily quantifiable as they are standardised, widely adopted, and characterised by a short-term perspective (Smith et al. 2013). Social goals are more long-term oriented and related indicators should consider a variety of objectives and achievements to address the needs of different classes of stakeholders (Bengo et al. 2016; Kerlin 2006).³ Prioritising financial over social goals may leave stakeholders' demands unsatisfied, while neglecting the need to maintain sound financial performance or risk business failure (Smith et al. 2013). These *performing* tensions involve how to measure success when there are conflicting goals (Smith et al. 2013). While hybrids have long-term social goals, they must also be adaptable in the face of critical social issues, like the pandemic, where they have to respond to unexpected crises. For example, QUID is an Italian social enterprise providing employment opportunities for vulnerable people (mostly women) in ethical fashion garment manufacturing. It was forced to close during the early stages of COVID-19 but reopened by adapting production to the manufacture of protective masks that were certified by the National Health institute. Note that financial goals are long terms both in terms of financial sustainability and growth.

However, the 'stakeholder value myth' (Stout 2012) and a single stakeholder governance approach weaken the ability of traditional for-profit organisations to pursue more long-term goals (Stout 2008; Blair and Stout 1999; Fiss and Zajac 2006; Fia and Sacconi 2019).⁴ The management of these tensions is outcome oriented and organisations need to consider strategy to harmonise the goals of hybrid organisations.

The organising tension

The third type of tension is called *organising tensions* and deals with practices, culture, and processes. Hybrid organisations operate in multiple institutional environments (market and philanthropy/charity) (Pache and Santos 2010, 2013; Battilana and Dorado 2010; Mair, Mayer, and Lutz 2015) thus tensions emerge when these different institutional logics collide. This occurs in decision-making processes regarding, for example, who to hire, which legal form and organisational structure to choose, and how to create a culture that supports the organisation's hybrid identity amongst employees (Smith et al. 2013). Here, managing the tension requires strategies that enact processes and/or practices, as well as support skills and capabilities, appropriate to conflicting logics (Smith et al. 2013). For example, *organising* tensions for hybrid organisations may arise from organisational choices such as HR management and the selection of legal forms (Smith et al. 2013). Take the case of a social enterprise operating in the fashion sector that aims at supporting vulnerable women. The organisation can face tensions when deciding whether to hire tailors with technical skills to improve product quality or to increase social impact by hiring the disadvantaged women. Another example is that of a social enterprise providing online micro-learning tools for marginalised individuals to train them to take up job opportunities. The social enterprise may decide to hire the best instructors for content development, but also seeks instructors who understand the special requirements of the organisation's beneficiaries (Smith et al. 2013). Tensions are not silos; rather, when decisions involve the need to commit to different outcomes as well as individual and group identity expectations, organising and belonging tensions may intersect (Smith and Lewis, 2011). In fact, in hiring decisions, hybrids should address stakeholders' identity expectations as well as the commitment to (for example) product quality and supporting beneficiaries.

With respect to the choice of different incorporation modes, Battilana et al. (2012) and Ebrahim et al. (2014) distinguish between differentiated and integrated hybrids. That is, an organisation can choose to separate social activities from commercial activities—differentiated hybrids. In this case, the revenues from customers of the commercial activities support the social activities for beneficiaries. Alternatively, organisations can choose to become integrated hybrids, where social and commercial activities are the same.

The learning tension

The fourth type of tension is a *learning* tension and is connected to a temporal dimension. It considers the different time frames for hybrid organisations in dealing with social and financial objectives. Financial outcomes have a short-term perspective, while

social outcomes often require a longer time frame for results to be achieved. Thus, the coexistence of these time frames creates tensions (Smith et al. 2013), with the achievement of short-term financial goals potentially threatening the sustainability of long-term social goals. This can be categorised as an issue of *learning*, in which strategies are required that aim at balancing the conflicting time frames inherent in social and economic objectives.

While the existing hybrid organisations' literature has identified, defined, and detailed the characteristics of these tensions, few studies examine the conditions in which different strategies are enacted to address tensions.⁵ Rather, the hybrid organisations literature has focussed on the management of tensions as responding to a naturally occurring phenomenon in which tensions arise internally and have no relationship to—and therefore cannot be influenced by—external events. Yet external events are part of social construction, hence the extent to which firms respond follows a process of *sense-making* (Isabella 1992; Thomas, Clark, and Gioia 1993; Gioia and Thomas 1996), and firms may react differently to the same specific event according to their particular working rules and organisational routines (Hodgson 2003).

Many studies examining the implications of external events on organisations relate to environmental pollution, mainly considering large industrial corporations (Hoffman 2001). For example, studies have investigated how for-profit organisations in the chemical or manufacturing industries reacted to environmental-oriented critical events, such as the publication of Rachel Carsons' book *Silent Spring* (1962), the Love Canal chemical waste incident (1978), or the Exxon Valdez oil spill (1989) (Hoffman 2001; Hoffman and Ocasio 2001). These studies examine how institutionalised organisations respond to institution-changing events (Sewell 1996). Our study examines a similar phenomenon but in the context of complex organisations, like hybrid firms, in which multiple logics coexist. Here, we examine an external event—the COVID-19 pandemic—and how a specific type of organisation—hybrid organisations—responds in terms of organisational structure and managing tensions.

Research setting

We focus on a particular type of hybrid organisation, Italian BCs, which are for-profit enterprises that also pursue a social mission and are, therefore, characterised by two logics—financial and social. BCs have a specific legal status and are common in Italy, Colombia, the US, and Scotland. BCs share similarities with B Corp certification.⁶ They must complete an annual report that incorporates disclosures on social, environmental, governance, customers, and community (Lenzi and Zorzi 2020). The BC is an ideal setting for our research because of the presence of two conflicting logics in its formal structure, which means they must navigate the tensions and trade-offs of these logics in their operations.

In April 2020, the Bureau Van Dijck's AIDA dataset identified 226 registered BCs in Italy. BCs in Italy are required to indicate either 'Società Benefit' or 'SB' in their legal name. Accordingly, we screened for active organisations with either one or the other in their legal name. In Italy, BCs are mostly unlisted companies, so our first round of screening identified no public information other than legal names and tax codes. We

Table 1. Geographical localisation of our sample of Benefit corporations in Italy.

Geographical localisation	<i>N</i>
North of Italy	91 (78%)
Centre of Italy	21 (18%)
South of Italy	5 (4%)
Total	117

Table 2. Details of employees and Nominal Share Capital of our sample of Benefit corporations in Italy.

	Observations	Mean	Std. Dev.	Min	Max
Employees	48	21.88	54.45	0	326
Nominal Share Capital	112	247'145.90 €	883'201.80 €	1.00 €	6'310'000.00 €

Table 3. Types of organisational forms characterising of our sample of Benefit corporations in Italy.

Organisational form	<i>N</i>
Società Semplice	3 (2.6%)
Società Per Azioni	9 (8%)
Società Cooperativa	4 (3.4%)
Società a Responsabilità Limitata	101 (86%)
Total	117

then used this information to collect publicly disclosed information (geography, financials, websites, info@ emails, personal emails) of 117 active BCs from Bureau Van Dyck's AIDA. Tables 1–3, present some descriptive statistics of the 117 BCs, most of which are located in the North of Italy (78%), and range from entrepreneurial ventures with no employees and share capital of 1 Euro⁷ to organisations of more than 300 employees. Most (86%) are a legal form of Società a Responsabilità Limitata, similar to a limited liability company in the US or a limited company in the UK, with just a few cases (8%) of listed companies, taking the form of Società per Azioni.

Data collection

Our aim is to understand how hybrid organisations behave with respect to exogenous shocks. In order to gather data to properly investigate this issue, we adopted the technique of focus groups, which are particularly useful for identifying consistency or otherwise of certain stimuli, strategies, or actions taken and help researchers to clearly identify best practices, shared thoughts, or collective disagreements across potential constructs (Madriz 2000; Gephart 2004). Focus groups provide the opportunity for participants to meet and exchange ideas, sharing their experiences and potentially learning new practices from organisations in the same field. To identify the relevant actors to engage in focus groups we followed the following procedure. From the group of 117 BCs previously described, 38 disclosed personal emails or LinkedIn contacts of managers and/or founders/entrepreneurs to whom we sent personal emails. We received positive responses from 12 people, who agreed to participate in the focus groups.⁸ To control for potential bias and group thinking (Vakkayil Della Torre, and Giangreco 2017) and to respect the ideal focus group number of participants that

should range between four and eight people (Kitzinger 1995), we created two groups of five and seven corporations respectively. Then, within each of the two groups, we ensured a balanced representation of entrepreneurs and managers from different industries, firm sizes, and business models. We also ensured heterogeneity in terms of turnover, number of employees, and location (Fern 2001; Morgan 1997). Table 4 shows the list of companies participating in the two focus groups.

The first focus group consisted of managers, founders, or executives from five young BCs, while the second focus group consisted of managers, founders, or executives representing structured BCs. Because of COVID-19 restrictions, the focus groups were organised remotely through online video-conference tools. Each focus group lasted about three hours. The week before the focus groups took place, each participant received information about the composition of their group. Unlike other research projects adopting focus groups for data collection (Vakkayil, Della Torre and Giangreco 2017), we decided to share only the macro-topic of the focus group so that responses were 'fresh' and spontaneous. Each focus group was moderated by a senior member of the research team, supported by two research assistants.

In order to observe which tensions emerged in the responses to the COVID-19 crisis, the discussion was structured around three broad questions. First, we asked which immediate, short-term actions has your organisations taken in the face of the COVID-19 crisis? Second, more specifically, what actions has your company employed in relation to stakeholders? Third, how has your company revised its long-term strategy for balancing social and economic objectives?

In focus groups, it is important to consider the style of the interaction and how the questions are solicited by the moderator (van Bezouw et al. 2019). Since our objective was to evoke spontaneous and voluntary interventions (Stewart, Shamdasani, and Rook 2007), the moderator did not direct responses (Myers 1998; Duchesne, Haegel, and Van Ingelgom 2013), while also ensuring that every participant contributed.

The two focus groups were recorded, and all the interactions were carefully transcribed by one of the authors. The transcriptions were then interpreted from Italian to English by a researcher not involved in the project. In addition, another researcher reviewed the English transcription to check its accuracy.

Methodologies for data analysis

In order to explore the under-investigated topic of how hybrid organisations manage the tension between conflicting logics, identities, dynamics, and time horizons when exposed to critical events, we adopt abductive reasoning (Niiniluoto 1999), which combines existing theories and data through an iterative process (Van Maanen, Sørensen, and Mitchell 2007). Timmermans and Tavory (2012) define abduction as a 'recursive process of double-fitting data and theories' motivated by novel or anomalous phenomena (Peirce 1934), while Gioia et al. (2013) define it as a methodology 'whereby data and theory are considered in tandem'. Thus, abductive reasoning considers a methodological approach that is neither purely inductive nor purely deductive (Teasdale et al. 2021). It nourishes extant theoretical knowledge in a revised conceptual scheme, while also works as an iterative process allowing

Table 4. List of the companies participating in the study.

Company code	Focus group	Sector	Starting year	Year became benefit corporation	Employees	Size (employees)	Geographical area	Participant role	Participant gender
1010	1 July	Blockchain technologies	2019	2019	n.d.	n.d.	North	Co-Founder	Male
DLB	1 July	Consulting for social impact projects	2013	2017	0	Micro	North	Managing director	Female
TFP	1 July	Luxury watches	2019	2019	2	Micro	Central	Founder	Male
BHRS	1 July	Startup incubator program	2018	2018	5	Micro	North	Managing director	Female
TRMT	1 July	Electric wheelchair	2019	2019	0	Micro	North	Founder	Male
ALNTR	2 July	Organic food for animals	2000	2019	23	Small	North	Benefit and integrated reporting manager	Female
ITINCAM	2 July	Social housing platform for university students	2018	2018	n.d.	n.d.	North	President and CEO	Male
WSE	2 July	Consulting in the food industry	2012	2018	2	Micro	Centre	Founder	Male
ACGRP	2 July	Environmental education and communication	1995	2019	17	Small	North	President	Male
MDTH	2 July	Tailor-made furniture	2018	2018	0	Micro	North	Founder	Male
PRG	2 July	Legal consulting	1994	2019	14	Small	North	Partner	Male
EDC	2 July	Hub for circular economy networks	2002	2017	5	Micro	Central	CEO	Female

Note. For privacy reasons, the firms are indicated with a code instead of their full name.

constructs and concepts to emerge from the data, especially in situations of anomalous or novel phenomena. The continuous iterations between existing theory and data distinguishes abductive reasoning from inductive and deductive approaches. More specifically, it extends existing theory (Coffee and Atkinson 1996; Rahmani and Leifels 2018), in our case, extant logics theory, to situations or contexts that suddenly occur, such as that of exogenous shocks (Niiniluoto 1999). To cite some examples, similar methodological approaches have been considered by Barraket (2020) and Teasdale et al. (2021)

In our study, we aim to understand how hybrid organisations navigate tensions' theoretical schema during the anomalous experience of COVID-19. Thus, we explore the responses in three main domains: business model orientation, distinguishing between social and commercial (Davies and Doherty 2019) and management of the relationship with internal and external stakeholders. First, we explore how the BC business model reflects hybridity, asking whether and how our target organisations redefine their hybrid business model in the short and long term when faced with an exogenous shock (Bocken et al. 2014; Rauter et al. 2017). In addition, we investigate organisational responses with a particular focus on the multi-stakeholder perspective. Multi-stakeholdership is defined as the extent to which organisations are able to establish different inter and intra organisational networks with civil society, peer organisations, and governmental institutions to solve specific issues affecting them all (Roloff 2008). BCs face a critical challenge in defining their legitimacy with several and different types of stakeholders, the interests of which may be in conflict (Kratz and Block 2008; Zuckerman 1999).

Thus, we analysed the data collected from the focus groups using a coding process consisting of three iterative coding techniques: (i) open, conceptual; (ii) axial, structural; and (iii) selective, dimensional. This process involved reviewing, discussing, comparing, and revising over different phases to ensure that the data analysis follows a reliable and standardised protocol. This approach has been used in prior studies, which find that coding processes maximise abductive analysis so as 'to remain with the phenomenon and try to form as many links and hypotheses as possible in light of our theoretically positioned knowledge' (Timmermans and Tavory 2012, 177).

First, we used open-coding to identify the attributes, topics, and themes arising from the interactions in the focus groups. The researchers independently interpreted particular words and sentences to identify as many attributes as possible so as to classify a first set of categories. Then we used axial-coding stage to find a higher-order logical connection among the whole set of attributes, topics, and themes identified in the open-coding stage. This stage allowed us to distinguish categories and subcategories of constructs, referring to the relevant prior literature to frame the second-order themes (Vakkayil Della Torre and Giangreco 2017), and find potential explanations for the phenomenon we were observing. Despite different interpretations of constructs amongst the researchers, the iterative process served to identify a group of categories evidencing patterns of reasoning from our interactions.

Finally, the selective coding stage helped identify the over-arching conceptualisation of our data analysis in terms of theoretical framing, reconciling identified categories with theoretical logic (Bryant and Charmaz 2010).

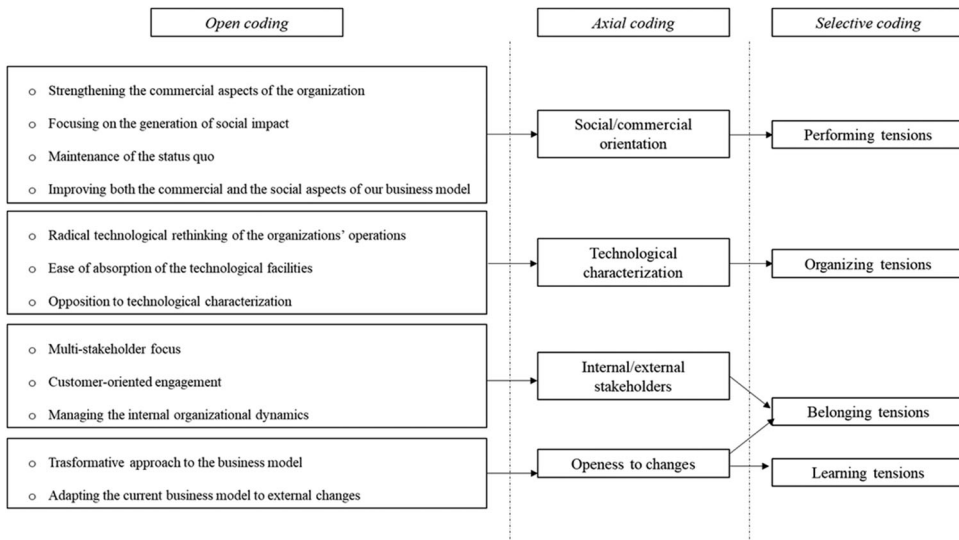


Figure 1. Coding process to identify the strategies adopted.

Results

Figure 1 provides the results from the analysis of the data collected from the 12 BCs participating in the two focus groups. In this section, we outline the features of each construct, how they emerged from the interactions of the focus group, and explain how each construct helps in understanding how shocks forced the BCs to enact specific strategies to manage tensions in their hybrid organisations. The hybrid organisations' responses are organised according to our theoretical framework and the four categories obtained through the axial coding stage.

Below we discussed four categories obtained. For each category we identified most representative quotations and the related constructs (Table 5 summarises the results).

Social and commercial orientation

Organisations responded to the COVID-19 shock with actions that affect their short-term choices, which, in turn, impact their social/commercial orientation. Hybrid organisations are constantly prioritising in the face of competing objectives and when experiencing an exogenous shock that can disrupt the balance of priorities. Some of the organisations in our sample responded to shock by focussing on the commercial part of their business, *'We tried to do something concrete immediately, for example change a pricing policy; We have therefore secured the commercial aspect of our business'* ('Strengthening the commercial aspects of the organisation'). Conversely, others focussed more on the social objectives, adopting different approaches *'At a time when consulting was reduced because there were more requests of masks than for other aspects, we benefitted from the decrease in consulting to dedicate ourselves to research and information towards our audience, to mitigate the risks of the pandemic.'* ('Focussing on the generation of social impact'), while others maintained the balance between the two, stating that: *'We promoted a 2+1 campaign on sales products, to*

Table 5. Data supporting interpretations of the axial coding.

Theme	Representative quotations
Social and/or commercial orientation	<p>Triggers of management of the tensions during COVID-19 pandemics</p> <p><i>"We tried to do something concrete immediately, for example change a pricing policy; We have therefore secured the commercial aspect of our business."</i>(Strengthening the commercial aspects of the organisation)<i>"At a time when consulting was reduced because there were more requests of masks than for other aspects, we benefitted from the decrease in consulting to dedicate ourselves to research and information towards our audience, to mitigate the risks of the pandemic. "(Focussing on the generation of social impact)</i></p> <p><i>"In our case, not much has changed because our being a benefit corporation is realised in our mission. A product intrinsically linked to bringing benefits. I would not have thrown myself into this business if all this can be scratched"</i>(Maintenance of the status quo)</p> <p><i>"We promoted a 2 + 1 campaign on sales products, to give support and help, which went on from early March to the end of April. We want to sell a product that is in harmony with nature. Let's go ahead this non-profit/profit dichotomy."&"We want to overcome the profit-non-profit trade dichotomy, we reorganised ourselves by doing online training, but focussing on human relations and improving the quality of training"</i> (Improving both the commercial and the social aspects of our business model)</p>
Technological characterisation	<p><i>"Our choice from the start was to work from digital channels, only selecting physical stores for the sale of our watches."</i>(Ease of absorption of the technological facilities)</p> <p><i>"We think that a video cannot replace a relationship, we go in the opposite direction to the digital world. We want to interact with people. We want to go against the trend!" &"We kept relationships active, which is the heart of our being a benefit society, the massive use of the internet did not allow us to do this, we resisted the temptation"</i> (Opposition to technological characterisation)</p> <p><i>"We shifted from being a 1%-digital organisation to 100%-digital organisation. We have transformed the whole business into digital. Nothing can go back to the way it was before". & "We had to rethink everything on web platforms, with enormous difficulties, especially for a specific project that involved off-line educational dynamics, more human contact and less technology."</i>(Radical technological rethinking of the organisations' operations)</p>
Internal and external stakeholder relationship	<p><i>"We have removed the thought that among our employees there could be the loss of the job"&"The [physical] office is available but everything will become more flexible [for employee]. "(employee-oriented) "We have made a campaign of donations of meals and donation of masks to hospitals, we activated a series of connections that dealt with new poor. "(community-oriented);"</i>In the future we will try to involve more stakeholders on the supply chain to integrate it in a more sustainable way, and we will try to have a supply chain impact. "(providers-oriented) (Multi-stakeholder focus)</p> <p><i>"The relational issues was a threat for us to be managed (...) focussing on human relationships and quality"; "To give something to the community, at this stage, we facilitate the service of local companies, and families, always expanding our business in safety, even if this involved more costs, to give even greater benefits to the community. (Customer-oriented engagement)</i></p> <p><i>"What we started from the lockdown period is the setting up of</i></p>

(continued)

Table 5. Continued.

Theme	Representative quotations
Openness to changes	<p><i>internal relations [...]”(Managing the internal organisational dynamics)</i></p> <p><i>“We have a product line that has supported itself by trying to adopt safety measures to allow physical travel, and continue with the program. We are very aware of the future, on a digital level, we know that everything must change, we must rethink everything in abruptly, because we were focussing a lot on physical displacements. The modus operandi of before now doesn't work [...] this change is necessary and we will do it by adopting a co-creation approach.” (Transformative approach to the business model)</i></p> <p><i>“The COVID theme is one of the changes that will persist, we must get used to training our employees, to act quickly, and to react faster.” (Adapting the current business model to external changes)</i></p>

give support and help, which went on from early March to the end of April. We want to sell a product that is in harmony with nature. Let's go ahead this non-profit/profit dichotomy. ('Improving both the commercial and the social aspects of our business model') and *'We want to overcome the profit-non-profit trade dichotomy, we reorganised ourselves by doing online training, but focussing on human relations and improving the quality of training'* ('Improving both the commercial and the social aspects of our business model'). And finally, no change, that is, some SEs remained committed to the pursuit of their dual mission *'In our case, not much has changed because our being a benefit corporation is realised in our mission. A product intrinsically linked to bringing benefits. I would not have thrown myself into this business if all this can be scratched'* ('Maintenance of the status quo'). Accordingly, we find that hybrid organisations face *performing* tensions concerning goal setting. They address these tensions by adopting strategies that are aimed at redefining their priorities to focus most on the domain that they see as most important to the organisation.

Technological characterisation

The COVID-19 shock saw hybrid organisations in our sample focus on digitalisation of operations. Some hybrid organisations had the internal capabilities to quickly adopt a certain level of digitalisation within their business because digital facilities were already implemented (e.g., working-from-home). We named this construct 'Ease of absorption of technological facilities'. For example, a firm stated: *'Our choice from the start was to work from digital channels, only selecting physical stores for the sale of our watches.'* However, other firms struggled to introduce technological features into day-to-day operations, in part due to a resistance to a technological shift, especially with the customers: *'We kept relationships active, which is the heart of our being a benefit society, the massive use of the internet did not allow us to do this, we resisted the temptation.'* Also, *'We think that a video cannot replace a relationship, we go in the opposite direction to the digital world. We want to interact with people. We want to go against the trend!'* ('Opposition to technological characterisation'). In addition, some firms were not resistant or already established with technology but identified the shock of the

pandemic as provoking a breakthrough for their organisation ('Radical technological rethinking of the organisations' operations'). In fact, we observed firms taking advantage of the COVID-19 shock to make radical innovations that involved every aspect of the organisation, from the internal organisational practices to the relationships with the customers. *'We shifted from being a 1%-digital organisation to 100%-digital organisation. We have transformed the whole business into digital. Nothing can go back to the way it was before.'* *'We had to rethink everything on web platforms, with enormous difficulties, especially for a specific project that involved off-line educational dynamics, more human contact and less technology'*. This can be categorised as *organising tensions* that influence internal culture and practices. Technology improved socialisation among employees, having a positive impact especially during times of social distancing. However, one should consider that technological change may also radically affect organisational routines leading to resistance to new types of socialisation practices.

Internal and external stakeholder relationships

The COVID-19 shock stimulated all hybrid organisations in our sample to focus on relationships with their respective stakeholders. Most of the organisations engaged with multiple categories of stakeholders ('Multi-stakeholder focus'): *'We have removed the thought that among our employees there could be the loss of the job.'* and *'The [physical] office is available but everything will become more flexible [for employee].'* (employee-oriented); *'We have made a campaign of donations of meals and donation of masks to hospitals, we activated a series of connections that dealt with new poor.'*(community-oriented); *'In the future we will try to involve more stakeholders on the supply chain to integrate it in a more sustainable way, and we will try to have a supply chain impact.'* (providers-oriented) But some organisations focussed most on preserving relationships with external stakeholders: *'The relational issues was a threat for us to be managed (...) focussing on human relationships and quality';* *'To give something to the community, at this stage, we facilitate the service of local companies, and families, always expanding our business in safety, even if this involved more costs, to give even greater benefits to the community.'*(Customer-oriented engagement'). Others focussed on internal stakeholders managing the internal organisational dynamics: *'What we started from the lockdown period is the setting up of internal relations [...]'*, while others did not implement any specific action related to stakeholders. Accordingly, these actions reflect a *belonging* tension emerging from different stakeholder demands. The sample hybrid organisations adopted strategies that were directed to stakeholders' perceptions in terms of identity. This was especially so for external stakeholders with organisations stressing attention to community, providers, and customers.

Openness to changes

The COVID-19 shock influenced hybrid organisations' potential for innovation. This mostly stemmed from the capacity to adapt to the changes imposed by the pandemic *'The COVID theme is one of the changes that will persist, we must get used to training our employees, to act quickly, and to react faster.'* ('Adapting the current business

model to external changes'). Some took advantage of the pandemic to transform irreversibly certain strategic activities: *'We have a product line that has supported itself by trying to adopt safety measures to allow physical travel, and continue with the program. We are very aware of the future, on a digital level, we know that everything must change, we must rethink everything abruptly, because we were focussing a lot on physical displacements. The modus operandi of before now doesn't work [...] this change is necessary and we will do it by adopting a co-creation approach.'* ('Transformative approach to the business model'). This construct reflects *belonging* and *learning* tensions. The former reflects how organisations identify the need to adapt to changes, embracing novel opportunities especially related to the digital requirements, but without losing their social identities. The latter is instead related to the temporal dimension of the strategies adopted, considering a long-term, rather than short-term logic, such as investing in training and education. Moreover, the construct 'Transformative approach to the business model' suggests a reflection on the hysteresis effect of COVID-19. While there are different notions of hysteresis (see among other Dosi et al. 2018), is diffused the concept of hysteresis for the idea that crisis caused deviation from equilibrium which may be persistent. For example, Blanchard et al. (2015) study hysteresis in the realm of unemployment for emphasising the 'irreversibility' of effects after a crisis. In general, Bourdieu (1990) define the hysteresis effect as the fact of bringing some practices from the past can cause discontinuity in current practices. Accordingly, the COVID crisis may cause the persistence of certain new business features that will results different long-term organisational changes.

Discussion and conclusions

Research on hybrid organisations is a rapidly growing area of interest, with a particular focus on understanding how hybrid organisations manage the tensions between their social and profit missions. This study contributes to the literature on hybrid organisations, particularly benefit corporations (Hiller 2013; Nigri, Del Baldo, and Agulini 2020; Rawhouser, Cummings, and Crane 2015; Sharma, Beveridge, and Haigh 2018; Gehman and Grimes 2017), elaborating the theoretical framework of hybrid tensions in the context of disruption. We extend the existing literature by adopting the lens of tension management under conditions of disruption. A recent study by McMullen and Warnick (2016) shows that shocks help to explain the heterogeneity of hybrid organisations. Yet, while the conceptualisation of heterogeneity in hybrid organisations is widely discussed in the literature, few studies apply a theoretical framework (Hahn and Ince 2016; Hahn, Spieth, and Ince 2018). Our study contributes to the literature by adopting a theoretical lens to examine how disruption influences the inherent tensions in hybrid organisations.

We find that shocks stimulated organisations to reconsider their priorities, to focus on stakeholder engagement, to adapt technologically, and to explore the potential of change. The shock of the COVID-19 pandemic turned hybrid organisations' attention to how to balance their dual purpose. Although hybrid organisations traditionally face performing, organising, belonging, and learning tensions (Smith et al. 2013), we show that exogenous shocks particularly deepen the impact of *performing* and *belonging*

tensions. In the case of performing tensions, hybrid organisations enacted strategies to redefine the balance between their social and commercial goal to prioritise that which most urgently needed to be secured. At the same time, hybrid organisations confirmed their blended mission, that is, assessing priorities did not result in mission drift. These findings suggest that an external shock may work as a stress test for hybrid organisations, provoking them to consider how to balance their social and commercial goals, with the social goal primarily being prioritised over the financial goal.

In the case of belonging tensions, hybrid organisations enacted a multi-stakeholder approach oriented towards community, providers, and customers. Consistent with previous studies, this suggests that the shock of the pandemic confirmed their desire to be hybrid enterprises, being both economically sustainable and focussing on their social objectives. In this regard, these strategies show touch points with learning tensions as they also have a temporal dimension: organisations took a long-term approach by also investing in training and awareness, not only towards internal, but also external, stakeholders. Interestingly, the exogenous shock stimulated the hybrid organisations in our sample to evolve their identities, seeking novel positioning with respect to their relevant audience.

Finally, our paper has some limitations. One is that we investigate a particular legal form of hybrid organisation, the BC. Further studies can investigate how hybrid organisations adopting different legal forms address tensions in order compare how tensions are navigated in different forms of hybrid organisations. Our study focuses only on Italian organisations and some cultural and institutional factors may not be generalisable to other contexts. Future studies could examine hybrid organisations in other countries or undertake a cross-country comparison. Further, while participants in the focus groups indicated an intention to implement certain strategies whether this takes place in the long-term is unknown. A longitudinal study would be useful to understand how strategies are enacted over time and their social and economic impacts.

Notes

1. For discussion of CSR as emerging from the social contract between business and the society see Donaldson and Dunfee (1994, 1995), Donaldson and Preston (1995), Freeman and Evan (1993), Sacconi (2006) and Fia and Sacconi (2019).
2. Definitions of social enterprises and their role in the institutional environment change vary. Social enterprises differ according to their social, economic, political, and cultural contexts (Defourny and Nyssens 2010). Here we adopt a definition of social enterprises encompassing a spectrum from for-profit enterprises with CSR activities and purely philanthropic organizations (Alter 2007; Dees 1996). Benefit corporations are consistent with this latter definition. The hybrid spectrum may encompass different entrepreneurial forms (see Alter 2007; Defourny and Nyssen 2010). At one end are organizations that evolve from the non-profit sector and are moving towards the profit sector by adopting more structured organizational practices and tools (Borzaga and Galera 2012). At the other end are organizations that evolve from the traditional for-profit paradigms towards the non-profit world by integrating purely commercial goals with social issues.
3. The issue of performance measurement in hybrid organizations is a widely discussed topic in the literature, especially with respect to standard vs non-standard measure (Bengo et al. 2016).

4. We thank an anonymous referee for the chance to discuss and clarify the issue of long-term financial goals and short-term social goals.
5. The challenge of combining multiple goals and interests has a long history in the wider management literature, where the issue of what is the purpose of corporations (shareholders' view vs. stakeholders' view) has been often discussed in relation to governance structures (see, among others, Berle 1932; Dodd 1932; Friedman 1970; Freeman 1984; Blair and Stout 1999; Stout 2012). Moreover, a seminal work addressing the issue of governance as a coordination tool for managing different and often conflicting interests and claims is that of Ostrom (1990), in the context of common-pool resources. According to the concept of common pool resources the use of natural resources is subject to competition amongst community members and the opportunism of people that use the resources for individual priorities may lead to resource depletion (Hess and Ostrom 2006). Ostrom's taxonomy in relating to common-pool-resources suggest there is no 'exclusive' property right over resources (Schlager and Ostrom 1992; Cole and Ostrom 2012), rather the co-management process is based on the idea of collective action (Botto-Barrios and Saavedra-Díaz 2020). According to this perspective, there are multiple individuals with legitimate claim over the resources, hence property rights collective, providing the right to access, manage, exclude, and alienate (Schlager and Ostrom 1992, 251).
6. Unlike B-Corp certification, BCs do not require a B Impact Assessment (BIA), which generates a score ranging from 0 to 200 impact-points, in which 80 is the threshold for obtaining certification. A BC is not bound by a threshold.
7. In Italy, the legal form Società a Responsabilità Limitata allows organizations to deposit a minimum of 1 Euro as nominal share capital.
8. The 12 organizations engaged in the focus groups represent a response rate of 31.57%, which is considered an acceptable value considering the difficulties of gathering publicly available information and the ongoing pandemic.

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ORCID

Leonardo Boni  <http://orcid.org/0000-0002-6402-762X>

Magali Fia  <http://orcid.org/0000-0003-2777-7138>

Laura Toschi  <http://orcid.org/0000-0003-4849-4209>

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