MORAL-PRACTICAL LEGITIMATION PRACTICES OF HYBRID BUSINESSES

INTRODUCTION

The creation of sustainable hybrid businesses, capable of reconciling competing institutional logics of sustainability and wealth accumulation is seen as a key force in the development of a more sustainable society and economy. However, due to the tension of contradictory logics, sustainable hybrid businesses are often labeled as utopian alternatives lacking the legitimacy of those who present a more traditional approach to entrepreneurship. Despite the advance in understanding the complexity of sustainable hybrid businesses scholars emphasize the need of further theorizing and empirical examination of how legitimation actually unfolds and, more specifically, of how sustainable entrepreneurs can manage the demands imposed by incumbents in the pursuit of legitimacy.

THEORETICAL BACKGROUND

The recognition of entrepreneurial activity as a solution to, rather than a cause of, environmental degradation and social inequality has moved the field to identify a new type of entrepreneurship: the entrepreneurs' creation and management of sustainable hybrid businesses. A sustainable hybrid business can be defined as an entrepreneur, or entrepreneurial team, 'who holistically integrates the goals of economic, social and environmental entrepreneurship into an organization that is sustainable in its goal and sustainable in its form of wealth generation' (Tilley & Young 2009, p. 88). Following the perspective of institutional work we suggest that sustainable businesses create and maintain a 'hybrid' logic that becomes morally and practically legitimized in the eyes of internal and external stakeholders. Hybrid logics are far more complex than solely 'profit vs. sustainable' logics. Adopting a 'moral-practical' logic approach helps better tackling the range and complexity of hybrid logics involved in sustainable organizations' legitimacy building.

RESEARCH QUESTION

How are emerging sustainable hybrid businesses able to successfully handle the tensions between – as we introduce it – a 'moral' (e.g. values of sustainability, equity and fairness) and 'practical' institutional logic (e.g. values of profitability, efficiency and utility)?

METHODOLOGY

We draw upon an inductive single case-study design, to examine legitimation building in the formation and development of a small sustainable hybrid business over a 5-year period. The in-depth analysis focuses on the emergence of The People's Supermarket (United Kingdom) and the strategies deployed by its founders in gradually legitimizing a non-traditional, sustainable organization. The People's Supermarket (TPS) is recognized as an exemplar case,

in that it has been able to successfully deal with contradictory institutional logics and to lead a movement seeking to reshape the British retail sector in line with sustainability values.

FINDINGS

We identify four core strategies that are instrumental in the legitimation of sustainable hybrid organizations over time: *constructing internal hybrid logic*, *building a sensible narrative of internal hybrid logic*, *provoking external legitimacy through critical diagnosis* and *reinforcing external hybrid logic through collective ethical action*. In the first phase, the construction of an internal moral-practical ('hybrid') logic, the two founders, Arthur Potts and Kate Bull, recognized their shared passion about food, based on which they defined a sound business logic unifying their shared economic and personal interests with their moral concerns about societal development. In the second phase, the building of a sensible narrative of the established internal hybrid logic, the moral-practical hybrid vision unfolds as a concrete solution: convenience stores to be owned by local communities. By building a sensible narrative they redefined the language of sustainability at the community level. In the third phase, the provocation of external legitimacy through critical diagnosis, they confront a highly institutionalized system and intended to promote divergent change from inside the retail sector. Openly criticizing and entering competition with major retailers, they changed their strategy of a sensible narrative towards a more direct diagnostic strategy. In the fourth phase, the reinforcement of external hybrid logic through collective ethical action, the TPS's founders transformed 'a heroic act' into a collective effort, placing the community into the center of responsibility for sustainable change. They internally established democratic practices, and externally presented the hybrid venture as a crucial part of the community.

These findings provide new evidence and contribute to the knowledge of how hybrid businesses can utilize different sets of strategies and resource portfolios to increase the likelihood of gaining and maintaining the organization's internal and external legitimacy over time.

POTENTIAL CONTRIBUTION

This paper contributes to the research on the development of sustainable hybrid businesses in number of ways. First, we provide a new and more robust theoretical view of the legitimacy building of new sustainable businesses by complementing existing insights through the introduction of a moral-practical hybrid logic. Second, the study deepens our empirical understanding of how sustainable businesses are able to strategically manage challenges in the struggle for legitimacy, and of how their organization and its institutional contexts co-evolve as part of individual and collective efforts aimed at building more a sustainable society and economy. Finally, based on the study's new insights, it extends current conceptual models that seek to explain the complexity of the relationship between sustainable businesses, competing institutional logics and entrepreneurial legitimacy.