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Strategic Responses to Hybrid Social Ventures

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How do established companies respond to the entry of hybrid social ventures in their industries? Hybrid social ventures—new companies that combine business and social missions—use sustainability-oriented strategies to compete with established companies for some of their most desirable customers and employees. Yet hybrid social ventures also benefit when established companies advance their own sustainability strategies. This unusual competitive dynamic creates opportunities for collaboration. This article presents a framework for established companies responding to hybrid social ventures based on analysis of eight established consumer-facing companies. Our findings suggest that the responses of established companies differ based on opportunities they perceive for sustainability-oriented value creation with their own customers and employees. (Keywords: Hybrid Organizations, Sustainability, Strategic Management, Business and Society, Acquisitions, Partnerships, Strategic Alliances)

Companies of all kinds today face unprecedented demands and opportunities related to their social and environmental sustainability. Customers increasingly demand, and are willing to pay for, offerings that align with sustainability-oriented ideals.¹ A large and growing number of employees prefer to work for sustainability-oriented companies, making sustainability a key lever for attracting and retaining top talent.²

As a result, many companies today are attempting to incorporate sustainability—the degree to which they advance social and environmental goals—as a central principle of their strategies. Innovation efforts increasingly focus on developing new products and practices that support communities and natural ecosystems. More than half of S&P 500 companies issue annual sustainability reports.³ Over 8000 companies in 140 countries have signed onto the UN Global Compact, and 65% of these develop and/or evaluate sustainability policies and strategies at the CEO level.⁴ Prominent corporate managers and executives—from Walmart’s Lee Scott to Unilever’s Paul Polman—are vocal advocates of the social and environmental sustainability of business.

Leading the movement for business sustainability are hybrid social ventures, new organizations that combine business and social missions.⁵ Unlike established

companies that must re-work their existing business models to promote sustainability, these new ventures design their products, operating models, brands, and technologies from the ground up to align with the goal of social and environmental sustainability. Hybrid social ventures create shared economic value by enabling their stakeholders, including customers and employees, to express and practice their own sustainability-oriented values. Hybrid social ventures in a range of industries have enjoyed early success—from packaged goods companies like the brands on the shelves of Whole Foods Market to technology companies like Tesla. Although they lack experience and capabilities relative to more-established companies, these new ventures' strategies allow them to address their stakeholders' sustainability-oriented goals in a differentiated way.

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From the perspective of established companies, hybrid social ventures are rivals that threaten to steal sustainability-minded customers and employees. Yet the entry of hybrid social ventures presents an unusual competitive scenario, in which competitive forces are joined by collaborative ones: paradoxically, hybrid social ventures also have reasons to help established companies shift toward more sustainability-oriented strategies. First, when large companies pursue sustainability-oriented strategies, hybrid social ventures benefit from the network effects of a larger business "ecosystem" of sustainability-oriented customers and suppliers. Second, by influencing established companies, hybrid social ventures may see their own social missions accomplished at a larger scale.

The presence of these new opportunities suggests that responses to the entry of hybrid social ventures might also differ from responses to traditional entrants.⁶ However, the nuances of these differences are not well known. What are the options for established companies responding to hybrid social ventures, and how might they benefit from hybrid social ventures' motivations to collaborate? What are the implications for the diverse "ecosystem" of organizations pursuing sustainability?

To explore these questions, we gathered data on the strategic responses of eight large, consumer-facing companies to hybrid social ventures entering their industries. We discovered a range of response types including collaboration, non-response, imitation, and acquisition. We found that established firms choose their responses, in part, to exploit the opportunities they perceive to create sustainability-oriented value with their own stakeholders—customers and/or employees who want a brand or company as a whole to align with their personal, sustainability-oriented values.⁷ The potential of more collaborative responses, however, is constrained by the hybrid social venture's openness to collaboration and its own strategy for achieving sustainability and business goals.

Research Methods

Our research approach in this study was inductive, building theory from a small set of cases that we explored through a combination of interviews, archival

TABLE 1. Corporate-hybrid pairs in our sample

Incumbent FMCG Company	Hybrid Company	Source of Data
Beverage Marketing (AriZona Beverage Company)	(Various tea brands including Guayaki and Honest Tea)	Public
BJ's	Whole Foods	Interview
Coke	Honest Tea	Public, Interview
ConAgra	(Various food brands)	Public
Danone	Stonyfield	Public, Interview
Panera	Better World Café	Public, Interview
Skechers	Toms Shoes	Public
Unilever	Ben & Jerry's	Public, Interview

sources, and secondary material.⁸ We established a set of comparable cases by focusing on fast-moving consumer goods (FMCG) companies with significant operations in the United States. We identified these cases by first examining sustainability and CSR trade journals, news media, and teaching case databases to identify hybrid social ventures operating in product categories where large companies were already established. We added additional cases to this list through consultation with managers and academics in our personal networks that work in the fields of sustainability and social enterprise. In short, our sample was chosen to provide an initial basis for exploration of these issues and for the generation of ideas to guide future work.

The data for each case was assembled from multiple sources. For some cases, sufficient data was available through public sources, including teaching cases, press coverage including interviews with managers, and analyst reports. In others, we conducted semi-structured interviews, in some cases with both a representative from the large company and the hybrid social venture in question. See Table 1 for the final list of cases we analyzed and the data sources used for each.

The Strategic Advantages of Hybrid Social Ventures

The recent success of hybrid social ventures builds on a generational shift in how business stakeholders perceive and respond to business' relationships with society and the natural environment. This shift allows hybrid social ventures to create economic value through favorable interactions with those stakeholders whose behaviors are guided by sustainability-oriented values. Companies that succeed in sustainability-oriented strategies tend to create this sustainability-oriented value with two key stakeholder groups: customers and employees. Hybrid social ventures often derive their strategic advantages from their favorable relationships with both.

With customers, hybrid social ventures create sustainability-oriented value through sustainability-oriented offerings—products and services that enable consumers to improve their social or environmental impact. Customers that prefer sustainability offerings are, on average, relatively young, wealthy, and educated.⁹ They are willing to pay for offerings that, when purchased or consumed, enable

them to express and practice social and environmental values. Sustainability-oriented offerings include products that use more sustainable inputs, such as organic, recycled, or fairly traded ingredients. They may involve more sustainable production processes, such as inclusive and living wage employment. Or, consumption of the product itself may advance sustainability goals. Take, for example, hybrid electric cars, which allow for significant reduction in fuel consumption and carbon emissions resulting from personal transportation. Other examples of sustainability-oriented offerings include Fair Trade household furnishings, organic food brands, and personal care and home cleaning products that exclude ingredients with potential health and environmental risks. Sustainability-oriented offerings also include services, such as sustainable tourism.

Hybrid social ventures can also create value with customers when shared sustainability values lead to loyalty and word-of-mouth promotion by customers. These factors can lead to material benefits to the hybrid social venture's cost structure. Gary Hirshberg, CEO of Stonyfield Farm, remarked on how mainstream business leaders are often surprised by the financials of an organic food company. "Because you have a higher cost of goods, you typically have a lower gross margin. But many of us nevertheless have achieved competitive net profits and EBITDA. That is because we can afford to spend less on advertising when our customers are evangelists." Honest Tea, a maker of low-sugar beverages, relied little on media marketing and instead invested in grassroots campaigns that, it claimed, helped generate loyalty and word-of-mouth promotion among its customers.

Hybrid social ventures also derive strategic advantages from their relationships with employees that achieve personal fulfillment from working for a sustainable business.¹⁰ When employees are able to practice their sustainability-oriented values through their work, they may be willing to work with greater effort or with lower compensation demands.¹¹ As a result, social responsibility result in improvements to employee-related outcomes, such as higher job satisfaction and lower turnover.¹² The desire to work for a sustainability-oriented company is especially pronounced among millennials currently entering the workforce.¹³

The sustainability-oriented relationships that hybrid social ventures maintain with their customers and employees are interdependent and mutually reinforcing. Ventures that create sustainability-oriented value with customers are more likely to attract and retain employees who value working for a sustainability-oriented company. These employees, in turn, will be more likely to successfully develop offerings that appeal to customers aligned with those beliefs.¹⁴ When this occurs, a value-based solidarity among stakeholders can emerge that sometimes resembles a social movement. For example, Stonyfield Farm was one of the first companies to use social media, developing a campaign in which customers submitted quirky video testimonials espousing their love of organic yogurt. Stonyfield's loyalty program grew so large that in 2013, it was forced to close the program, claiming that with 500,000 members, it was too large to manage.¹⁵ Seventh Generation founder Jeffrey Hollender maintained an "Inspired Protagonist" blog conversation for many years that highlighted the sustainability orientation of the company, developing a shared identity among employees and customers, who identified themselves as "Seventh Generation Nation."

How is Responding to Hybrid Social Ventures Different?

A hybrid social venture that enters an established company's market space, like any innovative entrant, threatens to steal its customers and employees.¹⁶ Large, established companies may attempt to imitate the holistic sustainability-oriented strategies by which hybrid social ventures create value. However, such imitation is difficult.¹⁷ Today's established businesses were typically built during a less sustainability-conscious age, and thus have not built relationships with their customers and employees based on sustainability.¹⁸ Established companies' existing customers and employees often do hold sustainability values,¹⁹ but redefining relationships with existing customers and employees can prove challenging. For instance, when customers would pay more for sustainability-oriented offerings but employees are uninterested, companies may struggle to deliver sustainability offerings because of internal loyalties to traditional offerings and supply chains. Or, a company with employees pushing for more sustainable internal practices may be prevented from responding because customers are not willing to bear the cost of more costly sustainable inputs or labor. These interdependencies pose additional challenges to established companies attempting to imitate the sustainability innovations of hybrid social ventures. Established companies also face the risk of their sustainability-oriented strategies being perceived as inauthentic or "greenwashing" behavior. The difficulty established companies face in imitating hybrid social ventures gives hybrids a privileged competitive position.

Paradoxically, however, hybrid social ventures may benefit from the adoption of their sustainability-oriented innovations by larger, established peers. From a hybrid's perspective, the successful sustainability strategy of an established company in its market space can advance two strategic goals. First, the adoption of a sustainability-oriented strategy by an established company can advance a hybrid social venture's own sustainability goals. Managers of Whole Foods Market, for example, see the company as an exemplar of "Conscious Capitalism," an approach they hope to promulgate more broadly.²⁰ One of Seventh Generation's three operating principles is "Influence Beyond Our Size. We are determined to inspire others through innovation, education, and interaction."²¹

Second, the adoption of sustainability strategies in established companies may benefit hybrid social ventures' own growth, due to network effects resulting from the development of a sustainability-oriented business ecosystem. Hybrid social ventures disproportionately use materials that currently lack large-scale production, from recycled plastics to organically farmed food and fiber crops; the consumption of these materials by large companies may be necessary to expand supply. Patagonia, for example, facing short supply of organic cotton, shared information on their cotton supply chain with Marks and Spencer and Nike, and joined forces with these companies through the Sustainable Apparel Coalition, in part to create a more robust market for sustainable raw materials like responsibly grown cotton.²² In electric vehicles and renewable energy, network effects are evident in popular acceptance and in complementary infrastructures such as charging stations. Tesla Motors' CEO Elon Musk announced an open source approach to its technology with the statement, "Tesla Motors was created

to accelerate the advent of sustainable transport. If we clear a path to the creation of compelling electric vehicles, but then lay intellectual property landmines behind us to inhibit others, we are acting in a manner contrary to that goal.”²³

Many hybrid social ventures thus view established businesses as an important way by which to overcome small scale, both of the hybrid social venture and the sustainability ecosystem on which it depends. Established businesses can also benefit from such collaborations as opportunities to create sustainability-oriented value with their own customers and suppliers. Our research suggests that these dynamics produce opportunities for collaboration between the two types of organizations that might not be available among traditional competitors.

We outline the broad set of potential response strategies to hybrid social ventures in Figure 1. We organize these responses according to the types of opportunities for value creation that established companies’ sustainability strategies can exploit: with customers, with employees, or with both.²⁴ Finally, some companies we studied chose to pursue neither, and instead simply defended their existing businesses against hybrid social ventures. Below we provide two examples of each ideal type in Figure 1, and then discuss additional cases that illuminate how companies sometimes move among these types in a dynamic business environment.

It is important to note, however, that hybrid social ventures’ willingness to collaborate can vary. Hybrids may face internal debates about authenticity and “selling out.” Issues of legal structure may be at play—for example, if the hybrid social venture is incorporated as a nonprofit, then acquisition may not be possible. More collaborative response strategies are therefore contingent on hybrids’ own willingness to participate.

FIGURE 1. Framework for Corporate Response to Hybrid Social Ventures

		Opportunities for Customer Value Creation through Sustainability	
		High	Low
Opportunities for Employee Value Creation through Sustainability	High	<p>Integrated Responses <i>Acquire and integrate a hybrid social venture; actively diffuse practice and ethos across enterprise</i></p> <p>Examples in our research: Unilever / Ben & Jerry’s Danone / Stonyfield Farm</p>	<p>Employee-Centered Responses <i>Consult with hybrid social ventures to grow capabilities for sustainability innovation</i></p> <p>Examples in our research: Panera Cares BJ’s / Whole Foods</p>
	Low	<p>Customer-Centered Responses <i>Create a brand or acquire at arm’s length to explore and compete in the hybrid social ventures market niche</i></p> <p>Examples in our research: Skechers / Toms Shoes Coke / Honest Tea</p>	<p>Defensive Responses <i>Monitor hybrids and defend mass-market position</i></p> <p>Examples in our research: ConAgra Beverage Marketing (AriZona Beverage Company)</p>

Integrated Responses: Value Creation with Both Customers and Employees through Acquisition and Integration

The first category of companies we studied chose responses that pursued opportunities for value creation with both their customers and their employees. In these “integrated responses,” the established company sought to engage deeply with a hybrid social venture, accelerating a company-wide sustainability strategy. We studied this process by tracking the progress of two acquisitions of hybrids: Danone’s acquisition of Stonyfield Farm, and Unilever’s acquisition of Ben & Jerry’s.²⁵ In both cases, acquisition was followed by ongoing efforts to integrate the sustainability-oriented offerings and practices of the hybrid social venture into the established company’s new and existing businesses. In each case, we found evidence of a number of processes to help the acquiring company to more quickly and effectively create sustainability-oriented value with its own customers and employees.

For many years prior to its acquisition of Stonyfield, Groupe Danone, the major French food manufacturer, acknowledged growing interest for sustainability among both customers and employees. A 1972 speech by founder and CEO Antoine Riboud described corporate responsibility as including “the lives of employees” and the energy and raw materials whose consumption “changes the shape of the planet.”²⁶ In 1998, the company was among the first to begin issuing annual reports that combined economic and social performance, and in 2001, the company’s ideals were codified in the “Danone Way,” a set of performance metrics at the unit level that combined economic, social, and environmental dimensions. These moves were intended primarily to ensure alignment of the company’s strategy with the sustainability-oriented values of senior management and staff.

In 2001, Groupe Danone shifted attention toward growing customer preferences for sustainability offerings, and the company bought a majority stake in Stonyfield Farm, an organic yogurt company. Chairman Frank Riboud said “Stonyfield represents an ethic that we at Danone have to adopt if we’re going to be successful in the 21st century...I’m not crazy about Stonyfield because it’s an organic niche. I’m crazy about Stonyfield because it’s a new planet, it’s a new community, and I have to understand this community.”²⁷ Danone’s initial investment in Stonyfield ultimately resulted in majority ownership.

Post-acquisition, the two companies have jointly pursued sustainability-oriented innovations that added value to their interactions with both customers and employees. In 2007, Gary Hirshberg, the Stonyfield CEO, gave a speech to senior managers at Danone on the topic of measuring carbon footprint of the supply chain, and he gave Danone managers open access to study the Stonyfield climate action process. This informed Danone’s 2008 move to measure its environmental footprint across product lines and business units. Additionally, Danone, Stonyfield, and Cargill jointly invested in R&D for Polylactic Acid (PLA) to be used as an alternative to petroleum-based plastics in yogurt packaging, and which used Stonyfield’s brand as the test market. This joint venture made use of Stonyfield’s relative agility as a small firm, as well as their credibility with environmental advocates as the new technology came into the market and public eye. In 2014, Danone began to incorporate PLA into its own packaging. Danone

built on Stonyfield's success in the organic yogurt market by creating a new organic brand called Les Deux Vaches in France, with Hirshberg at the helm, to tap the distinctive knowledge of the organic yogurt business that he had cultivated through Stonyfield. They also acquired a substantial interest in Glenisk, an Irish organic dairy, and installed Hirshberg on its board. By creating these opportunities for experimentation and knowledge sharing, the acquisition of Stonyfield has enabled Danone to more readily appeal both to customers and employees that value a more sustainability-oriented strategy.

Unilever's acquisition of Ben & Jerry's similarly contributed to the company's previous recognition of the importance of sustainability to its success. By 1997, Unilever had already initiated sustainable agriculture programs aimed at ensuring the long-term health of their supply chain. These programs arose largely from the activism of a Unilever employee—chemist and environmental scientist Jan Kees Vis—who saw sustainable development as key to Unilever's future.²⁸ The company co-founded the Marine Stewardship Council in 1996 and has published annual environmental performance reports starting in 1999.²⁹ When Unilever acquired Ben & Jerry's in 2000, Ben & Jerry's was viewed as having the best sustainable operations and products in its category. A Unilever executive said of the acquisition that "B&J was like a three-legged stool: it had excellent quality, a fun brand, and the social dimension."³⁰

Like Danone with Stonyfield, Unilever sought to use Ben & Jerry's to pursue strategies for sustainability-oriented value creation with both employees and customers. Unlike Stonyfield's leadership, founders Ben Cohen and Jerry Greenfield were replaced by Unilever management. The first person to occupy the Ben & Jerry's CEO role post-acquisition was Yves Couette, an established Unilever executive. During his tenure, Couette implemented policies to cultivate Ben & Jerry's sustainability-oriented identity, while developing an understanding of how this identity contributed to the success of the business. Couette later transferred from Ben & Jerry's to head Unilever's beverages division, where he helped launch Unilever's sustainability-focused "brand imprint" process, using the Lipton Tea brand as one of the test cases for how to transform an existing brand into a sustainability-oriented brand. Thus, Couette functioned as a vehicle by which the Ben & Jerry's innovative approach was imported into Unilever's larger enterprise.

Ben & Jerry's also contributed to the acceleration of Unilever's sustainability strategy within its supply chain. During post-merger integration, Ben & Jerry's began to source its inputs through Unilever's supply chain but found that Unilever's sourcing strategy did not meet Ben & Jerry's criteria for animal welfare. In particular, Unilever was purchasing eggs from cage-based factory farms that failed Ben & Jerry's existing standards. Using its existing expertise and relationships, Ben & Jerry's worked to create a more robust supply chain for cage-free eggs for its own brand, then helped Unilever connect this supply chain to its other ice cream brands. Eventually, Unilever committed to sourcing exclusively from cage-free egg producers.

These examples highlight how established firms have used acquisition of hybrid social ventures to accelerate sustainability-oriented strategies that create

value with both customers and employees. Acquiring companies benefitted from short-term synergies with the hybrid social venture on at least three dimensions: joint R&D; integration of the supply chain; and movement of managers between the two enterprises. Without acquisition and some degree of integration, these collaborations and diffusion of management practice would be very difficult to pursue. In both cases, a commitment to sustainability by the established company, supported by senior management, enabled the acquisition, then subsequent investments required for effective integration.

It is important to also note that the hybrid social ventures in these examples were never absorbed completely. Both Danone and Unilever have made key moves to preserve the distinctive culture and identity of Stonyfield and Ben & Jerry's. For instance, Stonyfield maintained its headquarters in Londonderry, New Hampshire (Danone's North American headquarters are in New York), and Founder/"CE-Yo" Gary Hirshberg remained in control of the company. Ben & Jerry's has similarly maintained its Vermont headquarters, a geographic anchor for its distinctive culture. In 2013, with Unilever's blessing, Ben & Jerry's was the first multinational-owned company to achieve B Corp "for benefit" certification for the responsible environmental, social, and governance characteristics of the firm in 2013.³¹ This move brought significant positive press both to Ben & Jerry's and to Unilever. Doing so, however, required Ben & Jerry's to have a degree of independent governance, particularly around sustainability issues. Balancing the pursuit of synergies with the independent identity of the hybrid social venture requires ongoing attention and creativity.³²

Customer-Centered Responses: Create a Brand to Explore and Compete in the Hybrid Social Venture's Market Niche

Many established companies have a niche of customers who might be willing to pay more for sustainability-oriented offerings, but the company's current positioning would be threatened by a company-wide strategy for sustainability. These established companies risk missing out on an attractive and growing customer segment if they do not make forays into sustainable offerings. However, such strategies would likely face resistance: their core businesses may be highly price-sensitive, or the introduction of sustainability values might lead to cultural or organizational disruption. Among these companies, we observe customer-centered responses that address greater external than internal pressure for sustainability. The customer-centered responses we studied sought to create new brands—either internally or through acquisition—that explored the hybrid social venture's market niche for sustainability-oriented offerings while keeping the new brand at arm's length from the company's core business.

"Customer-centered" responses attempt to develop specific, independent brand assets that appeal to customers' sustainability-oriented tastes, but do not attempt to diffuse sustainability practices and sensibilities throughout the company. Such companies often learn about market demand from the response to hybrid social ventures in their industries, which effectively function as a testing ground for sustainability-oriented brand elements that appeal to customers. For example, the shoe company Skechers has faced a number of sustainability-oriented entrants

in recent years, most notably Toms Shoes. Toms Shoes became famous as one of the pioneers of the “buy one, give one” strategy, donating a pair of shoes to the poor for each purchase of its shoes. Skechers responded by creating a line of footwear called “Bobs Shoes.” The Bobs brand launched with a style of shoe called an alparagata that was virtually identical to Toms Shoes’ flagship product. Compared to Toms’ promise to give away one pair of shoes for every purchase, Bobs promised to give away two pairs per purchase. It also introduced its new product at a retail price of \$42; this was 2 dollars less than Toms’ price of \$44 per pair.³³ The similarity of the Bobs brand to Toms struck some observers as inauthentic, leading to some public backlash against Skechers.³⁴ Nonetheless, the Bobs line appears to have successfully tapped into the sustainability-oriented market, as recent estimates suggest that Bobs has become an approximately \$50 million business.³⁵ Skechers achieved this without making substantial changes to its cost-driven supplier strategy, which has historically not focused on sustainability.³⁶

In some cases, an established company’s customer-centered response may be to acquire the brand of the hybrid social venture directly. For instance, Coca-Cola has in recent years made a number of acquisitions of small, sustainability-oriented beverage companies, including Honest Tea, Odwalla, and Innocent Drinks. Pepsi made a similar move, acquiring the sustainability-oriented brand Naked Juice. Acquiring such companies, then operating them as largely independent subsidiaries, enables the large company to meet consumer demands and create flexibility without making alterations to its own operations. A Coca-Cola executive who was central in the Honest Tea transaction, Deryck van Rensburg, described Honest Tea as a “platform brand” that resonates broadly with consumers and has the potential to expand into other product categories beyond Tea. “We saw it sitting at the intersection of three mega-trends in society: social responsibility, health and wellness, and environmental consciousness...as those trends continue to develop, it could create more opportunity.” Thus, the acquisition of Honest Tea gave Coca-Cola a short-term solution to satisfy its sustainability-oriented customers, while also providing a foothold in the market for future expansion of its sustainability-oriented offerings through the Honest brand.

Coca-Cola’s exploration of the sustainability-oriented market through the acquisition of Honest Tea sought to leverage Coca-Cola’s access to technology and capital to increase Honest Tea’s efficiency. However, the process differed from the “integrated” responses in that the companies were kept relatively independent on sustainability-oriented issues.³⁷ According to Honest Tea CEO Seth Goldman, Coke invested millions of dollars post-acquisition to build a new production facility that “allowed them to make tea better than we were able to make it.” In the five years following the initial equity investment, the tonnage of organic inputs to Honest Tea’s product increased seven-fold, from 800 thousand to 6 million pounds. While this opportunity to scale expanded Honest Tea’s impact, care was taken to protect the sustainability-oriented brand that made the hybrid social venture distinctive in the first place. Goldman said, “Coca-Cola wanted to be able to capture the opportunities that we’re tapping into. They know that the best strategy—and the reason that we’re still around and still relevant, is because we can’t just be folded in. If you look back at a lot of the mistakes made in

acquisitions, they happened because you can't just buy a sustainable brand. Companies that try to do this always lose the soul of the brand."

Speaking from Coca-Cola's perspective, van Rensburg agrees with the need for Honest Tea's independence. "There is a special craft to reaching customers in new areas like this, and we wanted to make sure that we treated this as something that needs to be protected." Goldman describes the relationship on marketing as continually being developed and negotiated: "When it comes to issues that test the values that are core to our brand, sometimes we have to act entrepreneurial, to agitate and give that extra bit of attention, to push for that one more thing. That's essential to us continuing to innovate. Sometimes there are things that are important to us but where it wouldn't necessarily be important to Coke, and so we still do our share of pushing back." This separation is reflected in the offices and personnel of the two companies. While Coke is located in Atlanta, Honest Tea has maintained its offices in suburban Maryland. As van Rensburg describes the relationship, "after the acquisition, there were employees that came from Coke that support the back office functions, but even after the acquisition, ninety percent of the Honest Tea employees were the original employees. As they have grown their footprint, they've grown their staff as well, but we have not been deliberately trying to put Coke people in positions there." This arm's-length approach separates the sustainability offerings and practices of Honest Tea from the wider corporation.

Established companies in the customer-centered response group are cognizant of increasing external sustainability pressures and recognize hybrid social ventures' success in responding to them. However, attempts to acquire and diffuse these hybrid social ventures' innovations are difficult to accomplish because this threatens the current positioning of the organization. By imitating or acquiring these sustainability-oriented brands, then managing them at arm's length, they begin creating sustainability-oriented value with their customers without threatening other parts of their business.

Employee-Centered Responses: Consult with Hybrid Social Ventures to Develop Practices and Culture of Sustainability

Companies that face a strong desire from employees to become more sustainability-oriented are sometimes limited by a customer base that is either unwilling or unable to pay more for sustainability-oriented offerings. Such companies are particularly common in highly competitive industries where demand is price-sensitive. Often, this scenario exists because the company occupies an existing market niche that has not begun to demand sustainability offerings. In the employee-centered responses we studied, established companies sought to learn from hybrid social ventures, then translated these practices and offerings back into their own organizations in ways that they believed would create sustainability-oriented value for employees without threatening their market position.

BJ's Wholesale Club, a major grocery retailer, has long prided itself on being a values-led business, with "being a positive part of our Community" as a core value alongside Team, Respect, and Integrity. However, the traditional BJ's customer is not part of the "pay more for green" demographic and would be

unlikely to pay the premiums paid by Whole Foods customers for sustainability-oriented offerings. The company began to take note of fast-growing Whole Foods because it is both a fellow retailer, and a fellow portfolio company for private equity group Leonard Green and Company. Whole Foods has differentiated itself as a company built on “conscious capitalism,” including aggressive pursuit of sustainability in its product mix as well as robust benefits and voice mechanisms for its employees. Unlike BJ’s, it appeals to an upscale customer that is willing to pay considerably more for its sustainability-oriented offerings. The company has grown at a fast clip, opening one store every ten days in 2013.

Despite the differences between the two companies, Gina Iacovone, Senior Vice President of Operations at BJ’s, saw Whole Foods as a peer in the grocery industry that might offer lessons for BJ’s. In order to explore strategies for building a more sustainability-oriented identity, Iacovone attended the “Academy for Conscious Leadership” (ACL), a management training program that Whole Foods runs for its employees but has also trained more than 70 executives from other companies. ACL enables Whole Foods to spread the ethic of conscious capitalism, which contributes to the strength of their market space as a whole. For Iacovone, attending ACL served as a reminder of BJ’s own commitment to its values. Upon returning to BJ’s, her inclination was not to imitate Whole Foods’ brand, recognizing that the two companies are quite different. Instead, she sought to more clearly articulate BJ’s values and more fully infuse them into everyday decision making, particularly around the management of people and the quality of jobs (i.e., social dimensions of sustainability). The initiative that results from this inquiry is thus not a full-scale adoption of the Whole Foods model, but rather is being developed as a translation of Whole Foods’ underlying principles to the BJ’s environment.

Panera Bread, a fast-casual restaurant chain with more than 1,700 locations in 44 U.S. states and Canada, interacted in a very different way with hybrid social ventures to meet the sustainability interests of its employees. Panera has long operated corporate philanthropy programs, such as in-kind donations of Panera products that totaled \$100 million in 2008.³⁸ However, a small coalition of Panera franchisees, along with the company’s founder and CEO, Ron Shaich, sought to develop a program that more effectively expressed their philanthropic goals and identity. Kate Antonacci, Director of Societal Initiatives at Panera Bread, recalls that “while we were proud of the scale of our giving, we didn’t feel that we had a direct connection with the recipients of our giving.”³⁹ Panera, through its corporate foundation, went on to launch a new signature program, Panera Cares, a set of pay-as-you-can cafes now open in 5 locations across the United States. In developing the program, in which wealthier customers subsidize the meals of those unable to pay, Panera consulted multiple hybrid social ventures operating on a pay-as-you-can model, including New Jersey-based Better World Café. Although Better World Café was too small to be viewed as a competitor, it was viewed by Panera as the leader among pay-as-you-can restaurants.

The process of developing Panera Cares drew on the new concepts introduced of these hybrid social ventures, but translated their concepts significantly to fit the standard Panera model. Antonacci recalls that “some of the cafes we visited had really limited menus. We did toy with the idea of culling down our menu by just

having coffee, soup, and leftover baked goods. But we realized that this would really compromise the total Panera experience.” The Panera Cares sites also put in place policies to discourage activities by homeless clientele (e.g., panhandling) that might compromise the experience of its full-paying customers. Thus Panera kept the basic model of pay-as-you-can, but made significant alterations to ensure continuity in the company’s value proposition to existing customers. The program was initially very successful, pleasing the members of the leadership team who initiated it. “One of the reasons that it works is that it was genuine. If we had gone after it trying to build the brand, trying to get a media pop, it never would have worked,” said Antonacci. Nonetheless, Panera also believed that there was a substantial benefit in the form of visibility for existing Panera customers, as the program received significant positive media attention estimated at over three billion media impressions.

Employee-centered responses pursue opportunities to develop sustainability-oriented value with their employees, and respond to the entry of hybrid social ventures in ways that help them to advance these strategies without compromising their value proposition to customers. These responses required significant translation to accommodate established companies’ existing market position.

Defensive Responses: Monitor Hybrids and Defend Mass-Market Position

When incumbent companies see relatively few opportunities for sustainability-oriented value creation with customers or employees, they may pass on sustainability-oriented innovations in favor of protecting their core businesses. Note that this does not mean that customers and employees of these companies are uninterested in sustainability—it simply means that the expected benefits of sustainability innovation do not outweigh the associated costs of such a move. Instead, the “defensive responses” we observed involved monitoring of hybrid social ventures, with additional steps sometimes taken to protect against the threats of sustainability to existing relationships with customers and employees.

ConAgra, for example, owns several dozen popular food brands, including Orville Redenbacher, Peter Pan, Reddi-Whip, and Slim Jim. Beginning in the early 2000s, ConAgra was panned by sustainability activists and organizations for a perceived failure to address sustainability issues.⁴⁰ It has also suffered from a number of labor issues that have damaged its reputation for social responsibility.⁴¹ In this environment a number of small, sustainability-oriented competitors have emerged, including Justin’s Nut Butter (peanut butter) and Quinn Popcorn (popcorn).

While emerging demand for such products is appealing, the opportunities are relatively small and misaligned with ConAgra’s current competitive positioning, which depends heavily on low prices and bulk retail channels. Particularly when sustainability-oriented products are first being introduced to a category, a move toward product offerings that reflect sustainability values would threaten the company’s core business. Companies in this situation might not be eager to accelerate the growth of a sustainability-focused niche, as this might create greater pressure on their other products. Additionally, perceptions of ConAgra as a non-environmentally conscious company are so great as to make such a shift toward a sustainability-oriented identity difficult. ConAgra’s social responsibility program reflects these realities. Rather than attempt to use sustainability strategies as a

basis for building relationships with stakeholders, the main pillars of the sustainability strategy are designed to reinforce existing relationships based on efficiency and pricing. In its current public sustainability strategy, for example, the company proposes to reduce greenhouse gases through reduced energy consumption, reduce water use, reduce waste generation, and to “participate in certified sustainable sourcing programs, where material to our business.”⁴²

Defender patterns are also illustrated by the example of Beverage Marketing, a privately held company with \$1 billion in annual sales that is the owner of the AriZona brand.⁴³ AriZona Beverage Company, whose flagship product is a 23-ounce ready-to-drink iced tea, has traditionally competed on the basis of category-leading price-per-ounce and attractive packaging. Like Coca-Cola, AriZona has faced the entry of a variety of sustainability-oriented offerings introduced by hybrid social ventures in recent years, including Guayaki and Honest Tea. However, its positioning relies heavily on its ability to serve customers who value price and a brand without explicit sustainability-oriented values.

As its success has been largely attributed to low prices and attractive packaging,⁴⁴ AriZona’s response to the entry of sustainability-oriented offerings has been to remain focused on its core customer base and identity, with no discernable shift in its orientation to social and environmental issues. Its website deals with one environmental health issue—concerns about mercury in high fructose corn syrup (HFCS). The company’s response was to simply post a Corn Refiners Association press release that re-asserts HFCS as a safe and natural ingredient.⁴⁵ This defensive response resists the alternative framing proposed by sustainability-oriented brands like Guayaki and Honest Tea shifting away from HFCS. Choosing to not attempt to emulate either the sustainability offerings or practices of hybrid social ventures is a calculated bet that sustainability values will remain confined to only part of the market, leaving a sufficient supply of customers and employees for the established company to survive and grow.

Responding to Uncertain and Changing Opportunities

In the preceding sections we described four “ideal types” of strategic responses to the entry of hybrid social ventures. Such an approach depends on accurate perception that the opportunities available with customers and employees for sustainability-oriented value creation are well-understood. However, the quality and magnitude of opportunities can easily be mis-estimated. For example, Clorox, the consumer products company, developed an internal brand, Clorox Green Works, to enter the sustainable cleaner category. Sustainability-oriented offerings had been established and popularized years earlier by hybrid social ventures like Seventh Generation, Dr. Bronners, Ecover, and Method. To deploy the Green Works brand, Clorox employed strategies common among the hybrid social ventures: using ingredients sourced from plants without animal testing, eliminating potentially harmful chemicals, and transparently labeling ingredients on the package. Green Works initially grew quickly, eventually overtaking the market shares of its hybrid social venture competitors with a 42% market share in natural cleaning products. Clorox achieved this growth, however, through heavy promotion costs, and the brand lost money along the way. Worse still, it failed to achieve lasting resonance with consumers.

Its growth stagnated in the recession while Seventh Generation and Method enjoyed double-digit growth after 2009.⁴⁶

Within Clorox, the Green Works product uncovered tensions around the sustainability-oriented interests of current and prospective employees. “Green Works is also a wonderful recruiting tool for Clorox, and most everybody who comes here wants to work on Green Works, until they realize how small the business is.”⁴⁷ This disconnect illustrates the challenges companies face in developing sustainability-oriented offerings alongside legacy brands. Clorox’s core offerings, particularly Clorox bleach, established a dominant market share based on a value proposition of efficacy and cleaning power. Even if some in the company might wish to develop its sustainability-oriented strategy, its existing business models serve as a powerful anchor that limits the potential for broad-based change. In choosing how to engage with sustainability-oriented employees and customers, therefore, companies like Clorox must carefully gauge the changing sustainability interests of its many stakeholders.

We can also see evidence of uncertain and changing opportunities in the case of McDonald’s and Chipotle. McDonald’s and Chipotle initially flirted with a “customer-centered” type of relationship—McDonald’s strategically invested in Chipotle in 1998,⁴⁸ gradually increasing its ownership to 90% by 2002, but then divested in 2006 after Chipotle’s IPO. Founder Steven Ells has been quoted as saying, “They funded our growth, which allowed us to open 535 restaurants....We learned from each other, but we use different kinds of food, and we aim for a different kind of experience and culture altogether. So we ended up going our separate ways.”⁴⁹

Since then, Chipotle has grown dramatically to 1,500 stores and over \$13 billion in sales, while pursuing a strategy that attempts to appeal to customers by strongly differentiating the company from industrial food systems. For instance, the company has committed to only purchase pork and chicken that was raised without antibiotics.⁵⁰ Chipotle’s “food with integrity” campaign has produced two YouTube videos that have gone viral, generating more than seven million views each.⁵¹ The latest of these features an industrial food-processing plant with cows on conveyor belts, a clear attack on traditional fast food restaurants like McDonald’s, whose focus on operational efficiency and costs has become a cultural liability following the release of documentaries such as “Food Inc.” and “Super Size Me.” This kind of confrontation has positioned Chipotle as fundamentally disruptive to McDonald’s, creating a zero-sum game situation in which its success is defined in opposition to McDonald’s. This, arguably, makes it more difficult for McDonald’s to shift toward a more sustainability-oriented strategy without threatening its core business.

McDonald’s financial performance remains strong, yet it, too, is preparing to be held to sustainability standards. In a 2012 interview, the company’s Vice President for Sustainability shared its interest in becoming involved in the way that “sustainable beef” is defined.⁵² Rather than allow a smaller company to make this definition, it appears to be attempting to be involved directly in the negotiation of the meaning of sustainability in the restaurant industry.⁵³ While it remains to be seen whether it can do so successfully, the antagonism to date between McDonald’s and Chipotle and other sustainability-oriented competitors is undoubtedly a barrier to their collaboration.

As sustainability values continue to evolve in society, customer and employee interests in sustainability are fluid and uncertain. This requires companies to make decisions with limited information and adjust as the situation evolves. These dynamics may lead established companies to shift course in their responses to hybrid social ventures. Yet early decisions may have lasting effects as established companies and hybrid social ventures commit to their positions with respect to sustainability. Companies thus have little choice but to fashion their short-term responses based on opportunities they perceive for value creation, then revisit these choices as they learn more about how sustainability is shaping the behavior of both their own stakeholders and their competitors.

Implications of the Framework in Consumer Products and Beyond

Our research illustrates the unique strategic dynamics between established companies and hybrid social ventures entering their industries. Hybrid social ventures are potential competitors, but can also serve as allies in the advancement of established companies' sustainability strategies. We found a range of such collaborations driven by the opportunities that established companies perceived for value creation with their own stakeholders, resulting in "integrated," "customer-centered," and "employee-centered" responses. "Defensive" strategies arose when companies see none of the opportunities as sufficient to justify a shift in strategy, and therefore treated hybrid social ventures as they would any other new competitor.

By focusing on eight large FMCG companies with significant operations in the U.S., our goal was to understand relationships between large companies and hybrid social ventures in a part of the economy where sustainability-oriented innovations are common and relatively visible. Yet even within FMCG, some important contingencies exist. For instance, some hybrid social ventures, such as Better World Cafe, are incorporated as nonprofits, making acquisition legally impossible. Issues of organizational identity and authenticity within hybrids also constrain opportunities for collaboration. Hybrid social ventures risk criticism by loyal stakeholders for "selling out" to big corporate interests, and compromising on their social mission and legitimated organizational identity. Business-minded stakeholders of hybrids can be skeptical of efforts to share their sustainability-oriented innovations with competitors who might claim some of their market share. Thus, questions about the appropriateness of relationships between hybrid social ventures and large corporations can generate difficult, existential questions about the relative priority of business and social goals.⁵⁴ Not all will be open to collaboration, strategic investment, or acquisition as a result. Thus, while our typology describes potential responses to sustainability pressures, it is important to emphasize that not all responses will be available in all situations.

Application of the framework to companies outside FMCG suggests additional opportunities and contingencies. For instance, established companies have begun to enter joint ventures with hybrid social ventures in capital-intensive industries—Toyota co-developing the electric RAV4 with Tesla Motors serves as one visible example. This kind of strategic R&D partnership could be added to

our menu of partnership options; in this case it was by Toyota, a company already tapping opportunities for sustainability-related value creation with customers and employees. In some of these capital and technology-intensive industries, however, pursuing sustainability-related value creation with either customers or employees can be extremely difficult given the capital required to adopt sustainability-oriented innovations.⁵⁵ This can occur, for example, when distributed renewable energy undermines the viability of traditional, fossil fuel-burning utility companies.⁵⁶ Future research will also need to consider established companies' responses in business-to-business industries, where business customers differ significantly from end consumers in their sustainability interests and motivations. For instance, in professional services, a number of boutique sustainability consulting companies have been acquired by larger players⁵⁷—Deloitte bought ClearCarbon and DOMANI, DNV bought Two Tomorrows, and Hitachi Consulting bought PRIZIM. In the financial analysis space, we saw MSCI acquire KLD Analytics. SAP helped build its carbon accounting practice by acquiring Clear Standards. Whether these represent “integrated,” “customer-centered,” or even “employee-centered” strategies remains to be studied—how thoroughly are sustainability practices integrated with professional services firms' wider offerings for customers? Do sustainability-oriented projects help these firms to attract and retain top talent, even if revenues are small?

Guidance for Established Companies: A Two-Step Process

Our research illustrates the range of potential strategic responses to hybrid social ventures and the opportunities for value creation that companies sought to exploit in the process. Our sample is not large enough to make robust claims about the performance outcomes, e.g., whether a “customer-centered” or “integrated” response is better for a company or circumstance. Nonetheless, given the wide range of possible responses, managers of established companies should consider alternatives to zero-sum competition. We suggest that leaders and managers of established companies follow a two-step process, to consider the factors we identified in our research:

First, evaluate the sustainability orientation of your customers and employees. Have your customers demonstrated an interest in sustainability, either in their interactions with your brand or their other purchasing behavior? Do your employees and other employees express similar interests, through their outside activities or through workplace activism? Sustainability values may exist even if they are not readily visible. Depending on the mission of your own organization, making a business case for such opportunities may require that the customers be able to pay more, or that the strategy helps to attract better employees, or those willing to be employed on more favorable terms as a result of the sustainability strategy. Given this analysis of opportunities, are you a candidate for Integrated, Customer-Centered, Employee-Centered, or Defensive responses?

Second, gauge the willingness of the hybrid social venture to enter into a partnership that would advance your sustainability strategy. In these conversations, remember that such partnerships can have significant benefits for the hybrid social venture as well, by helping them amplify their pursuit of their social goals as well

as to generate network effects of a larger sustainable business ecosystem. Yet these new entrants may not always be interested in partnering, or in the full range of possible partnerships, and this is something that needs to be explored on a case-by-case basis. The examples we studied suggest that there is significant room for collaboration, but it requires a creative orientation from both parties. We suggest approaching such discussions with a positive tone, focused on the potential for joint value creation. In cases where acquisition is on the table, it may also be important to offer assurances that the distinctive culture and values of the hybrid social venture will be preserved—for example, through geographic separation, special governance structures, or pursuit/preservation of “B Corporation” status.

For the Sustainability Movement: There Are Multiple Paths

As hybrid social ventures continue to increase in number and prominence, responses by established companies will play a significant role in the trajectory of sustainability innovation in their industries.⁵⁸ One scenario is that hybrids will grow so large that they replace existing companies in a process of “creative destruction.” Our research suggests, however, that these two types of companies are innovating in parallel, through a variety of nuanced interactions. These relationships, which range from consultation to acquisition and integration, allow large companies and hybrid social ventures to address their respective shortcomings. The social missions of hybrid social ventures may be most feasibly achieved through large companies’ large-scale capabilities and value chains. Simultaneously, large companies facing innovation challenges may benefit from the insights and innovations of smaller, more nimble enterprises focused on sustainability.

These relationships have two important implications. First, they allow hybrid social ventures to serve as incubators for new practices that can gain scale and impact by infusion into existing corporations. Second, they can assist a process of “hybridization” of incumbent firms, pushing the boundaries of corporate sustainability efforts toward strategies in which profit and social purpose share a more equal footing. Unilever may never meet all criteria of a hybrid organization,⁵⁹ but it has made dramatic moves, for example, to shift away from short-term investors and to decouple growth from environmental impact.⁶⁰ The acquisition of Ben and Jerry’s and adoption of its sustainability-oriented innovations has played a role in that long journey. Hybrid social ventures and established companies innovating toward sustainability have a unique relationship—as competitors, but also as potential allies in a societal-level shift toward a more sustainable form of capitalism.

Notes

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2. C.B. Bhattacharya, Sankar Sen, and Daniel Korschun, “Using Corporate Social Responsibility to Win the War for Talent,” *MIT Sloan Management Review*, 49/2 (Winter 2008): 37-44; Philip Mirvis, “Employee Engagement and CSR: Transactional, Relational, and Developmental Approaches,” *California Management Review*, 54/4 (Summer 2012): 93-117; Ante Glavas and Sandy Kristin Piderit, “How Does Doing Good Matter?: Effects of Corporate Citizenship on Employees,” *Journal of Corporate Citizenship*, 36 (Winter 2009): 51-70.

3. Lindsey Clark and David Master, "2012 Corporate ESG/Sustainability/Responsibility Reporting: Does it Matter?" Governance & Accountability Institute, 2013.
4. UN Global Compact, Global Sustainability Report 2013, available at <www.unglobalcompact.org/docs/about_the_gc/Global_Corporate_Sustainability_Report2013.pdf>.
5. By "sustainability," we refer to both social and environmental aspects of a company's impact on its broader context.
6. Eric Lowitt, *The Collaboration Economy: How to Meet Business, Social, and Environmental Needs and Gain Competitive Advantage* (San Francisco, CA: Jossey-Bass & Pfeiffer Imprints, Wiley, 2013).
7. We define value as the gap between customer willingness-to-pay and supplier willingness-to-supply (given the cost of production). Creating value means expanding that pie by increasing the gap between willingness-to-pay and cost. Value *capture* is determined by the negotiation of price within that gap. For a more nuanced look at this topic, see David P. Lepak, Ken G. Smith, and M. Susan Taylor, "Value Creation and Value Capture: A Multilevel Perspective," *Academy of Management Review*, 32/1 (January 2007): 180-194. Also see Adam Brandenburger and Harborne Stuart, "Value-Based Business Strategy," *Journal of Economics and Management Strategy*, 5/1 (Spring 1996): 5-24.
8. The specific construction of our sample proceeded as follows. From a master list of companies operating in markets where a hybrid social venture was also present, we chose a subset of companies working in fast-moving consumer goods (FMCG), and for whom the United States is a key target market. Although this limited the overall variety of cases in our sample, it helped us more effectively answer our second research question: Under what conditions do companies pursue different strategic responses in their efforts to implement business strategy? When we initially looked more broadly across industry sectors and geographies, we noticed important differences in the prevalence and availability of hybrid social ventures. When there are few such enterprises around, the response by existing corporations is not so much shaped by business strategy as by opportunity. This meant less variation in strategic response type, and an important constraint on companies' strategic choice. Hybrid social ventures seemed most prevalent (or at least most visible to potential partners and our research) among FMCG companies with U.S. market penetration, providing the most natural variation and the most scope for strategic choice. Within this assortment of cases, we chose a subset of eight, based on convenience of data access and diversity of strategic response, to support our building of a typology and conceptual framework.
9. Adamantios Diamantopoulos, Bodo B. Schlegelmilch, Rudolf R. Sinkovics, and Greg M. Bohlen, "Can Socio-Demographics Still Play a Role in Profiling Green Consumers? A Review of the Evidence and an Empirical Investigation," *Journal of Business Research*, 56/6 (June 2003): 465-480; Nielsen, "Consumers Who Care," op. cit.; "Lifestyles of Health and Sustainability," LOHAS, 2011, available at <www.lohas.com/about>.
10. Business stakeholders may also include those not explicitly mentioned in our framework, including investors, community members, suppliers, governments, and NGOs. In our research, these additional stakeholders were sometimes considered by companies, but were relatively peripheral. Pressures experienced from these sources were either relatively small relative to that experienced from customers and organization members, or were experienced through one or both of these groups. For instance, NGOs shape the expectations of consumers and organization members surrounding sustainability, but this influence was not necessarily experienced as a direct pressure. In other industries, the relative importance of stakeholders might vary; for example, in the automotive or energy industries, government pressures might have a greater role.
11. Vanessa C. Burbano, "Corporate Social Responsibility and Firm Performance: Field Experimental Evidence on the Role of Employee Salary Requirements and Productivity," working paper, 2015.
12. See Shuili Du, C.B. Bhattacharya, and Sankar Sen, "Corporate Social Responsibility, Multi-Faceted Job Products, and Employee Outcomes," ESMT working paper, 2013, available at <<http://static.esmt.org/publications/workingpapers/ESMT-13-07.pdf>>.
13. Cone, Inc., "The 2006 Cone Millennial Cause Study," <www.centerforgiving.org/Portals/0/2006%20Cone%20Millennial%20Cause%20Study.pdf>.
14. See Mirvis (2012), op. cit. See also Glavas and Piderit (2009), op. cit.
15. See <www.chiefmarketer.com/too-many-members-force-stonyfield-to-end-loyalty-program>.
16. There is a significant literature on the responses of incumbent firms to innovation by new entrants, including possibilities for acquisition and strategic investment. See, for example, Gary P. Pisano, "The R&D Boundaries of the Firm: An Empirical Analysis," *Administrative Science*

- Quarterly*, 35/1 (1990): 153-176; Joshua S. Gans and Scott Stern, "The Product Market and the Market for 'Ideas': Commercialization Strategies for Technology Entrepreneurs," *Research Policy*, 32/2 (2003): 333-350; Samina Karim and Will Mitchell, "Innovating through Acquisition and Internal Development: A Quarter-Century of Boundary Evolution at Johnson & Johnson," *Long Range Planning*, 37/6 (2004): 525-547.
17. The difficulty of replicating sustainability strategies that create sustainability-oriented value with both customers and employees is related to the insight that complex strategies (i.e., those that contain interdependencies across multiple activities) are the most difficult to replicate. See J. Rivkin, "Imitation of Complex Strategies," *Management Science*, 46/6 (2000): 824-844.
 18. The idea that businesses can be explained by the environment in which they were founded, even when that environment has subsequently changed, is known as "imprinting". This idea dates back to Arthur L. Stinchcombe, "Social Structure and Organizations," in James G. March, *Handbook of Organizations* (Chicago, IL: Rand McNally, 1965): 142-193. For a more recent review, see Christopher Marquis and András Tilcsik, "Imprinting: Toward a Multilevel Theory," *The Academy of Management Annals*, 7/1 (2013): 195-245. For more on the ensuing challenge of adapting to new environments, see Charles W.L. Hill and Frank T. Rothaermel, "The Performance of Incumbent Firms in the Face of Radical Technological Innovation," *Academy of Management Review*, 28/2 (April 2003): 257-274.
 19. Business stakeholders may also include those not explicitly mentioned in our framework, including investors, community members, suppliers, governments, and NGOs. In our research, these additional stakeholders were sometimes considered by both the large companies and hybrid social ventures, but were relatively peripheral. In other industries, the relative importance of stakeholders might vary; for example, in the automotive industry, government pressures might have a greater role.
 20. John Mackey and Raj Sisodia, *Conscious Capitalism: Liberating the Heroic Spirit of Business* (Cambridge, MA: Harvard Business Review Press, 2014).
 21. Seventh Generation website, <www.seventhgeneration.com/sites/default/files/assets/pdf/SeventhGeneration_Mission-and-Values.pdf>, accessed June 12, 2014.
 22. Forest Reinhardt et al., "Patagonia," Harvard Business School case study 9-711-020.
 23. Tesla website, <www.teslamotors.com/blog/all-our-patent-are-belong-you>, accessed June 12, 2014. *NB*: Tesla is not part of our research sample, because it is not a fast-moving consumer goods company. We include the example, however, because Tesla is a high-technology company with significant capital investment in R&D and is the kind of firm one would expect to protect its intellectual property carefully as a barrier to entry. Therefore, its unusual stance on IP and competition is a strong illustration of this idea of non-traditional competitive strategies, which we explore below in our research cases.
 24. A long tradition of academic research has shown that when organizations face conflicting pressures, they tend to "decouple"—that is, to create separate structures that attend to these multiple pressures. Decoupling is rampant in traditional corporate social responsibility, where philanthropic activities are frequently segregated from the core business, in corporate social responsibility departments or corporate foundations. The different types of strategic responses to hybrid social ventures we describe here, allowing for response to targeted sustainability pressures, may also allow companies to explore and experience a way of organizing that is "recoupled," as part of a larger process of organizational change.
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 27. Quoted in Austin and Leonard (2008), op. cit., p. 82.
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