

Sustainability of Hybrid Organizations and Circular Economy Models

Subjects: Business

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Hybrid organizations that adopt circular economy contribute to sustainable development by implementing initiatives aimed at healing, preserving, and improving the world through the production of goods or the provisions of services ("CARE"). Additionally, the ability of hybrid organizations to foster sustainable development is based on their ability to develop and maintain relationships with the surrounding organizational realities, as well as actively involve the local community ("DO WITH"). At the same time, getting in touch with other socioeconomic actors allows the hybrid organization to educate and to be educated, sharing skills and competences ("PEDAGOGY").

Keywords: hybrid organizations ; social entrepreneurs ; circular economy ; circular business model ; sustainable development ; environmental sustainability ; social sustainability

1. Hybrid Organizations and Social Enterprises

In the last decade, individuals' awareness of the impacts generated by a firm's activities increased more than ever. Consumers, investors, workers, institutions, and organizations started to criticize those companies whose behavior was negatively affecting either society or the natural environment. Similarly, other consumers, investors, and social actors started to pay a premium price for those companies whose impact was beneficial for a large group of stakeholders, such as the local community, the environment, and the employees ^[1]. The expectations for the role of a corporation shifted from a shareholder value-maximization view of the firm to a shared-value view of the firm ^{[2][3][4]}. As a response, several companies tried to reconcile and balance the expectations of several stakeholders, adopting new policies and practices that are in line with the needs of the planet and people. New organizational models have therefore been created with a mission that is not based solely in profit-maximization, but it incorporates a social or environmental mission. These new models are commonly known as "hybrid organizations" ^[5]. The term "hybrid" comes from the tendency to assume both the typical aspects of a for-profit organization and those of the nonprofit one. Among the different kinds of hybrid organizations, social enterprise is the one that has found the greatest diffusion ^{[6][7]}. It has been shown that one of the most difficult challenges that hybrid organizations have to face is the existing tensions and conflicts between financial and the social logic ^{[8][9][10][11]}. These studies have contributed to explain the levers for developing and maintaining a hybrid nature. They have rarely, however, examined how hybrid organizations apply circular economy models to contribute to sustainable development. Adopting circular business models is challenging for hybrid organizations because it is likely to trigger internal tensions that may contribute to being unable to achieve both a financial mission and a social or environmental one ^[1].

2. Circular Economy and Environmental Sustainability

The circular economy is more and more put forward as a model to give substance to the sustainable development concept ^{[12][13][14]}. Further, the circular economy concept is in line with the manifold objectives of hybrid organizations ^[15] ^[16]. The circular economy is conceived as the opposite of the dominant paradigm of the linear economy, built on the well-known "extract, produce, use, and dispose" process, with the final aim of decoupling prosperity from resource consumption ^[14]. Therefore, circular business models seek to retain the value embedded into products in the economy for as long as possible ^{[15][17]}, to ultimately reduce the dependency on virgin resources. The optimization of resource supply and waste assimilation is dependent on closed loop material flows. In that perspective, the development of long-lasting or easy-to-disassemble goods makes the initial design phase the critical one to guarantee minimal product life-cycle impact ^[18].

3. Circular Economy and Social Sustainability

Even though, originally, the circular economy had been mainly intended to ease the environmental burden of production and consumption processes, the notion of “circularity” may apply to the societal ^{[12][19][20][21]} and cultural dimension too ^[22]. Indeed, to contribute to sustainable development the economic, environmental, and social aspects must be simultaneously considered and balanced ^{[13][23][24][25][26][27][28][29]}. The circular economy aims to be inclusive and participative, as its business models ^[30] reflect in different ways. First, cooperation within the value chain and the synergic interplay of different stakeholders ^[14] are crucial for enhancing resilience and low-impact productivity ^[15]. For instance, business practices as the co-design or the take-back systems require a strong network ^[30] and customers’ engagement ^[18] in the value co-creation process ^{[29][30][31]}. Second, collaborative consumption and product-as-a-service models ^[17] help to promote a more sustainable use of products and to extend the right of access to certain goods to people who were prevented from accessing them. Within collaborative consumption models (such as sharing, lending, renting and so on), consumers may enjoy the access to a service without owning physical goods. The re-orientation of consumers towards functionality rather than ownership could represent one of the biggest challenges regarding circular business models implementation. Furthermore, several activities related to the circular economy, such as remanufacturing, are labor-intensive instead of resource-intensive ^[13], possibly leading to increasing job opportunities and capabilities ^{[31][32]}.

Based on the above, the need emerges to orient investments in implementation strategies aimed at rethinking, according to a circular model, both the behavior of producers and consumers and the relations between them and the space (physical and cultural) in which they operate, through the definition of new industrial relations, business models, and corporate social responsibility ^{[33][34][35]}.

4. Circular Economy and Encyclical “Laudato Si”

The concept of circularity is strictly related to the one of regeneration, conceived of as the rebuilding of natural capital ^[17] but also as bringing new life to existing materials and architectures or improving people’s lifestyle and well-being by providing new opportunities. The idea of the circular economy as a regenerative economy is included in one of the most accepted and employed definitions of the circular economy: “an industrial system that is restorative or regenerative by intention and design,” from the Ellen MacArthur Foundation ^[36]. Different circular economy frameworks are based on the concept of restoration, which is strictly linked to the idea of reversing damage ^[16] by returning to a previous or original condition ^[37]. Circular production cycles embed restoration through waste management, repair, and remanufacture, among other things ^[18]. However, the concept of regeneration goes further, since it is not tied to material or energy recovery, but it entails the improvement “of the entire living and economic model compared to previous business-as-usual economy and resource management” ^[13].

Indeed, internationally, the circular economy model has been recognized as a means that, by moving beyond a sectoral approach focused solely on waste management, can contribute to the overall organization of the city, its economy, its social system, and its governance to improve urban productivity in multiple dimensions ^{[38][39][40][41]}. Adopting a circular model of production and consumption allows for a holistic approach to not only minimize environmental impacts from waste generation but also to simultaneously promote quality of life and contribute to innovation, growth ^[42], and job creation ^{[43][44]}.

This broad and comprehensive vision of regeneration boosts the design and the implementation of alternative business models focused on the valorization of both discarded material and vulnerable human beings ^[45]. From this perspective, the paradigm of integral ecology, advocated also by Pope Francis in the recent encyclical “Laudato Si,” emerges. It includes participation, cooperation, coevolution, and self-organization among its fundamental principles, and it conceives of them as a means to make the evolutionary dynamic of a certain community with local stakeholders and physical context last in time. “Laudato Si” proposes a definition of sustainable development enriched by a human-centered perspective that entails a reimagining of the concept of development as “integral and human sustainable development.” From this perspective, entrepreneurial activity, whose objective is to produce wealth, plays a fundamental role, especially in terms of the way in which activities are organized and managed. The latter should be oriented towards the common good ^{[46][47][48]} ^{[49][50][51]} and, more generally, towards improving the living conditions of all, offering even the weakest the opportunity to improve their conditions and explore their potential. The circular model offers a new vision to orient strategies and actions to the common good, assuming that the nature of man is that of *homo socialis* ^[52], whose realization lies in strengthening the relational ties ^[53] that make him part of a community.

Until a few years ago, sustainability was conceived of only as environmental sustainability; today, scholars also refer to the social and economic dimension. Social sustainability is conceived of as an economic development that considers the

fundamental rights of the most vulnerable and disadvantaged. Economic sustainability means economic development able to create wealth and job opportunities.

5. How Hybrid Organizations Contribute to Sustainable Development: A Grounded Model

Hybrid organizations contribute to sustainable development by implementing initiatives aimed at healing, preserving, and improving the world through the production of goods or the provisions of services. Such an aspect is summarized in the “care” construct, meant as the attitude to guard and watch over the natural environment and human beings ^{[54][55]}. Additionally, the ability of hybrid organizations to foster sustainable development is based on their ability to develop and maintain relationships with the surrounding organizational realities, as well as actively involve the local community. This aspect is summarized in the construct “do with,” meant as the attitude of hybrid organizations to collaborate and cooperate with individuals and groups of individuals ^[56]. At the same time, getting in touch with other socioeconomic actors allows the hybrid organization to educate and to be educated, sharing skills and competences. Such an aspect is summarized in the “pedagogy” construct, meant as the attitude of hybrid organizations to educate, spread knowledge, and ennoble the human essence. However, such partnering and pedagogical aspects lead the hybrid organization to have to deal with a variety of criticalities. Among these challenges is that of remaining faithful to one’s threefold mission (social, environmental, financial) over time. Such an aspect is summarized in the construct of “faith,” meant as a profound adherence to one’s threefold mission. Only thanks to “faith” can hybrid organizations balance the multiple missions and logics they embody. Indeed, faith awakens an individual’s critical sense ^[45] and balances the conflicting tensions by preventing one logic’s prevalence over another one. Such aspects (faith, care, do with, and pedagogy) are not independent from each other but rather influence one another by creating a virtuous circle that is able to further contribute to sustainable development. These aspects respectively contribute to different dimensions of sustainable development. For instance, the attitude of hybrid organizations to take care of human existence and the available resources are strictly linked to the environmental and social dimensions of sustainability. Similarly, the pedagogical aspect of hybrid organizations is strictly connected with the social and environmental dimensions of sustainability. Conversely, a hybrid organization’s ability to develop and establish relationships with different socio-economic actors contributes to the economic and social dimension of sustainability. Lastly, profound adherence to the threefold mission, conceived of as faith, is the way through which hybrid organizations contribute to both environmental and social sustainability ^[57].

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