Serving Multiple Masters
The Role of Micro-foundations of Dynamic Capabilities in Addressing Tensions in For-profit Hybrid Organizations

Vallaster, Christine; Maon, François; Lindgreen, Adam; Vanhamme, Joëlle

Link to publication in CBS Research Portal

Serving Multiple Masters: The Role of Micro-foundations of Dynamic Capabilities in Addressing Tensions in For-profit Hybrid Organizations

Christine Vallaster, François Maon, Adam Lindgreen, and Joëlle Vanhamme

Journal article (Accepted manuscript*)

Serving multiple masters: The role of micro-foundations of dynamic capabilities in addressing

tensions in for-profit hybrid organizations

Christine Vallaster, Salzburg University of Applied Sciences[1]

François Maon, IESEG School of Management (LEM-CNRS)[2]

Adam Lindgreen, Copenhagen Business School and University of Pretoria's Gordon Institute of

Business Science[3]

Joëlle Vanhamme, Edhec Business School[4]

[1] For all correspondence: Christine Vallaster, Department of Marketing and Relationship Management, Salzburg University of Applied Sciences, Urstein Süd 1, 5412 Puch/Salzburg, Austria. E-mail: christine.vallaster@fh-salzburg.ac.at.

[2] François Maon, IESEG School of Management (LEM-CNRS - UMR 9221), 3 rue de la Digue, 59000 Lille, France. E-mail: f.maon@ieseg.fr.

[3] Adam Lindgreen, Department of Marketing, Copenhagen Business School, Solbjerg Plads 3, 2000 Frederiksberg C, Denmark and University of Pretoria's Gordon Institute of Business Science, 26 Melville Road, Illovo, Johannesburg, South Africa. E-mail: adli.marktg@cbs.dk.

[4] Joëlle Vanhamme, Edhec Business School, 24 avenue Gustave Delory, CS 50411, 59057 Roubaix Cedex 1, France. E-mail: joelle.vanhamme@edhec.edu.

Serving multiple masters: The role of micro-foundations of dynamic capabilities in addressing tensions in for-profit hybrid organizations

Abstract

Regular for-profit companies might claim social and environmental goals, beyond their primary economic objectives, but sustainability-driven for-profit hybrids explicitly design and implement their organizational activities to pursue social, environmental, and economic goals equivalently, which typically generates tensions, inherent to their hybrid nature. The ability to address these tensions is key to these organizations' success, yet the manner in which they do so remains poorly understood. In this case-based qualitative study, the authors explicate how specific individual and collective practices contribute continuously to alleviating hybridity-related tensions among for-profit hybrids and allow them to achieve success. With a micro-foundational perspective on for-profit hybrids' dynamic capabilities, this study's findings identify four central, dynamic capabilities of for-profit hybrids, supported by respective sets of micro-foundations. Nine of these micro-foundations contribute specifically to addressing central tensions, to different extents. This study thus highlights how for-profit hybrids embrace hybridity-related tensions to foster the creation of sustainable value.

Introduction

Literature on dynamic capabilities, or the 'learned and stable patterns of collective activity through which [organizations] integrate, build, and reconfigure internal and external resources and routines in pursuit of improved effectiveness' (Zollo & Winter, 2002, p. 340; see also Teece, Pisano, & Shuen, 1997), mainly focuses on capabilities that support the economic bottom line of for-profit organizations (Smith, Gonin, & Besharov, 2013; Wu, He, Duan, & O'Regan, 2012). Yet new forms of organizations also compete 'not only on the quality of goods and services, but also on the ability to effect positive social and environmental change' (Haigh & Hoffman, 2012, p. 126). These sustainability-driven, so-called hybrid organizations appear in increasingly varied sectors (Boyd, Henning, Reyna, Wang, & Welch, 2009; Haigh, Kennedy, & Walker, 2015a; Haigh, Walker, Bacq, & Kickul, 2015b; Pache & Santos, 2013), seeking to overcome conventional trade-offs among social, environmental, and economic systems (Haigh et al., 2015b). Their 'mixture of market- and mission-oriented practices, beliefs and rationales' (Haigh & Hoffman, 2014, p. 224) and their aspirations to embrace tensions and balance multiple goals make these organizations truly different from traditional for-profit, non-profit, and public organizations.

In particular, hybrid organizations design and implement distinct combinations of activities, and the resulting operating models, strategies, and relationships must strike a delicate balance across long-term goals and potentially conflicting commercial market and sustainable development or social welfare institutional logics (Laasch, 2018; Pache & Santos, 2013). In their efforts to serve multiple masters, hybrids face multidimensional challenges and specific tensions (Smith & Besharov, 2017; Smith et al., 2013). The ability to embrace these challenges and tensions is central to hybrids' success. However, knowledge about how hybrids do so remains limited (Haigh et al., 2015b; Smith & Besharov, 2017). To address this gap, we adopt a dynamic capabilities perspective and consider their micro-foundations (e.g., Felin, Foss, Heimeriks, & Madsen, 2012; Helfat & Peteraf, 2015; Teece, 2007), in response to calls for a unique conceptualization of dynamic capabilities in the context of the tensions that hybrids encounter, and

specifically explore the individual and collective practices (Jarzabkowski, 2005) that underlie those capabilities (Battilana & Lee, 2014; Borland, Ambrosini, Lindgreen, & Vanhamme, 2016; Strauss, Lepoutre, & Wood, 2017).

For a consistent analysis, we focus on hybrids structured as for-profit organizations (cf. non-profit legal structure or mixed approach 'that associates a for-profit with a non-profit [structure] through ownership, contracts, donations, or other means'; Haigh et al., 2015a, p. 60; see also Boyd et al., 2009). For-profit hybrids aim to provide appealing offers to the market at competitive prices and pursue profits, but they also adopt a mission-driven, explicit sustainability orientation and seek to drive industrial and societal change (Bromberger, 2011; Haigh et al., 2015b; Rawhouser, Cummings, & Crane, 2015). In terms of corporate social and environmental responsibility, they represent the ultimate transforming stage and ingrain the goal of generating positive impacts into their culture and 'every aspect of the organization and its activities' (Maon, Lindgreen, & Swaen, 2010, p. 31). For example, the Netherlands' Triodos Bank targets 'savers and investors who want to change the world for better' and only lends money to organizations working to bring about positive change in the environment, society, or culture. Triodos also seeks solid growth and high net profits (37.5 million Euros in 2017). The U.S. carpet firm Interface wants to be environmentally restorative and achieve 'climate take back' while remaining profitable and maintaining its position as the world's largest modular carpet manufacturer.

Accordingly, our central research objective is to understand how for-profit hybrids' dynamic capabilities and associated micro-foundations address the tensions inherent to their hybrid nature. With a qualitative, multiple-case study, complemented by data from 30 other for-profit hybrids, we delineate the nuanced nature of *sensing*, *seizing*, and *transforming* dynamic capabilities (Teece, 2007; Teece et al., 1997); we also propose a fourth, distinctive *liaising* dynamic capability. Among 12 micro-foundations we identify as supporting for-profit hybrids' dynamic capabilities, 9 contribute specifically to address the hybridity-related tensions that for-profit hybrids and their members experience. These identified dynamic

capabilities and micro-foundations exhibit some similarities but also differ from those identified by prior studies of traditional for-profit organizations. With our dynamic capability perspective, we thus explicate how distinct sets of individual and collective practices contribute to dealing with hybridity-related tensions and ensuring the development and success of for-profit hybrids. We also extend extant for-profit perspectives on dynamic capabilities and their micro-foundations and substantiate the central importance of goal-related, context-specific contingencies for understanding and conceptualizing nuanced dynamic capabilities and the practices that support them.

Literature review: Theoretical and contextual background

For-profit hybrids and related tensions

Three fundamental aspects differentiate for-profit hybrids from traditional for-profit organizations (Haigh & Hoffman, 2012, 2014; Haigh et al., 2015b). First, social and environmental change is a central, mission-driven organizational objective. Second, relationships with stakeholders are mutually beneficial, and for-profit hybrids link to the social and environmental systems in which they operate. Third, for-profit hybrids try to promote and diffuse acceptance of their business models throughout the institutions and markets in which they function. By endeavouring to foster change through commercial activity and transform their industrial and societal environments, they go beyond the strategic considerations that drive the social and environmental commitments of typical for-profit organizations. For-profit hybrids are at one end of the corporate sustainability proactivity continuum (Benn, Edwards, & Williams, 2014; Boyd et al., 2009; Maon et al., 2010). Their sustainability-driven orientation grants for-profit hybrids difficult-to-imitate capabilities, which serve as sources of competitive advantage (Boyd et al., 2009; Hart, 1995).

Yet pursuing social, environmental, and economic outcomes also creates tensions. The 'mission versus market' strains include learning, belonging, organizing, and performing tensions (Smith et al., 2013). *Learning tensions* emerge when 'different time horizons … drive conflicting prescriptions for strategic action' (Smith et al., 2013, p. 413), such as when growth might jeopardize the organization's

4

social mission (Marquis, Besharov, & Thomason, 2009) or the organization's social mission might constrain growth. *Belonging tensions* relate to questions of identity—'who we are' and 'what we do' (Battilana & Dorado, 2010)—and managing the divergent identity expectations of various stakeholders. *Organizing tensions* result from divergent internal dynamics (e.g., structure, processes, culture), such as strains related to integrating organizational practices associated with social versus market demands, finding ways to enact organizational arrangements, or hiring and socialization efforts (Battilana, Sengul, Pache, & Model, 2015; Bromberger, 2011; Smith et al., 2013). Finally, *performing tensions* emerge when organizations seek conflicting goals, such as a social mission versus profits (Battilana & Lee, 2014; Jay, 2013). These tensions can be linked to how organizations define success, which typically varies across stakeholders (Smith et al., 2013), and how the organization prioritizes social, environmental, and financial metrics.

Without an 'off-the-shelf' solution, for-profit hybrids often struggle to manage these tensions and sustain their competitive edge. They require capacities to deal creatively and flexibly with the specific issues associated with each logic (Battilana & Dorado, 2010; Pache & Santos, 2013; Smith & Besharov, 2017; Smith et al., 2013), gain legitimacy and resources from diverse stakeholders (Haigh & Hoffman, 2012; Pache & Santos, 2013), and manage multiple identities (Moss, Short, Payne, & Lumpkin, 2011). In this sense, dynamic capabilities and their underlying micro-foundations are particularly relevant.

Dynamic capabilities

Dynamic capabilities refer to the organization's capacity to integrate, build, and transform its internal and external resources to address changing environments (Teece et al., 1997; Zollo & Winter, 2002). Teece et al. (1997) and Eisenhardt and Martin (2000) establish two prominent perspectives that have guided research on dynamic capabilities (Arndt & Pierce, 2018; Peteraf, Di Stefano, & Verona, 2013). The perspectives make different assumptions about the nature of dynamic capabilities and their boundary conditions, yet they 'both focus on the role of organizational routines, both concern managerial as well as

organizational processes, and both portray the dynamic capabilities framework as an extension of the resource-based view' (Peteraf et al., 2013, p. 1392).

In addition, dynamic capabilities exhibit some common features across organizations but also may be idiosyncratic. They often result from experience and learning within the organization, so scholars have delved into their micro-foundations (e.g., Felin et al., 2012; Helfat & Peteraf, 2015; Rothaermel & Hess, 2007), which Teece (2007) classifies into three groups, in a for-profit context: (1) sensing, (2) seizing, and (3) transforming. A *sensing capability* is associated with discovering and shaping opportunities, and it stems from micro-foundations related to establishing strategic decision-making rules and resource allocations, mostly linked to R&D or business intelligence (adequately directing internal R&D processes, detecting new knowledge and technologies, identifying market expectations, and collaborating with external partners). A *seizing capability* relates to mobilizing resources to capture value from identified opportunities. It reflects an ability to identify, filter, and calibrate opportunities and threats, based on the structures, procedures, designs, and incentives in place to identify necessary changes. It is linked to four micro-foundations: selecting business models and product architectures, establishing decision-making protocols, defining organizational boundaries, and building commitment and loyalty. A *transforming capability* involves the ability to combine, recombine, and reconfigure assets, resources, and structures to align with the strategic decisions identified by the sensing mechanisms and determined by the seizing mechanisms. Its four main micro-foundations are decentralizing structures, co-specializing to adapt structures and processes, establishing effective incentive and governance systems, and using knowledge management to guide learning. Despite some debate about the actual nature of these micro-foundations (Barney & Felin, 2013; Felin et al., 2012), scholars agree that understanding them requires consideration of both individual and collective levels of analysis (Felin et al., 2012; Rothaermel & Hess, 2007; Strauss et al., 2017).

For-profit hybrids and the micro-foundations of dynamic capabilities

Research addressing dynamic capabilities and their micro-foundations in the context of for-profit hybrids or corporate sustainability is scarce and mostly conceptual. Ramachandran (2011) proposes two dynamic capabilities: 'sense and respond' and 'execution,' which partly reflect and overlap with Teece et al.'s (1997) sensing–seizing–transforming capabilities. Building more explicitly on Teece's (2007) work, Borland et al. (2016) describe how organizations develop sustainability-driven strategies to enact a dual market-and-mission orientation. They contend that sustainability-driven organizations require additional capabilities, such as remapping (materials, products, and processes as inputs and resources in a circular logic) and reaping (benefits from circular flows of materials at organizational and social levels). Strauss et al. (2017) introduce a catch-all concept, 'sustainability dynamic capabilities,' that enables an organization engaged in proactive sustainability strategies to reconfigure its resource base to balance business with social and environmental objectives. These authors focus on employee behaviours as key micro-foundations and also cite Teece's (2007) capabilities. Thus, the dynamic capabilities of for-profit hybrids appear strongly related to Teece's fundamental dynamic capabilities but might include additional ones.

In this sense, despite these contributions, the ways for-profit hybrids develop and apply dynamic capabilities to address the tensions associated with their sustainability-driven orientation remain unclear. We need empirical, multilevel investigations of how different actors work at individual and collective levels to develop the necessary capabilities (Smith et al., 2013; Strauss et al., 2017). With this empirical study, we consider micro-foundations across both levels and how they relate to specific tensions experienced by for-profit hybrids. We also adopt practice-based theory (Jarzabkowski, 2005) and conceptualize micro-foundations in reference to the practices—individual and collective behaviours, activities, and processes—that actors undertake to create economic, social, and environmental value.

Methodology

Case selection and description

Considering the relative paucity of research related to for-profit hybrids' dynamic capabilities and tensions, we turn to in-depth, long-term, multiple-case studies (Eisenhardt, 1989; Eisenhardt & Graebner, 2007). We selected three theoretically relevant European for-profit hybrids as information-rich cases, then complemented this information with in-depth interviews at 30 other European for-profit hybrids.

We used theoretical sampling to select the three case organizations. With the help of a specialized sustainability consulting firm, we generated a preliminary list of organizations, then conducted in-depth online searches, consulted regional newspapers, and contacted representatives of potential case organizations. The for-profit hybrids were selected according to two criteria: (1) They have developed sustainability-driven business models with strategically ingrained, mission-inspired objectives (Boyd et al., 2009; Haigh & Hoffman, 2012), demonstrating strong stakeholder engagement and delivering economic returns on top of social and environmental value; and (2) they are structured as for-profit. Of the five potential for-profit hybrids we initially approached to partake in our research, three agreed: CoopTailer, StewarTech, and TransiFin (pseudonyms, to keep identities confidential). Table 1 details their key characteristics. CoopTailer is an international food retailer embracing mission-driven, value-based, sustainability-oriented goals, beyond traditional business objectives. StewarTech, active in process control software development and sensor technologies, explicitly integrates sustainability objectives at strategic and operational levels, with eco-considerations as a key R&D focus and an intrinsic commitment to product stewardship. TransiFin is a banking institution that proactively approaches social and environmental impacts, with a vision to act responsibly and holistically. In contrast with TransiFin, CoopTailer and StewarTech have had an explicit for-profit hybrid mission from the start and are sustainability pioneers; TransiFin purposefully sought to transform and integrate social, environmental, and economic sustainability into its business. The transition from a traditional company to a for-profit hybrid (Haigh & Hoffman, 2012) presents TransiFin with challenges that are particularly relevant and that

complement the findings from the other two case organizations. We conducted workshops, multiple in-depth interviews, diary collections, and secondary data analyses with these organizations.

Insert Table 1 around here

We also collected supplementary insights from 30 other for-profit hybrids (Table 2) to gain additional in-depth understanding of topics that emerged from the three central cases. These 30 organizations came from the preliminary list of relevant organizations.

Insert Table 2 around here

Data collection

We collected the data in three main stages (A, B, C), along with a supplementary fourth stage (D). The entire data collection process lasted 15 months. Stages A–C involved nine workshops, with three workshops conducted at each case organization at different points in time (the detailed workshop protocol is available on request). In Stage A, we sought to understand the history of the organizations, their contexts, and their experiences dealing with multiple goals and logics. In Stage B, we asked middle managers to reflect specifically on the activities, processes, and capabilities needed to develop and sustain a for-profit hybrid orientation; discuss initiatives that their organizations could take; and outline requirements for developing product- or service-related projects from a multiple-logic perspective. Stage C allowed participants to reflect on the challenges arising from the envisioned initiatives and projects. The nine workshops, involving 20 participants, lasted a combined 1170 minutes. After each workshop, we discussed key elements mentioned by the participants in interviews with two workshop participants. These post-workshop interviews, three per case organization, lasted a combined 405 minutes. Together with a research assistant, the first author conducted all workshops and post-workshop interviews. The transcribed interviews were reviewed by the informants to obtain their feedback and validation.

The first author also recorded personal reflections after each workshop and post-workshop interview. The middle managers who participated in the workshops took notes in a diary in the period leading up to the second and third workshops (Stages B and C), in which they documented day-to-day experiences, perceptions, and reflections related to their organization. Together, the post-workshop interviews, personal reflections, and diaries served as input for preparing subsequent workshops, and the workshop transcripts and interview summaries were shared with participants before the next workshop. As secondary data, we gathered media articles, industry reports, internal reports, and materials published by the case organizations.

Stage D involved supplementary interviews with representatives from 30 other for-profit hybrids. These interviews took place after the first three workshops in Stage A and ended after the final three workshops in Stage C. Similar to Stages A–C, the first author conducted these interviews to focus on the perceived challenges and opportunities associated with deploying sustainability-driven models and the capabilities needed to develop them. They complement and challenge the elements emerging from the three cases, with a particular focus on questions that needed deeper insights. Notably, we addressed emergent preliminary themes, such as values-driven business opportunities, building individual and collective resilience, addressing logics-related contradictions, and alleviating hybridity-related stresses and tensions. The semi-structured interview guide for these interviews (available on request) reflected our preliminary findings (Eisenhardt & Graebner, 2007). The interviews in Stage D lasted a combined 1270 minutes. The multiple data types and sources thus provide triangulation (Yin, 2003), related to what we expected to be recurrent, complex patterns of purposeful action and social dynamics (Felin & Foss, 2005).

Data analysis

Our theory-generative approach included several main phases, during which we increased the level of analytical generalization progressively (Strauss & Corbin, 1990). First, to identify initial first-order codes, two authors independently formed unique views of the findings. We summarized these views as a

coherent whole, to identify initial concepts in the raw data and categorize them according to Van

Maanen's (1979) techniques. Through open coding, all the research material was sorted into data

incidents (Strauss & Corbin, 1990). To move from the mass descriptive codes to fewer, more inclusive

ones, the first-order codes reflect recurring data incidents connected to pertinent logics, tensions,

organizational capabilities, and individual and collective practices developed by organizational actors.

Using the first author's initial coding, another author challenged the first-order coding to reach a

preliminary consensus. The first author then reengaged comprehensively with the data. The ultimately

identified set of 36 first-order codes resulted from several iterations, in which we questioned the actual

similarity of associated data incidents and differences across groups of incidents (Jarzabkowski, 2008).

Second, to link related concepts across case organizations, we searched for links between and among

the first-order codes to group them into second-order concepts. In particular, we were interested in how

members of each case organization addressed its hybrid, sustainability-driven orientation and the related

tensions. We focused on micro-foundations, as practices epitomizing how organizational members act

and interact within and across the organization. For this analysis, we constantly moved among the data,

themes, and existing literature to ensure the fidelity of the emerging concepts with the data and confirm

that our interpretations were trustworthy and credible (Gioia, Corley, & Hamilton, 2013).

Third, we turned to cross-case analyses to compare the insights that emerged from each phase within

each case with those obtained from the other cases to identify consistent patterns and themes (Eisenhardt

& Graebner, 2007; Yin, 2003). We discovered that organizational members consistently leveraged

individual and collective practices to sense and seize opportunities, as well as to continuously transform

and liaise the organization (or at least parts of it). The interviews with the 30 other for-profit hybrids

complemented and challenged these identified constructs and relationships (Eisenhardt, 1989; Eisenhardt

& Graebner, 2007). Thus, we could develop a clearer distinction of the common patterns and identify

idiosyncratic, organization-specific particularities. Figure 1 shows the data structure, including the 36

first-order codes and 12 second-order concepts (micro-foundations of dynamic capabilities), supporting four aggregate dynamic capabilities. Table 3 provides illustrative quotes and examples for each.

Insert Figure 1 and Table 3 around here

Fourth, to build our theoretical framework, we refocused on hybridity-related tensions (belonging, performing, organizing, and learning) to determine how the identified dynamic capabilities and micro-foundations contributed to address them. Three micro-foundations (experiential/grounded scouting, attention to functional core, and bending institutional norms) emerge as important to for-profit hybrids' development and success but not for addressing hybridity-related tensions; they even could represent sources of strain for organizations. That is, practices supporting the identification of sustainability-driven opportunities and business possibilities through experiential processes (experiential/grounded scouting) or reflections on the importance of the central functionality of the products and services to be produced (attention to the functional core) typically precede and, sometimes, trigger tensions. The practices associated with bending institutional norms, associated with the need to be daring and unconventional, similarly were identified as creating tensions (as noted by a CoopTailer manager).

The nine remaining micro-foundations, and the practices they encompass, contribute to dealing with hybridity-related tensions. Five of them address one of the four main types of hybridity-related tensions explicitly (though not exclusively); we label them 'tension-focused' micro-foundations. The other four micro-foundations are 'tension-spanning,' in that they include activities and processes that are more broadly instrumental for for-profit hybrids. At individual and collective levels, these micro-foundations help for-profit hybrids mitigate assorted stresses arising from divergent time horizons, internal dynamics, identity-related expectations, and outcomes, but they do not connect explicitly with any one category of hybridity-related tensions.

Addressing for-profit hybrids' tensions through dynamic capabilities and micro-foundations

All nine micro-foundations contributing to addressing hybridity-related tensions operate at the collective level (sometimes in combination with the individual level). Figure 2 depicts the tension-focused and tension-spanning micro-foundations.

Insert Figure 2 around here

Sensing opportunities – Creating a sense of opportunity

By sensing, managers and staff in the organization scan developments and underlying trends in the market environment, social setting, and ecosystems to detect issues that the organization can leverage as business opportunities, though without a pure profit orientation. Beyond searching for and exploring business opportunities and technological innovation processes (Teece, 2007), for-profit hybrids focus on social and ecological innovations. This sensing dynamic capability therefore relates to an ability to create and convey of a sense of opportunity for designing and implementing commercial activities, underlain by a positive society-oriented finality (Boyd et al., 2009; Haigh et al., 2015b). Sensing entails cognitively grasping and framing the ways in which business and societal motives can coexist and interact (Hahn, Preuss, Pinkse, & Figge, 2014; Smith & Besharov, 2017). Three micro-foundations support sensing, and one contributes specifically to addressing hybridity-related tensions: the paradoxical framing tension-spanning micro-foundation.

Tension-spanning micro-foundation: Paradoxical framing. To shift away from profit-focused sensing efforts and include values-based processes, managers engage in paradoxical framing. They develop a 'both/and' cognitive approach and recognize social and business demands as interdependent and contradictory. They acknowledge the distinctiveness and opposing nature of economic and social mission goals, yet they consider these goals dependent on each other in the long run. For example, a manager at D20 explains that despite current consumer trends and lower manufacturing costs—where the organization's economic interests lie—it 'would never go for producing shoes that are broken after a year or so.' This orientation, the manager contends, is linked to the organization's 'world of values' and brand

image, but also to long-term considerations about resource availability. The presence of paradoxical cognitive frames (Hahn et al., 2014; Smith & Besharov, 2017) progressively affects the breadth and outcomes of the organization's sensing efforts. At CoopTailer, paradoxical thinking represents 'a main drive of our entire organization … not only to act commercially, which is important—we are of course happy to generate annual surpluses—but also to enact a social responsibility, ethical vision.' CoopTailer seeks to foster such paradoxical thinking through open space innovation conferences that encourage creative and counterintuitive ideas.

Practices associated with paradoxical framing are central for addressing tensions in general. Paradoxically minded managers and teams tend to develop higher awareness and understanding of sustainability-related tensions and conflicts (Hahn et al., 2014), which is a necessary condition for their subsequent management. Paradoxical framing abilities also help for-profit hybrids' members build complex relationships with stakeholders, envision intertemporal challenges associated with their hybrid nature, and foster considerations of creative responses to sustainability-related issues at the organizational level (Hahn, Pinkse, Preuss, & Figge, 2015; Hahn et al., 2014; Smith & Besharov, 2017). The organization becomes better equipped to deal with hybridity-related tensions arising from different goals and temporal pressures, as well as from stakeholder conflicts around identity and values and from organizational dynamics.

Seizing opportunities – Constructing possibilities

When engaging in seizing, managers and staff grasp new sustainability-driven business opportunities and address them with new offerings. The adopted and developed technologies must contribute positively to maintaining social and environmental ecosystems, and the outcomes of the market-oriented activities must generate value for the hybrid organization and its stakeholders. For-profit hybrids thus develop novel combinations and business models and build specific competencies to enact their dual orientation. Their seizing efforts in turn focus more on creating, exchanging, and distributing multidimensional,

sustainable value (Boyd et al., 2009; Laasch, 2018) than on capturing economic value. Seizing is about co-constructing sustainability-driven business possibilities. Of four identified micro-foundations supporting seizing processes, two represent tension-spanning practices (systems thinking and building resilience) and one is tension-focused (integrative learning).

Tension-spanning micro-foundation: Systems thinking. Fostering systems thinking relates to individual and collective abilities to see the big picture and the resulting organizational capacity to understand and act on interconnections across economic and socio-environmental systems to fuel organizational renewal and health (Sterman, 2000). As the founder of a food producer explained (D1), 'People, business, environment, time—it all works like a gearwheel. Also, not only the outcome is important, but also the way of getting there. If one gear moves faster, this can influence other components.' An 'affinity with systemic perspectives' improves the capacity to understand problems and find solutions, explained the owner of a sportswear manufacturer (D28). Systems thinking relates to the problem-solving and reasoning managerial cognitive capabilities that Helfat and Peteraf (2015) identify as supporting the seizing dynamic capability. That is, systems thinking triggers more informed and inspired choices, driving the organization's efficiency (O'Connor, 2008). Systems thinking also means 'to develop something that changes existing behaviours' (D4). Participants acknowledged the disruptive potential of a new product or service to solve social and environmental issues but also noted that a lack of systemic thinking made it difficult to turn opportunities into a viable, sustainable business: 'Many of us are simply not used to think about, for example, the impact of our activities' (CoopTailer representative).

A multilevel embrace of systems thinking entails the acknowledgement and comprehension of the complex implications of organizational actions for ecosystems and social actors. Connecting to all four types of hybridity-related tensions, it helps for-profit hybrids and their managers identify and act on sources of belonging and performing tensions, resulting from stakeholders' value-driven expectations and the multiplicity of organizational goals. Fostering systems thinking also allows the organization to

identify intra-organizational connections, relate functions, leverage diversity, and create synergy (Wals & Schwarzin, 2012). It thereby connects with and supports the organizational ability to address organizing tensions. In addition, the development of 'systems thinking implies attempts to understand the interdependence of phenomena over time' (Bradbury, 2003, p. 176), so that the for-profit hybrids can approach the learning tensions emerging from multiple temporalities.

Tension-spanning micro-foundation: Building resilience. Developing activities that do not align with a traditional understanding of business requires determination. For-profit hybrids must build resilience, with adaptive practices to construct and strengthen individual and collective positions. Resilience relates to a blend of cognitive and behavioural properties that can be learned to some extent (Lengnick-Hall, Beck, & Lengnick-Hall, 2011). From a capability perspective, building resilience can support long-term organizational performance (Kuntz, Naswall, & Malinen, 2016). An aptitude to overcome adversity, address criticisms, and rebound represents a central feature of for-profit hybrids' development: 'obstacles strengthen … and allow a person to [learn and] make progress' (D4). According to a managing director (D11): 'The idea to launch a savings association has arisen due to external pressure, as our bank has cancelled the loans and the credit line without legal justification…. There were also some conflicts between us and some public institutions.… This was the trigger point to develop and implement a new business idea.' Persistence in fighting for an idea remains central even when hybrid business models become more established: 'It is really about sticking with it' (D30). Confident, positive people also further this effort, because 'you always have existential problems, and, without a dose of optimism or confidence in what you do, you cannot survive.… You need a strong conviction and positive thinking' (D21).

Building resilience helps the for-profit hybrid organization's members cope, individually and collectively, with unforeseen events in their (inter)organizational life, which might induce any of the four tensions. In addition to a general ability to endure disturbances, resilient social systems build on

continuous adaptation, learning and self-organization, interaction, and intertemporal persistence (Ortiz-de-Mandojana & Bansal, 2015).

Tension-focused micro-foundation: Integrative learning. To seize opportunities and co-construct possibilities, for-profit hybrids need to develop an integrative learning capacity by attracting organizational members willing to learn and process new knowledge and ideas constantly. Jay (2013) similarly suggests that organizational members must find inventive routes out of tensions by drawing on different knowledge. Organizational integration (Iansiti & Clark, 1994) and learning (Zollo & Winter, 2002) are widely cited dynamic capability development mechanisms. Similar to traditional for-profit organizations, for-profit hybrids need members to develop an ability to address issues in a resourceful, collective, knowledgeable way to meet 'the continuous need to develop something new and to learn to deal creatively with … changes and events and to seek creative solutions' (D2). To develop sustainability-related integrative learning skills, for example, CoopTailer managers received financial support to participate in sustainability-focused MBA courses. If such capacity is missing, the inconsistencies of the organizational mission or values with actual behaviours can evoke frustration and stifle its sustainability-driven efforts. One employee with TransiFin noted that providing the right setting and support for integrative learning helps avoid cynicism and the potential drift of the organization's mission that otherwise would create a 'very frustrating' setting. Information sharing, training, and negotiation all support integrative learning skills, because employees get 'on the same page,' as one interviewee mentioned. Integrative learners can capture a variety of knowledge sources and foster intra-firm knowledge networking, which are key foundations of innovative capabilities (Schneckenberg, Truong, & Mazloomi, 2015).

Individual and collective practices associated with integrative learning, as a tension-focused micro-foundation, enhance the for-profit hybrid's ability to mitigate learning tensions, because they constructively nurture the adaptability and proactivity required to attend to both short- and long-term strategic issues (Fortis, Maon, Frooman, & Reiner, 2018). Fostering connections among concepts and

experiences helps reveal the juxtaposition of multiple time horizons and the conflicting prescriptions for strategic action. Drawing on and mobilizing different kinds of knowledge leads to 'socially innovative solutions' (third StewarTech workshop). Integrative learning capabilities help ensure sustained growth.

Continuous transforming

According to Teece (2007, p. 1335), 'the sustained achievement of superior profitability requires … efforts to build, maintain, and adjust the complementarity of product offerings, systems, routines, and structures.' Beyond profit-oriented objectives, *transforming* requires for-profit hybrids to design and (re)configure assets and structures as social and environmental factors and their associated requirements evolve. Transforming also requires the (re)design of processes that allow the organization to address emerging business threats and opportunities, evolving and divergent stakeholder expectations, and the challenges induced by the pursuit of multiple logics (Strauss et al., 2017). We find three micro-foundations supporting transforming capabilities: one tension-spanning (cross-vergence orchestration) and two tension-focused (flexible linking structures and organizational entrenchment).

Tension-spanning micro-foundation: Cross-vergence orchestration. This tension-spanning micro-foundation involves the complex managerial ability to foster synergistic interactions between socio-environmental and economic objectives. The top manager with TransiFin noted an objective 'to take a holistic view of the business activities and shape them in a way that is economically, ecologically and socially reconcilable.' Echoing paradoxical management approaches that help 'promote both creative expression and commercial success' (Andriopoulos & Lewis, 2010, p. 112), our findings suggest that managers must orchestrate the daily enactment of multiple logics creatively; they must show that competing rationales are justifiable and essential to sustaining the organization, then act accordingly (Ralston, 2008). Yet managers also must be able to set clear strategic and asset-related priorities and arbitrate among opposing demands. 'It is not our goal to please everybody,' explained the managing director of a sustainable textile manufacturer (D11), adding 'I believe that [acknowledging] this is a

strength and not a source of vulnerability. I believe every company that is authentic … has a much larger fan base.' Competing logics sometimes cannot be reconciled. At StewarTech, 'in some cases, one has to close the eyes to make sure you keep on doing what you do. This relates to questions like "where does all our raw material come from" to innovate? It is all signed and officially approved, yet we have no absolute control to guarantee that, for example, the copper we use is not part of some war.' A CoopTailer representative also noted the need 'to accept that there are too many interest groups involved. It is very difficult to understand in depth of this complex network.' Cross-vergence orchestration contributes to address hybridity-related tensions as for-profit hybrids continuously transform and manage imperatives 'equally important but to some degree in conflict with one another' (Birkinshaw, Crilly, Bouquet, & Lee, 2016, p. 51). Its different practices support the development of a unique values system and management abilities that can guide organizational policies and actions that integrate the strategic multiplicities that characterize for-profit hybrids (multiple goals, time horizons, identity orientations, organizational structures, processes).

Tension-focused micro-foundation: Flexible linking structures. To increase personnel consciousness and buy-in, while allowing for concurrent consideration and management of socio-environmental and market-related expectations, for-profit hybrids tend to enact flexible linking structures. This set of practices resonates with the decentralization and near decomposability micro-foundation identified by Teece (2007). Yet flexible linking structures specifically highlight the way for-profit hybrids experiment to increase employees' participation, flatten hierarchies, and develop flexible arrangements that link formal structures and actual organizational behaviour. In turn, organizations can connect and combine elements of different logics (Pache & Santos, 2013). Issue- or project-based workgroups in our case organizations offer temporary, parallel structures set up 'to innovate and make change.… [so that] the organization can house activities that follow two different logics' (Mohrman & Lawler, 1989, p. 257). These structures provide collective ownership and more appropriate considerations of diverging

expectations. The CEO of StewarTech highlighted that with such mechanisms, 'we get inspired to develop some strategies and tools … to reduce silo thinking,' so employees need appropriate abilities and mind-sets: 'we believe that two qualities are important to each team member: complementary perspectives and abilities so that everyone can do something different best, as well as willingness to share their own ideas and perspectives,' added a StewarTech manager. Managers of both TransiFin and CoopTailer noted that for loosely coupled work structures to succeed, employees must take responsibility for self-management, coordination, and control.

Flexible linking structures help alleviate organizing tensions that emerge from divergent internal dynamics because parallel mechanisms and flexibly coupled structures allow for-profit hybrids to ensure sufficient levels of multidimensional expertise and develop the capacity to perform both commercial and sustainability-oriented operations. By defusing problems linked to the dilemma of differentiating versus integrating sustainability and commercial orientations, structural flexibility enables the hybrids to 'walk a fine line between achieving a social mission and living up to the requirements of the market' (Santos, Pache, & Birkholz, 2015, p. 37). A top manager with StewarTech argued that structural flexibility gets the firm 'out of this cage of daily routinized action' that characterizes rigid organizational hierarchies and that can impede the success of sustainability-driven organizations.

Tension-focused micro-foundation: Organizational entrenchment. To sustain continuous transformation processes, the policies, structures, and processes that foster the dynamic development of the for-profit hybrid must connect to an organizational entrenchment micro-foundation. To some extent, organizational entrenchment resonates with transactive memory systems (Argote & Ren, 2012) and social cognition (Helfat & Peteraf, 2015)—two previously identified micro-foundations of dynamic capabilities. In our study, this set of practices refers to organizations' ability to develop and sustain performance-related information flows, personnel cognizance, and collective buy-in across the organization. The interviewees all considered performance monitoring key for embedding sustainability-driven thinking and activities into

the organization. Both CoopTailer and StewarTech designed specific sustainability metrics and management systems, such as when 'We invited an external consultant who specializes in developing measuring sustainability performance. In a series of workshops and in-depth process analyses, we then developed step-by-step a measurement system that includes both quantitative and qualitative indicators' (D9). Despite general agreement about the importance of comprehensive, sustainability-oriented impact indicators, the organizations often had a hard time developing non-financial metrics. Measures of extra-financial performance and change efforts still represent 'vital yet challenging issues for practitioners and researchers' (Kato, Ashley, & Weaver, 2018, p. 558). The owner of a small, Austrian wood-processing firm explained, 'It is hard work to set up a monitoring system that identifies and prioritizes areas for improvement…. I regularly have to "sell" this adequately to the people involved like accountants or controllers, who typically have been exposed to the for-profit measurement approaches…. It is not enough to tell them how good we are in terms of "doing good" to society, but that what we are doing is tied to our strategy and business model and that we earn money by doing what we are doing' (D11). Such communication efforts transform sustainability into business terms that, ideally, resonate with the organization's mission, culture, and overall strategy (Benn et al., 2014). To reach all employees, managers should engage in general, collective storytelling but avoid vague messages like 'we are a sustainable hotel…. Instead, we use anecdotes and examples that really happened ... to which our employees and also our guests can relate' (D6).

The tension-focused organizational entrenchment micro-foundation contributes to help for-profit hybrids define and frame organizational successes relative to divergent goals when communicating with assorted stakeholders. Organizational entrenchment practices include developing dedicated metrics and management systems, performance indicators, and coherent storytelling efforts. Such practices are especially pertinent for dealing with the central, performing tensions that emerge from for-profit hybrids' divergent expectations, goals, and metrics. The practices entail an explicit acknowledgement of the

fundamental connections of social, environmental, and economic performance, and they signal sustainability-oriented organizational efforts toward key stakeholder groups. In turn, they help for-profit hybrids attract support for their multiple goals. Such stakeholder support represents what StewarTech and CoopTailer endeavour to leverage when they establish tailored social and environmental indicators, in addition to economic ones, when designing their employee incentive schemes.

Liaising within and across organizational boundaries

Our findings suggest that for-profit hybrids also rely on a fourth set of micro-foundations, which we call *liaising* capabilities. These practices ensure close connections between the organization and key stakeholders, within and across organizational boundaries, and they foster understanding of stakeholders' expectations. Whereas the three previous capabilities can be deployed successively in cycles of sensing, seizing, and transforming efforts, liaising constitutes a cross-wise requirement to support, continuously and transversally, the development of the organization's strategy and operations. Liaising encompasses two tension-focused micro-foundations, related to the ability to establish both enabling (inter)organizational spaces and stakeholder-inclusive governance processes.

Tension-focused micro-foundation: Enabling (inter)organizational spaces. The design and development of enabling spaces allow internal and external stakeholders to learn about organizational efforts or provide constructive insights for developing them further. Enabling spaces might be concrete (e.g., workshops, seminars, physical spaces for individual or group interaction) or virtual (e.g., online platforms), but ideally, they all foster emotional safety, cooperation, and trust. In this view, enabling spaces relate to what Zietsma and Lawrence (2010) refer to as experimentation spaces or the relational spaces conceptualized by Kellogg (2010). Such enabling (inter)organizational spaces encourage organizational involvement and facilitate liaising—and, in turn, the sensing, seizing, and transforming capabilities, because they alleviate fears of 'making mistakes resulting in the missing will of individuals to change routines and behaviours' (CoopTailer manager). For example, the Sharing 2020 digital

platform, established by a full-line recycling service provider (D3), is accessible to internal and external stakeholders and allows for feedback loops. It stores knowledge and measurement frameworks to scale up data and information about sustainability-oriented performance. The platform is designed specifically to enable links across levels of information, publications, and other records, such that it ensures comprehension and stakeholder ownership of the initiatives. However, creating enabling spaces often involves considerable efforts and costs, as the manager of a vegan condom producer (D15) explained: 'to develop criteria for our transparent salary scheme, we searched for an ideal retreat somewhere … and needed several days and long-winded, painful discussions to find answers to questions.' Clarity about organizational practices, objectives, and applications of interaction outcomes must be guaranteed, so that stakeholders will commit to the organization's long-term development.

The construction of enabling (inter)organizational spaces supports efforts to liaise with shareholders and makes it easier to identify and handle potential belonging tensions that stakeholders might experience in interactions with for-profit hybrids. Safe spaces for expression and discussions contribute to foster social learning and managerial understanding of the surrounding network of actors (Pelling, High, Dearing, & Smith, 2008). Enabling organizational spaces also help managers recognize and deal with the divergent, identity-related expectations of organizational members. In addition, developed interaction spaces that cross organizational boundaries foster 'engage[ment] with other stakeholders and people with different backgrounds' (CoopTailer manager). The ability to enact such spaces supplies for-profit hybrids with ways to negotiate meanings and present their hybrid social/environmental–business identity to audiences in an open, genuine fashion. In turn, this tension-focused micro-foundation contributes to reduce ambiguity among stakeholders about what the organization and its goals mean and to limit tensions emerging from conflicts around identity and values.

Tension-focused micro-foundation: Stakeholder-inclusive governance. Inclusive governance pertains to the design of formal, structured, on-going connections with complex stakeholder networks. Governance

processes involve internal and external stakeholders in decisions, including appointing representatives from different stakeholder groups to boards or committees, as CoopTailer and several other organizations do. Many interviewees regard an inclusive, collaborative stance as necessary throughout the organization's value chain. According to a representative from an organization that produces outdoor equipment, 'We have to be aware of our responsibility for our products and for their entire lifecycle' (D9). Creating distinct collaboration schemes at different levels provides the organization with knowledge and know-how (Mirvis, Herrera, Googins, & Albareda, 2016) and determines the scaling effect of hybrid activities (Ellis, 2010). The criteria for selecting partners or stakeholder representatives typically include values-based compatibility, such that partners 'have similar attitudes as do we…, critical approach and values to improve our society' (D15), though 'a good partner [also] helps us be more successful and profitable' (D10). As a micro-foundation, the practices constitutive of stakeholder-inclusive governance link to organization-centric practices related to the 'governance' micro-foundation emphasized by Teece (2007).

At local and regional levels, creating and strengthening formal ties with partners and key stakeholder representatives is a priority. CoopTailer and StewarTech both explicitly seek to stimulate some 'community effect.' Strengthening ties with local and regional partners allows hybrids to create a 'safety net,' in line with what Gehman, Trevino, and Garud (2013) describe as practices built from 'knotting together' localized activities and stakeholders over time.

Stakeholder-inclusive governance represents another set of tension-focused collective practices that contributes to attenuate performing tensions. Formally granting dedicated influence and decision-making rights to key internal (e.g., investors, funders) and external (e.g., beneficiaries, clients, suppliers, associated service providers) stakeholders allows for-profit hybrids to acknowledge and strategically address evolving expectations in distinct economic and socio-environmental ecosystems. For-profit hybrids thereby can forestall emerging performing tensions while also dealing with existing ones. As explained by a TransiFin representative, close 'cooperation with stakeholders and the interaction with the market [must be] in the

centre of attention.' This perspective is especially relevant in the hybrid realm, because the same event could be considered 'a success in one domain and failure in the other' (Smith et al., 2013, p. 410).

Conclusions

This study expands understanding of how for-profit hybrids can compete and persist by identifying and conceptually delineating the central role of dynamic capabilities and their micro-foundations in helping them address the hybridity-related tensions they face to achieve success. Our research contributes to extant literature in three main respects.

First, our qualitative, empirical enquiry goes beyond extant abstract reflections (Borland et al., 2016; Ramachandran, 2011; Strauss et al., 2017) to identify actual sets of practices and micro-foundations of four distinct dynamic capabilities that support the development and persistence of for-profit hybrid, sustainability-driven organizations. In particular, five of the twelve micro-foundations of dynamic capabilities we identify provide constructive means to cope specifically with key hybridity-related tensions, including learning (integrative learning), belonging (enabling [inter]organizational spaces), organizing (flexible linking structures), and performing (organizational entrenchment and stakeholder-inclusive governance) tensions. Along with these tension-focused micro-foundations, we highlight four tension-spanning micro-foundations (paradoxical framing, systems thinking, building resilience, cross-vergence orchestration) that more generally enable for-profit hybrids to navigate the contradictions and paradoxes triggered by their hybrid nature.

Second, we show that practices associated with the micro-foundations of dynamic capabilities can arise on individual or collective levels; micro-foundations located at different points on this continuum relate differentially to the development of the four dynamic capabilities. At a more individual level, micro-foundations such as experiential/grounded scouting and attention to the functional core that do not specifically address hybridity-related tensions nevertheless support the development of sensing capabilities. In addition, the micro-foundations related to organizational entrenchment, flexible linking

structures, enabling (inter)organizational spaces, and stakeholder-inclusive governance emerge more collectively, to support continuous transforming and liaising efforts. Those micro-foundations that emerge at both levels further relate to sensing (paradoxical framing), seizing (systems thinking, building resilience, and bending institutional norms—notwithstanding that the latter induces rather than attenuates tensions), and transforming (cross-vergence orchestration) dynamic capabilities. These findings help address questions about 'how different organizational actors work together to develop the capabilities that enable organizations to [drive] greater sustainability' (Strauss et al., 2017, p. 1351). More work remains to be done to conceptualize these processes though.

Third, the dynamic capabilities we identify as relevant for for-profit hybrids extend Teece et al.'s (1997) sensing–seizing–transforming competitiveness framework. Specifically, we add nuance by addressing the hybridity-related features of for-profit hybrid organizations. We also put forth the notion of transversal liaising capabilities that account for the central relational, cooperative capacities associated with sustainability-driven efforts. Our study thus stresses the importance of contextual relevance for understanding and conceptualizing dynamic capabilities that actually support the success of diverse forms of for-profit organizations. In addition, our study of the micro-foundations of dynamic capabilities of for-profit hybrids substantiates and supplements extant research by highlighting that the presence of adequate organizational structures and processes is not sufficient to ensure improved effectiveness and organizational success. Our findings stress the need to go beyond something possessed (i.e., independent of organizational members) when considering dynamic capabilities and micro-foundations, to address the actual ways actors' practices in organizations, as manifest in underlying organizational capabilities, help deal with the challenging contingencies of goal-related, context-specific organizational pathways.

Overall, our orientation toward for-profit hybrids, as models of "unorthodox business values and practices that challenge beliefs embedded in strategic management" (Haigh & Hoffman, 2012, p. 234), highlights the need for a greater emphasis on perspectives that span broader social and environmental

ecosystems, beyond a narrow business view. The micro-foundations of dynamic capabilities emerging from our findings often extend and reconsider, rather than substitute, sets of practices identified in more traditional business contexts (Felin et al., 2012; Helfat & Peteraf, 2015; Teece, 2007). Some practices we identify already have been established as relevant to successful organizations in general—though sometimes only to a certain extent and with different terminology. Such practices include embracing systems thinking (O'Connor, 2008; Sterman, 2000), building resilience (Kuntz et al., 2016; Lengnick-Hall et al., 2011), fostering integrative learning (Schneckenberg et al., 2015), and establishing enabling (inter)organizational spaces (Zietsma & Lawrence, 2010). The relative commonality of these sets of practices across organizations relates to their generic contributions to strengthening and sustaining performance in multiple contexts.

Other practices are more germane to hybrid, sustainability-driven ventures and have been cited by social enterprise, hybrid organization, or corporate sustainability researchers, though rarely with a dynamic capabilities approach. These practices include paradoxical framing (Hahn et al., 2014; Smith & Besharov, 2017), organizational entrenchment of sustainability (Benn et al., 2014), flexible linking structures (Pache & Santos, 2013; Smith & Besharov, 2017; Teece, 2007), and stakeholder-inclusive governance (Ellis, 2010; Mirvis et al., 2016). The micro-foundations are directly or indirectly connected with the challenges associated with the multiplicity of goals of for-profit hybrids and the diversity of logics and performance-related expectations they face. Despite their relative specificity, the development of such sets of sustainability-supporting practices is relevant for traditional for-profit organizations too, whose 'executives know that how they respond to the challenge of sustainability will profoundly affect the competitiveness—and perhaps even the survival—of their organizations' (Lubin & Esty, 2010, p. 42).

Finally, the sets of practices linked to experiential/grounded scouting, attention to the functional core, or bending institutional norms, which do not directly or indirectly address hybridity-related tensions, as well as cross-vergence orchestration, have not appeared in extant dynamic capabilities literature. They

depart from the micro-foundations identified in traditional business settings, in that they relate inherently to dual social/environmental–economic outcomes. That is, they relate to the purpose and actual impact of the products offered by for-profit hybrids or their willingness to conduct business differently and reject the status quo.

Managerial implications

The dynamic capabilities and underlying micro-foundations that we identify, if well managed, potentially prompt imagination, commit personnel, and energize explorations and exploitations of sustainability-driven challenges and potentialities. Managers in for-profit hybrids must understand that the individual and collective practices pertaining to these micro-foundations need to be nurtured continuously. In addition, they should realize that the positive influences of these practices on organizational success and hybridity may not be compatible with all business decisions. Some strategic choices exacerbate hybridity-related tensions and disrupt delicate balances. For example, Etsy was a privately held online marketplace for handmade goods, whose achievement 'in generating income and part-time employment for low-income women is one of the modern economy's phenomenal success stories' (Kelly, Duncan, & Dubb, 2016, p. 46). It went public in 2015. Despite assertions that it would not sacrifice its principles for investors, the social mission of Etsy could not stand up to demands for continuous growth. Financing choices triggered increased hybridity-related performing, organizing, learning, and identity tensions. Its lopsided focus on profitability initially sapped many employees' enthusiasm (Gelles, 2017). In a contrasting example, Unilever's takeover of Ben & Jerry's allowed the ice cream company to improve its economic performance while also extending its social mission. Unilever seemingly understood that the sets of practices supporting its organizational effectiveness differed in this for-profit hybrid organizational context and needed to be preserved. For example, it established an external board charged with overseeing Ben & Jerry's mission so that the unique culture would not be 'contaminated' (Gelles, 2015).

These examples suggest that the combined ability to sense business opportunities and create a sense of social and environmental opportunity is a vital capability that may quickly lose its potential if not supported by organizational members' understanding and adherence to evolving strategic priorities (Ramus & Vaccaro, 2017). Some managers in our study noted that it could be difficult to believe in the actual pre-eminence of a social or environmental mission. In such cases (e.g., Etsy at some point), it might be hard to commit to declared multiple goals, live up to the hybrid mandate, and engage in all the necessary scouting, designing, and framing practices.

Yet such organizational commitment can enhance resilience and the capacity to cope with tensions, as well as foster learning efforts to spur innovative pathways and help the organization seize opportunities and construct sustainability-oriented possibilities. Reflexivity seems key there; it can amplify cognitive distance from routine behaviour, enable and motivate members to develop new meaning and forms of acting or organizing, and perhaps even challenge the organizational or institutional status quo. Ben & Jerry's challenged Unilever and nurtured its efforts to become a sustainability leader, for example.

The continued renewal of sustainability-driven organizations and transformation of their assets to maintain competitiveness also is fostered by entrenched adaptive practices. The outcomes of organizational activities need to be monitored. Using tailored metrics is thus central. It is important to legitimize activities and practices and to establish a solid storytelling basis for managers. Before its acquisition, Ben & Jerry's lacked a clear performance management system. The benefits of sharing and enacting a constructive hybrid story, according to our workshop participants and interviewees, can be achieved through flexible, cross-functional structures. These elements encourage shared meaning across individuals and groups, who then can experiment with innovative ideas that might drive the deployment of the organization's resource base.

From this perspective, we argue that for-profit hybrids must encourage interactional processes that nurture social and environmental innovations. To liaise within and across organizational boundaries, for-

profit hybrids should seek to develop multi-organizational partnerships and social ties with diverse stakeholders. Ben & Jerry's, despite its strong stakeholder orientation, lacked some liaising capabilities needed to unleash its full scaling-up potential and ensure the spread and implementation of novel ideas. Connecting Ben & Jerry's job positions with Unilever's global talent pool thus was instrumental in ensuring the presence of skills and practices (Caligiuri, 2012) that could support key liaising capabilities.

Overall, managers should evaluate the potential impact of any strategic decision on the practices underlying the four dynamic capabilities we identify. Our framework is a useful managerial tool in that respect. It can help for-profit hybrids make their dynamic capabilities' micro-foundations explicit; it also should facilitate support for relevant sets of practices in the long run. In addition, organizations can mobilize our framework to improve current practices. Specifically, for-profit hybrids could leverage this framework to determine if they lack specific practices supporting sustainable value creation.

Research avenues

Some limitations of this study suggest potential avenues for research. First, considering our use of three case organizations, active in different industries, and the complementary perspectives offered by the wide range of additional organizations operating internationally, our theory generation likely achieves a reasonable level of contextual generalization (Tsang & Williams, 2012). Nevertheless, the outcomes of our study *stricto sensu* should be considered empirically pertinent only to certain geographical, industrial, and organizational contexts. In particular, we only consider organizations operating in the European Alpine region. The findings likely are relevant to other geographical and institutional contexts, at least in Western markets characterized by similar recent emphases on sustainability-related business trends. Still, researchers could investigate other contexts to complement these insights. Despite the diversity of industrial horizons among the organizations we study, we do not distinguish levels of sustainability intensity or dynamism (Eisenhardt & Martin, 2000; Strauss et al., 2017) across industrial or market environments. Explicitly considering these factors could provide constructive theoretical refinements.

In a related issue, we focus on for-profit hybrids, just one of the three broad options for the design of hybrid ventures. Our findings likely provide insights into how non-profit and mixed-entity hybrids can flourish and sustain too. Yet the specific influence of other structural options on the development of dynamic capabilities and their supporting practices needs scholarly attention. Future studies also should acknowledge the sophistication exhibited among for-profit structural options today, such that "in addition to traditional for-profit registration categories (such as LLC and C-Corporation in the U.S.), in some regions hybrids may also register as one of several new for-profit categories serving enterprises with dual social-economic missions" (Haigh et al., 2015a, p. 62). Such specific, for-profit, legal statuses encourage the development of for-profit hybrid ventures (Haigh et al., 2015a; Rawhouser et al., 2015) and can reduce experienced tensions. Systematic, empirical investigations of how they do so are missing though. Our findings about different processes, practices, and micro-foundations might further inform efforts to understand the development of sustainability-related initiatives by more traditional for-profit companies. Beyond testing the validity of our framework in different contextual settings, we call on researchers to evaluate its pertinence for a wider range of organizational populations.

Second, the workshops and participation by members of the three focal case organizations was fortuitous; they enabled us to witness the evolving dynamics of for-profit hybrid projects and activities. Yet we were not present at all times, as would be necessary to gain a complete view of the unfolding social and environmental innovation, the tensions experienced by the organizations and their members, and the micro-foundations of dynamic capabilities. To refine understanding of processes and practices that manifest as micro-foundations of dynamic capabilities in for-profit hybrid contexts, we encourage more longitudinal research to track the evolution of practices. Such efforts might contribute to highlight how different micro-foundations actually support the development of dynamic capabilities. Our study highlights predominant relationships among distinct micro-foundations and dynamic capabilities, yet our

analysis also indicates that some micro-foundations affect more than one category of capabilities and thus might be transversal.

Third, we describe practices at multiple levels, but our study does not fully address the possible associations of different individual and collective practices. To advance debates about whether 'organization analysis should be fundamentally concerned with how individual level factors aggregate to the collective level' (Barney & Felin, 2013, p. 145), researchers might investigate how individual practices contribute to the emergence of more collective practices, which in turn support the development of dynamic capabilities.

Fourth, in line with Haigh and Hoffman (2014), our study hints at the idea that for-profit hybrids and their dynamic capabilities and micro-foundations might provide sufficient cause to re-examine the notions of (sustainable) value chains (Porter, 1985), including the restriction of primary and support activities to the internal level. Departing from well-established viewpoints (Barney, 1991), our findings indicate that capabilities do not need to be fully under an organization's control or specific to it to be prized and considered valuable. Continued research should investigate these questions in more depth to explicate how novel forms of organizing and competing ultimately contribute to challenge traditional strategic management constructs and ideas.

References

Andriopoulos, C., & Lewis, M. W. (2010). Managing innovation paradoxes: Ambidexterity lessons from leading product design companies. *Long Range Planning*, 43(1), 104–122.

Argote, L., & Ren, Y. (2012). Transactive memory systems: A microfoundation of dynamic capabilities. *Journal of Management Studies*, 49(8), 1375–1382.

Arndt, F., & Pierce, L. (2018). The behavioral and evolutionary roots of dynamic capabilities. *Industrial and Corporate Change*, 27(2), 413–424.

Barney J. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17(1), 99–120.

Barney, J., & Felin, T. (2013). What are microfoundations? *Academy of Management Perspectives,* 27(2), 138–155.

Battilana, J., & Dorado, S. (2010). Building sustainable hybrid organizations: The case of commercial microfinance organizations. *Academy of management Journal*, 53(6), 1419–1440.

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

Battilana, J., Sengul, M., Pache, A.-C., & Model, J. (2015). Harnessing productive tensions in hybrid organizations: The case of work integration social enterprises. *Academy of Management Journal*, 58(6), 1658–1685.

Benn, S., Edwards, M., & Williams, T. (2014). *Organizational Change for Corporate Sustainability*. London, UK: Routledge.

Birkinshaw, J., Crilly, D., Bouquet, C., & Lee, S. Y. (2016). How do firms manage strategic dualities? A process perspective. *Academy of Management Discoveries*, 2(1), 51–78.

Borland, H., Ambrosini, V., Lindgreen, A., & Vanhamme, J. (2016). Building theory at the intersection of ecological sustainability and strategic management. *Journal of Business Ethics*, 135(2), 293–307.

Boyd, B., Henning, N., Reyna, E., Wang, D., & Welch, M. (2009). *Hybrid Organizations: New Business Models for Environmental Leadership*. Sheffield, UK: Greenleaf Publishing.

Bradbury, H. (2003). Sustaining inner and outer worlds: A whole-systems approach to developing sustainable business practices in management. *Journal of Management Education*, 27(2), 172–187.

Bromberger, A. (2011). A new type of hybrid. *Stanford Social Innovation Review*, 9(2), 49–53.

Caligiuri, P. (2012). When Unilever bought Ben & Jerry's: A story of CEO adaptability. *Fast Company*, August 12. Retrieved from https://www.fastcompany.com/3000398/when-unilever-bought-ben-jerrys-story-ceo-adaptability.

Eisenhardt, K. (1989). Building theories from case study research. *Academy of Management Review*, 14(4), 532–550.

Eisenhardt, K. & Graebner, M. (2007). Theory building from cases: Opportunities and challenges. *Academy of Management Journal*, 50(1), 25–32.

Eisenhardt, K. & Martin, J. (2000). Dynamic capabilities: what are they? *Strategic Management Journal*, 21(10), 1105–1121.

Ellis, T. (2010). *The New Pioneers: Sustainable Business Success through Social Innovation and Social Entrepreneurship*. Chichester, UK: Wiley.

Felin, T., & Foss, N. (2005). Strategic organization: A field in search of micro-foundations. *Strategic Organization*, 3(4), 441–55.

Felin, T., Foss, N., Heimeriks, K. & Madsen, T. (2012). Microfoundations of routines and capabilities: Individuals, processes, and structure. *Journal of Management Studies*, 49(8), 1351–1374.

Fortis, Z., Maon, F., Frooman, J., & Reiner, G. (2018). Unknown knowns and known unknowns: Framing the role of organizational learning in corporate social responsibility development. *International Journal of Management Reviews*, 20(2), 277–300.

Gehman, J., Treviño, L., & Garud, R. (2013). Values work: A process study of the emergence and performance of organizational values practices. *Academy of Management Journal*, 56(1), 84–112.

Gelles, D. (2015). Gobbled up, but still doing good for the world. *The New York Times*, August 5, BU3.

Gelles, D. (2017). The revolution at Etsy. *The New York Times*, November 26, BU1.

Gioia, D., Corley, K., & Hamilton, A. (2013). Seeking qualitative rigor in inductive research: Notes on the Gioia methodology. *Organizational Research Methods*, 16(1), 15–31.

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

Hahn, T., Preuss, L., Pinkse, J., & Figge, F. (2014). Cognitive frames in corporate sustainability: Managerial sensemaking with paradoxical and business case frames. *Academy of Management Review*, 39(4), 463–487.

Haigh, N., & Hoffman, A. (2012). Hybrid organizations: The next chapter of sustainable business. *Organizational Dynamics*, 41(2), 126–134.

Haigh, N., & Hoffman, A. (2014). The new heretics: Hybrid organizations and the challenges they present to corporate sustainability. *Organization & Environment*, 27(3), 223–241.

Haigh, N., Kennedy, E. D., & Walker, J. (2015a). Hybrid organizations as shape-shifters: Altering legal structure for strategic gain. *California Management Review*, 57(3), 59–82.

Haigh, N., Walker, J., Bacq, S., & Kickul, J. (2015b). Hybrid organizations: Origins, strategies, impacts, and implications. *California Management Review*, 57(3), 5–13.

Hart, S. (1995). A natural-resource-based view of the firm. *Academy of Management Review*, 20(4), 986–1014.

Helfat, C., & Peteraf, M. (2015). Managerial cognitive capabilities and the microfoundations of dynamic capabilities. *Strategic Management Journal*, 36(6), 831–850.

Iansiti, M., & Clark, K. (1994). Integration and dynamic capability: Evidence from product development in automobiles and mainframe computers. *Industrial and Corporate Change*, 3(3), 557–605.

Jarzabkowski, P. (2005). *Strategy as Practice: An Activity-Based Approach*. London: Sage.

Jarzabkowski, P. (2008). Shaping strategy as a structuration process. *Academy of Management Journal*, 51(4), 621–650.

Jay, J. (2013). Navigating paradox as a mechanism of change and innovation in hybrid organizations. *Academy of Management Journal*, 56(1), 137–159.

Kato, S., Ashley, S., & Weaver, R. (2018). Insights for measuring social value: Classification of measures related to the capabilities approach. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 29(3), 558–573.

Kellogg, K. (2009). Operating room: Relational spaces and microinstitutional change in surgery. *American Journal of Sociology*, 115(3), 657–711.

Kelly, M., Duncan, V., & Dubb, S. (2016). *Strategies for Financing the Inclusive Economy*. Washington, D.C: Democracy Collaborative.

Kuntz, J. R., Näswall, K., & Malinen, S. (2016). Resilient employees in resilient organizations: Flourishing beyond adversity. *Industrial and Organizational Psychology*, 9(2), 456–462.

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

Lengnick-Hall, C., Beck, T., & Lengnick-Hall, M. (2011). Developing a capacity for organizational resilience through strategic human resource management. *Human Resource Management Review*, 21(3), 243–255.

Lubin, D., & Esty, D. (2010). The sustainability imperative. *Harvard Business Review*, 88(5), 42–50.

Maon, F., Lindgreen, A., & Swaen, V. (2010). Organizational stages and cultural phases: A critical review and a consolidative model of corporate social responsibility development. *International Journal of Management Reviews*, 12(1), 20–38.

Marquis, C., Besharov, M., & Thomason, B. (2009). *Whole Foods: Balancing Social Mission and Growth*. Boston, MA: Harvard Business Publishing.

Mirvis, P., Herrera, M., Googins, B., & Albareda, L. (2016). Corporate social innovation: How firms learn to innovate for the greater good. *Journal of Business Research*, 69(11), 5014–5021.

Mohrman, S., & Lawler, E. (1989). Parallel participation structures. *Public Administration Quarterly*, 13(2), 255–272.

Moss, T., Short, J., Payne, G., & Lumpkin, G. (2011). Dual identities in social ventures: An exploratory study. *Entrepreneurship Theory and Practice*, 35(4), 805–830.

O'Connor, G. C. (2008). Major innovation as a dynamic capability: A systems approach. *Journal of Product Innovation Management*, 25(4), 313–330.

Ortiz-de-Mandojana, N., & Bansal, P. (2016). The long-term benefits of organizational resilience through sustainable business practices. *Strategic Management Journal*, 37(8), 1615–1631.

Pache, A.-C., & Santos, F. (2013). Inside the hybrid organization: Selective coupling as a response to competing institutional logics. *Academy of Management Journal*, 56(4), 972–1001.

Pelling, M., High, C., Dearing, J., & Smith, D. (2008). Shadow spaces for social learning: A relational understanding of adaptive capacity to climate change within organisations. *Environment and Planning A*, 40(4), 867–884.

Peteraf, M., Di Stefano, G., & Verona, G. (2013). The elephant in the room of dynamic capabilities: Bringing two diverging conversations together. *Strategic Management Journal*, 34(12), 1389–1410.

Porter, M. (1985). *Competitive Advantage*. New York: The Free Press.

Ramachandran, V. (2010). Strategic corporate social responsibility: A 'dynamic capabilities' perspective. *Corporate Social Responsibility and Environmental Management*, 18(5), 285–293.

Ralston, D. (2008). The crossvergence perspective: Reflections and projections. *Journal of International Business Studies*, 39(1), 27–40.

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

Rawhouser, H., Cummings, M., & Crane, A. (2015). Benefit corporation legislation and the emergence of a social hybrid category. *California Management Review*, 57(3), 13–35.

Rothaermel, F., & Hess, A. (2007). Building dynamic capabilities: Innovation driven by individual-, firm-, and network-level effects. *Organization Science*, 18(6), 898–921.

Santos, F., Pache, A.-C., & Birkholz, C. (2015). Making hybrids work: Aligning business models and organizational design for social enterprises. *California Management Review*, 57(3), 36–58.

Schneckenberg, D., Truong, Y., & Mazloomi, H. (2015). Microfoundations of innovative capabilities: The leverage of collaborative technologies on organizational learning and knowledge management in a multinational corporation. *Technological Forecasting and Social Change*, 100(1), 356–368.

Smith, W., & Besharov, M. (2017). Bowing before dual gods: How structured flexibility sustains organizational hybridity. *Administrative Science Quarterly*, in press, 1–44.

Smith, W., Gonin, M., & Besharov, M. (2013). Managing social-business tensions: A review and research agenda for social enterprise. *Business Ethics Quarterly*, 23(3), 407–442.

Sterman, J. (2000). *Business Dynamics: Systems Thinking and Modeling for a Complex World*. New York: Irwin.

Strauss, A., & Corbin, J. (1990). *Basics of Qualitative Research: Grounded Theory Procedures and Techniques*. London, UK: Sage.

Strauss, K., Lepoutre, J., & Wood, G. (2017). Fifty shades of green: How microfoundations of sustainability dynamic capabilities vary across organizational contexts. *Journal of Organizational Behavior*, 38(9), 1338–1355.

Teece, D., Pisano, G., & Shuen, A. (1997). Dynamic capabilities and strategic management. *Strategic Management Journal*, 18(7), 509–533.

Teece, D. (2007). Explicating dynamic capabilities: The nature and microfoundations of (sustainable) enterprise performance. *Strategic Management Journal*, 28(13), 1319–1350.

Tsang, E., & Williams, J. (2012). Generalization and induction: Misconceptions, clarifications, and a classification of induction. *MIS Quarterly*, 36(3), 729–748.

Van Maanen, J. (1979). The fact of fiction in organizational ethnography. *Administrative Science Quarterly*, 24(4), 539–550.

Wals, A., & Schwarzin, L. (2012). Fostering organizational sustainability through dialogic interaction. *The Learning Organization*, 19(1), 11–27.

Wu, Q., He, Q., Duan, Y., & O'Regan, N. (2012). Implementing dynamic capabilities for corporate strategic change toward sustainability. *Strategic Change*, 21(5/6), 231–247.

Yin, R. (2003). *Case Study Research: Design and Methods* (3d ed.). Thousand Oaks, CA: Sage.

Zietsma, C., & Lawrence, T. (2010). Institutional work in the transformation of an organizational field: The interplay of boundary work and practice work. *Administrative Science Quarterly*, 55(2): 189–221.

Zollo, M., & Winter, S. (2002). Deliberate learning and the evolution of dynamic capabilities. *Organization Science*, 13(3), 339–353.

TABLE 1. Case background, interviews, and archival data

For-profit hybrid	Industry	Number of employees	Geographical scope	Participants in three workshops	Participants in three post-workshop interviews	Accessed archival data
CoopTailer Funded in 1989, this food retailer embraces value-based, sustainability-oriented goals according to a 'stronger-together' vision, beyond traditional business objectives such as excellent service and product offerings. Sustainability considerations are enacted in day-to-day work, and CoopTailer collaborates closely with suppliers to stock local products and guarantee consumers that they are buying goods produced in sustainable working conditions. CoopTailer does not strive to 'maximize' profits. In recent years, it has won national and global recognition as a most sustainable retailer.	Business-to-consumer / retail (grocery)	1500 > x > 2000	National	Six: owner (and managing director), marketing manager, HR manager, quality manager, store equipment manager, and project manager Average length of each workshop: 120 minutes (150, 120, and 90 minutes each)	Two: owner (and managing director) and marketing manager Average length of each interview: 45 minutes (35, 55, and 45 minutes each)	*Internal sources*: sustainability materials and reports, annual reports, marketing materials, public relations materials, and press releases *External sources*: competitor data and market-specific data
StewarTech Funded in 2000, the company develops, manufactures, and supplies instruments, process control software, and sensor technology. It accounts for social, environmental, and economic aspects at strategic and operational levels. Considerations of eco-designs and ecological footprints represent its key focus in R&D efforts and its central emphasis on product stewardship. In external ratings, StewarTech is rated as one of the most sustainable companies in its industry. Its early sustainability-oriented stance led it to pursue ISO 14001 certification as soon as 1997 (the standard was published only in 1996).	Business-to-business / industrial equipment	500 > x > 1,000	International	10: managing director, assistant to the managing director, head of sales, two HR managers, three project managers, account manager, and logistics manager Average length of each workshop: 170 minutes (200, 180, and 150 minutes each)	Two: managing director and head of sales Average length of each interview: 50 minutes (45, 60, and 45 minutes each)	*Internal sources*: firm handbook, annual reports, firm metrics and processes, marketing materials, public relations materials, and press releases *External sources*: competitor data and market-specific data
TransiFin Funded in 1956, this banking institution approaches social and environmental change efforts with a vision of acting responsibly and holistically. The institution has revised its engagement with stakeholders and ecosystems and reconsidered its market approaches to foster sustainability mandates and integrate social and environmental dimensions into investment processes.	Business-to-business and business-to-consumer / financial services	500 > x > 1,000	International	Four: senior program manager, head of group business advancement, head of logistics and security, and senior public relations manager Average length of each workshop: 100 minutes (110, 100, and 90 minutes each)	Two: senior program manager and senior public relations manager Average length of each interview: 40 minutes (40, 50, and 30 minutes each)	*Internal sources*: strategy reports and updates, annual and sustainability reports, marketing materials, public relations materials, and press releases *External sources*: competitor data and market-specific data

TABLE 2. Organizations that served as additional interview partners

Organization	Sector	Activities	Interviewee	Length of interview
D1	B2B and B2C / Food production	Produces mushrooms and sells seeds based on a circular economy business model	Founder/Managing director	40 minutes
D2	B2B/ Food production and processing	Produces high-quality raw materials, conventional and organic, for food and pharmaceutical industries	Marketing manager	35 minutes
D3	B2B/ Recycling	Full-line sustainability-driven recycling service provider	Marketing manager	50 minutes
D4	B2C/ Repairing	Repairs and refines clothes	Founder/Managing director	40 minutes
D5	B2B and B2C/ Financial services	Provides banking services based on fairness and a purpose-driven approach	Managing director	45 minutes
D6	B2C/ Hospitality	Provides ecologically driven hotel services	Founder/Managing director	40 minutes
D7	B2B and B2C/ Food production and processing	Produces high quality apple juice, picked by people with disabilities.	Founder/Managing director	55 minutes
D8	B2B/ Food production, processing and distribution	Produces and internationally purchases fruit juice concentrates and half-finished products; commissioned fillings	Marketing manager	50 minutes
D9	B2C and B2B / Garment and sport equipment	Manufactures sustainable outdoor equipment and clothing	Managing director	45 minutes
D10	B2B/ Food production	Produces and trades organic herbs and teas	Founder/Managing director	40 minutes
D11	B2B and B2C/ Furniture and garment	Produces and distributes sustainably produced (wood) furniture, clothing and home textiles	Managing director	35 minutes
D12	B2C/ Retailing	Provides packaging-free retail service	Founder/Managing director	40 minutes
D13	B2B/ Food production and distribution	Produces and trades organic, regionally grown foods	Managing director	40 minutes
D14	B2B and B2C/ Food machinery and equipment	Produces fair, sustainably manufactured coffee machines	Managing director	45 minutes
D15	B2B and B2C/ Health products	Produces vegan condoms	Marketing manager	40 minutes
D16	B2B/ Food production and processing	Produces baked goods	Business developer	30 minutes
D17	B2B and B2C/ Financial services	Provides inclusive banking services	Marketing manager	40 minutes
D18	B2B/ Food production and distribution	Supplies climate-neutral eggs and meat	Managing director	45 minutes
D19	B2B/ Food production	Produces mushrooms and fruits based on a circular economy business model	Founder/Managing director	40 minutes
D20	B2C and B2B/ Garment and sport equipment	Produces and sells sport shoes and accessories	Marketing manager	50 minutes
D21	B2C/ Hospitality	Offers hotel service provided by legal immigrants	Marketing manager	35 minutes
D22	B2B/ Food production and processing	Produces fair and organic chocolate	Managing director	50 minutes
D23	B2B/ Food production, processing and distribution	Produces and trades wafer, patisserie, and chocolate specialties	Marketing manager	40 minutes
D24	B2B/ Consulting	Helps organizations create shared value	Managing director	50 minutes

D25	B2C and B2B/ Recruiting	Developed an online platform/application to improve access to the job market for the economically deprived	Founder/Managing director	65 minutes
D26	B2B/ Food production and processing	Produces high-quality soft drinks based on a fair, ecological, socially responsible model	Founder/Managing director	35 minutes
D27	B2B/ Food production and distribution	Produces agricultural products; building on a circular and inclusive approach	Founder/Chair	35 minutes
D28	B2C and B2B / Garment and sport equipment	Locally and sustainably produces top-quality sports and leisurewear	Managing director	40 minutes
D29	B2C/ Garment and sport equipment	Produces and sells ethically manufactured bike outfits	Managing director	35 minutes
D30	B2C/ Food production and processing	Produces and sells organic coffee, tea, and spices	Managing director	40 minutes

Notes: B2C = business-to-consumer industry; B2B = business-to-business industry.

TABLE 3. Micro-foundations of dynamic capabilities of for-profit hybrids: Illustrative quotes and examples

Micro-foundations	Individual or collective	Illustrative quotes/examples
Sensing opportunities: Creating a sense of opportunity		
Experiential /grounded scouting	*Individual*	*Illustrative quotes:* -'My business idea actually really made me strong from the start, because I said from the beginning: Let them talk. Because if they would understand, they would have already done it themselves. They do not even understand it. And if they do not understand, well, [you should] let them talk. I don't gain anything from trying to convert them.' (D10) -'I am married to a Peruvian woman. So I spent quite some time in this and other neighbouring countries where you can see a lot of poverty; and this also stirs me a lot to go for this strategic move as we now outlined.' (CoopTailer) -'The understanding of the problem came from experiencing it [personally] (…).The innovation process then was based on an in-depth understanding of the issues [that he] faced at that time.' (D25) *Other facts and examples:* -At D1, the central idea underlying sustainable farming activity in a closed-loop model emerged when the founder visited an African country. Inspired by the idea of mushroom cultivation using organic waste, the sustainability-oriented business concept was 'translated' and transferred to an urban context. -The business concept at the heart of D7 emerged when one of the founders, with a long-standing goal of empowering disabled people in the community, repeatedly passed fruit trees in large public spaces while jogging. Building on a combination of local experiences, the plan to develop a simple product (juice) relying on a locally available resource (unharvested apples) to reach a basic double objective (meet growing regional demand for local products and create local jobs for disabled people) materialized progressively.
Attention to functional core	*Individual*	*Illustrative quotes:* -'As discussed during the first workshop round, there are trends in food retailing like an increasing demand in organically-grown food or vegan products, or products with less sugar - it is our mission to develop our product assortment around these rightful trends.' (CoopTailer) -'Through my education, I know what shadow the textile industry is casting over us. (...) And with our business model, we aim to set a signal against our throwaway society. (…) Mentors, my sewing machine and myself - that's all what is needed.' (D4) -'Our customers expect stable, robust, fast products with easy integration. They want more support and closeness – and they want the production to be green (…). With this project, we try to combine capabilities that we already have with new innovative processes. We know that this is indeed something that our clients really value, I guess we not only talk to them but listen to what kinds of problems they have.' (StewarTech) *Other facts and events:* -D9 engages systematically in 'focusing on the essential, on what is actually necessary' and thus recognizing what is irrelevant or superfluous. To do so, it developed five product-centred, functionality-oriented sustainable design principles driving all product development processes and leading to 'products that perfectly meet their core requirements' and customers' expectations. -At D30, two product functions are core: producing foodstuffs of exceptional quality and increasing the number of fields farmed organically to promote an eco-responsible agriculture. Products are bought at their place of origin to ensure quality and define the final products from the very start. Supplier relationships are long-term, quality-based partnerships that reshape entire value chains, from the field to the shelf.
Paradoxical framing	*Individual & collective*	*Illustrative quotes:* -'Creatively combining [opposites represents] a main drive for our entire organization… not only to act commercially, which is important – we are of course happy to generate annual surpluses – but also to enact a social responsibility, ethical vision.' (D20) -'In our mission statement we write that ecological impact is to be articulated with profit generation. For instance, we see the new trend in sending out brochures that are wrapped in plastics- this is not acceptable for us, so [instead of sending unwrapped brochures and to nevertheless address customer expectations] we decided to work with a wrapping based on potato starch. It was initially supposed to cost more – it was then cleverly implemented.' (D6) -'I know that there are parts of the world where we have limited standards of living. So, it is my personal aim and vision to envision how to make money and at the same time to do something good – however complex it might seem – we owe this to our society.' (CoopTailer) *Other facts and events:* -During a comprehensive, extended auditing process using the ISO 26000 Social Responsibility standard by an external consulting firm, bi-weekly workshops took place at CoopTailer to foster the identification and conciliation of seemingly contradictory objectives through collective internal dialogue and the establishment of key performance indicators. Top management was encouraged to visit specialized innovation and sustainability-related conferences and events. -Together with a national association for community economy development and a non-governmental organization, D11 organizes yearly symposia to confront stakeholders with contradictory logics and disrupting ideas. Recent events include symposia focused on living and energy, financing and communication, and agriculture and nutrition.

Seizing opportunities: Constructing possibilities		
Systems thinking	Individual & collective	*Illustrative quotes:* -'People, business, environment, time – it all works like a gearwheel. Also, not only the outcome is important, but also the way of getting there. If one gear moves faster, this can influence other components. Being aware of this certainly helps to find new business opportunities, finding new partner to collaborate with, etc.' (D1) -'The motivation to make it an innovation came from an affinity for systemic solutions, systemic thinking - a habit of thinking about innovative solutions for all, starting from my own problem.' (D28) -'We are very aware that we do have a major impact on the economic situation of the next generation (…). I absolutely agree with the need to understand the link between economy, social and ecological activities - we call it triple-line effect. However, in reality we are still sometimes far away (…) but actually this is what we would have to do. We would also need to check how far our customers understand this logic.' (StewarTech) *Other facts and events:* -At CoopTailer, a lack of systematic thinking made it difficult to turn new product and service opportunities into viable businesses. For example, it installed Tetra Pak collection stations in some subsidiaries. The idea was well accepted, but the financial implications were complex, because the stations entailed multi-stakeholder efforts and triggered unanticipated issues at different levels. Many of its environmental projects similarly underperformed, characterized by stakeholders' limited understanding of the relational complexities involved. -In 2013, D22 began to implement 'a holistic and systematic approach to sustainability, which up to that point had been pursued in a more informal fashion.' It set up a project team with members from all divisions, in addition to the person responsible for the integrated management system,. D22 acknowledged it was not sufficiently equipped to provide the setting for the complex thinking required to address interconnected impacts of sustainability-oriented commitments, inside and outside the organization. This led to the development of a more systemic approach and the import of new sustainability-oriented capabilities.
Bending institutional norms	Individual & collective	*Illustrative quotes:* -'Some legal rules are important as 'interacting standards in society'. They enable security and reliability in social interactions and thus contribute to their efficiency. Other rules, however, serve only the vested rights of certain groups of the population. These rules mostly often hinder potentials of disruptive innovation. Depending on an innovation's social goal, we therefore consider it morally justified to ignore these rules or even to break them deliberately in the sense of civil disobedience. That too is a constructive contribution to a more democratic and fair society.' (D25) -'You are confronted with a diversity of perspectives (…), which have to be accommodated. You have to become creative at times, and sometimes this also creates tensions.' (CoopTailer) -'Do we want to sustain what we started with 33 years ago? Do we want to be able to look in the mirror with what we do? (…) We're not missionaries [but] we are trying to exemplify something—our goal is to show something—that you can operate in a different way than it is customarily conceived. And when someone feels offended by that, well…' (D11) *Other facts and examples:* -TransiFin was among the first in its regional banking sector to pioneer specific categories of ethical investment products. Most customers were not ready for such unconventional products. Yet exposing customers to new products and gaining a more fine-grained understanding of market expectation, paved the way for subsequent developments. -At D26, all actors involved in the commercial activity (suppliers, sellers, consumers) can participate to decisions about organizational issues. This departure from traditional governance structures and processes initially seemed inapplicable, but D26 committed to breaking the rules. Building on consensus-oriented decision-making processes, supported by online knowledge-sharing tools, it ensured discussions would last until all actors engaged in the decision-making process agreed with an proposed option/solution.
Integrative learning	Individual & collective	*Illustrative quotes:* -'As our meetings are typically cross-functionally organized, we sometimes come up with really creative, socially-innovative solutions (…). New employees are selected according to how strongly they can identify with the official principles of sustainability.' (StewarTech) -'The company offered me to go through a sustainability MBA program. I think this is extremely important to us - we can be pretty good in calculating profits, but when it comes- to think about effect on society as regards to ecological or social issues. Well, there is this knowledge imbalance we need to deal with...' (CoopTailer) -'There is the continuous need to develop something new and to learn deal creatively with […] changes and events and to seek creative solutions.' (D2) *Other facts and examples:* -In recent years, in line with its mission and social ambitions, D24 has instituted changes to focus more on diversity, equity, and inclusion principles in its work with clients, partners, and communities. It engages in organization-wide learning activities pertaining to topics such as privilege, marginalization, unconscious bias, systemic oppression, and tactics for undoing bias and inequities. Learning 'sets the foundation from which to build' constructive, sustainability-oriented programs and initiatives. -At D25, a new product development project took 400–500 hours of discussion for each team member. To determine whether an idea is sustainably relevant and economically promising, D25 uses such long, inclusive, collective, dialogical processes to allow team members to learn about the multidimensional and unfamiliar elements attached to the project and develop their awareness and dedicated knowledge.

Building resilience	Individual & collective	**Illustrative quotes:** -'When you are on your way it is sometimes hard, even though this re-positioning was fostered by our top management. (…) But maybe they themselves did not know exactly which difficult decisions go with it.' (TransiFin) -'We had this super project (…). If I hear feedback now, some say, that was a total craziness. Well, we could have done a few things better, but overall it was a success [even though] it probably always depends on how you define success. But we stay tuned, and the overall experiences made are very positive for future projects.' (CoopTailer) -'When I introduced my ideas about changing the way we do financial business, people said that I had my head in the clouds and that I was a wimp. And these were one of the nicest descriptions people would call me. When critics saw that I was not prepared to give up they would jeopardize some of the projects I was initiating, some of them were withholding information and so on… It was a tough time for me – but I was in the powerful position to establish the supporting processes and structures'. (D5) **Other facts and examples:** -The founder of D10 was a passionate organic advocate even before when the word 'organic' existed. He decided to distribute local organic products, but his initial business idea was not received with enthusiasm and rather was even ridiculed. Early hard times and external constraints did not deter him, such that he progressively gained support from local farming networks and small consumer groups. The organization now employs about 400 people. -D21 is now deemed a success story, but the founders met with substantial local opposition when they decided to convert a retirement home into an 88-room hotel. People and investors sometimes were hostile to the idea of refugees operating the hotel. The renovations were done with a tight budget. When it came to staffing, some applicants had not fully processed past trauma and were not able to work appropriately. Resilience, patience, and creativity were key in ensuring the persistence of the entrepreneurial project. Occupation rates have now peaked, and applicants are picked for their attitude rather than experience.
Continuous transforming		
Cross-vergence orchestration	Individual & collective	**Illustrative quotes:** -'Our products improve a lot our society. However, in some cases, one has to close the eyes to make sure you keep on doing what you do. This relates to questions like 'where does all our raw material come from' to innovate? Of course, it is all signed and officially approved, yet we have no absolute control to guarantee that, for example, the copper we use is not part of some war or conflict zones.' (StewarTech) -'It is not our goal to please everybody. First and foremost we want to do right by ourselves, I have to say that quite honestly. (…). I believe that this a strength and not a source of vulnerability. I believe every company that is authentic and credible has a much larger fan base than a company that sneaks its way through.' (D11) -'As decision-makers in a middle-sized organization, we have to accept that there are too many interest groups involved. It is very difficult to understand in depth this complex network. Also, I guess that we are a bit too small to make a real impact [in the sector].' (CoopTailer) **Other facts and examples:** -D20 pioneered the design and implementation of an environmental profit-and-loss account, to put a financial figure on the external environmental impact of its entire value chain, from operations through to the production of raw materials by suppliers. D20 demonstrated the real practical application of this account by prioritizing financial investments and efforts based on comprehensive information, down to the product level, and assessing how the design and manufacture of each product could be adapted. -Structured as a co-operative for the economic furtherance of its members, D5 is primarily committed to members (customers and clients) and 'not to maximizing profits.' This banking service provider thus plans for the long term; its senior management can arbitrate potentially conflicting objectives and logics, in line with the provider's objectives to build, empower, and protect the communities in which it operates.
Flexible linking structures	Collective	**Illustrative quotes:** -'In order to collectively develop innovation, we believe that two qualities are important to each team member: complementary perspectives and abilities so that everyone can do something different best, as well as willingness to share their own ideas and perspectives all along the process, to explain their point of view patiently, and listen patiently.' (D25) -'With this kind of activities and 'bottom-up' efforts, we get inspired to develop some strategies and tools on how to get out of this cage of daily routinized action and to reduce silo-thinking.' (StewarTech) -'[In participatory mechanisms], supporting ideas for political reasons should be avoided. In a well-formed 'squad' everyone should be able and encouraged to speak openly.' (CoopTailer) **Other facts and examples:** -D28 challenges employees to act and behave in line with a corporate philosophy that emphasizes 'the importance of fairness and tolerance,' individual empowerment, and responsibilities. Flat hierarchies and flexible structures within and across the organizational structure emerge continuously to ensure that new ideas are assessed and implemented quickly and that 'even the most ambitious targets can be reached.' -At D5, flexible, temporary informal structures get established alongside formal ones. In its strategic redeployment efforts, the CEO communicated his preliminary intentions online and also encouraged employees to take a stake in the bank's strategy. Beer garden tables covered with white paper tablecloths were set up for employees, managers, and senior managers to write down criticisms, ideas, and praise. This text material then was analysed by parallel project teams to identify ideas for future initiatives and orientations.
Organizational	Individual &	Illustrative quotes:

entrenchment	*collective*	-'It is hard work to set up a monitoring system that identifies and prioritizes areas for improvement […]. I regularly have to 'sell' this adequately to the people involved like accountants or controllers, who typically have been exposed to the for-profit measurement approaches […] and then also, of course, to project management people. It is not enough to tell them how good we are in terms of 'doing good' to society, but that what we are doing is tied to our strategy and business model and that we earn money by doing what we are doing.' (D11) -'We are ok in measuring the ecological impact of our products and production processes, but we are not good at measuring our social impact. (…) Also, we need to improve in measuring more long-term effects socially or ecologically-wise...' (StewarTech) -'Vague and empty messages like 'we are a sustainable hotel' must be avoided. Instead, we use anecdotes and examples that really happened, and illustrate our efforts, and to which our employees also our guests can relate to.' (D6) *Other facts and examples:* -D9 has developed specific sustainability metrics that cover the organization's entire value chain, summarized under simple, communicable headings. It also established an internal sustainability label, covering the entire product lifecycle from design and production to maintenance, repair, and disposal. To explain the reasoning behind these processes and initiatives, D9 developed short videos and multimedia tools as storytelling instruments for both internal and external audiences. -CoopTailer used the ISO 26000 Social Responsibility standard to evaluate and re-deploy its activities, in collaboration with an external entity that fostered internal understanding of its current efforts and future sustainability-related initiatives. To foster the organizational entrenchment of sustainability-related thinking and orientation, employees are rewarded financially for contributing to meeting its social, environmental, and economic objectives, as reflected in individual performance evaluations.
Liaising within and across organizational boundaries		
Enabling (inter) organizational spaces	Collective	*Illustrative quotes:* -'It is extremely difficult to motivate employees to create the necessary freedom to continue working on ideas.' (StewarTech) -'Recycling in-house is still a big issue: How can the residual waste and raw materials be picked up by the individual branches, so that logistics costs do not explode? (…). So, we started a new working group with employees and external partners and 'stakeholders' and we are now slowly finding solutions … but it is very time-consuming (…).We are also currently engaged in a project with other retail organizations in order to develop new methods for the production of plastic bags.' (CoopTailer) -A social convergence initiative 'seeks to improve working conditions by creating one converged assessment for suppliers within the apparel and footwear supply chain.(…) We actively engage in the development of this assessment, seeing the advantage of reducing audit efforts within the industry and allowing a shift towards capacity building measures.' (D20) *Other facts and examples:* -For more than a decade, D20 has invited representatives from non-governmental organizations, industry, large and small customers, suppliers, universities, and private organizations to partake in annual corporate-centred dialogue days. It started as small discussion roundtables; it has evolved into vast, forward-thinking events gathering a large (inter)organizational audience. The 'intense, sometimes heated, discussions with stakeholders' provide constructive feedback on policies and practices of the organization. -At an internal level, organizational members of D24 have been encouraged to convene around areas of interest, such that it hosts a range of self-organized, active affinity groups that represent ethnic identities, parents, people with disabilities, and gender. 'In addition to serving as safe spaces where employees can come together in community, the groups strengthen relationships, foster deeper awareness and learning, and surface ideas' to strengthen the internally and externally facing work of the organization.
Stakeholder-inclusive governance	Collective	*Illustrative quotes:* -'We are currently trying to further increase the collaboration and partnerships with local partners. (…) Cooperation´s with stakeholders and the interaction with the market are in the centre of attention.' (TransiFin) -'We integrate our suppliers very much, even in the form of financial support and strategic project development.' (D23) -'Here we cooperate closely with Zermatt, an alpine village in Switzerland. This village has been car-free for a long time and only the process of waste recycling was done with diesel engines. One of our project partners aimed to design waste recycling cars free of gasoline and diesel. We invested in this company and have a stake.' (D3) *Additional facts and examples:* -D28 has implemented the project '[Lambda] Amazon' to provide access to sustainability-related information relevant to its supply chain and sourcing processes. All chief purchasing agents having decision-making power in the procurement chain, and external stakeholders are encouraged to use this common platform to engage in decision making. -In 2016, D9 held its first election of an official employee representative from the management and human resources division, followed by the elections of five other employee representatives. This team also includes a voluntary representative of trainees and interns. These representatives develop and update guidelines and standards for their own working methods, the execution of their role(s), and their participation in D9 strategic decisions. In close contact with top management and based on field-based knowledge, they are involved in strategic decision making and express the voice of organizational members.

Notes: Shaded cells relate to practices and micro-foundations that do not contribute to addressing hybridity-related tensions.

FIGURE 1: Data structure (grey boxes relate to sets of practices that do not contribute to addressing hybridity-related tensions)

First-order codes	Second-order constructs / Micro-foundations of dynamic capabilities	Aggregate dimensions / Dynamic capabilities
Importance of field insights and feelings – 'let them talk' Traveling and working in different contexts Listening to your guts and trusting intuitions	Experiential/grounded scouting	**Sensing** opportunities - Creating a sense of opportunity
What actual 'basic needs' should we address? Targeting values-based 'obvious' gaps	Attention to the functional core	
Need to develop a 'both/and approach' Acknowledging complex interconnection between business and 'our world of values' Creative questioning of traditional recipes and ingredients	Paradoxical framing	
Things work 'like a gearwheel' Thinking about innovative solution (including at your own level) Efforts to anticipate impact of activities	Systems thinking	**Seizing** opportunities - Constructing possibilities
Trying to exemplify something different Circumventing and breaking rules Traditional (consumption and corporate) assumptions must be challenged	Bending institutional norms	
Drawing on different kinds of knowledge / development of integration skills Willingness to learn (by doing) and approach issues creatively Recruitment of adaptable minds	Integrative learning	
Dealing with ongoing 'existential challenges' Being persistent and courageous Ability to go through disillusionment Obstacles allow to make progress	Building resilience	
Enactment of a clear managerial vision Setting (and aligning) strategic priorities Efforts to overcome economic vs. social vs. environmental trade-offs Acceptance of inevitable contradictions	Cross-vergence orchestration	Continuous **transforming**
Beyond 'traditional' hierarchical mechanisms Temporary groups and 'loosely coupled' organizational arrangements	Flexible linking structures	
Measuring social value and impact Signaling (multi-dimensional) performance, also in business terms and language Need to sell issues internally and 'tell stories'	Organizational entrenchment	
Need for room for expression within and across organizational boundaries Negotiation and 'honest discussions' Importance of transparency	Enabling (inter)organizational spaces	**Liaising** within and across organizational boundaries
Strong formal ties with key stakeholders Values-based collaboration and partnerships Betting on a 'community effect'	Stakeholder-inclusive governance	

47