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Profit-with-purpose companies and institutional logics' dynamics: lessons from a public service company

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Abstract

Profit-with-purpose corporations (PPCs) are new corporate forms that include a commitment of social or environmental nature in their by-laws, and that aim at better considering stakeholder interests. Because of its binding nature, we expect that a purpose may freeze institutional logics within PPCs. But what happens when the purpose is formulated as an innovative goal? The study is based on a historical case of PPC: La Poste, an incumbent company of public service in France. Our work reveals important phenomena with strong implications: the case indicates that a generative purpose leads to a systematic effort to designate new concepts that precisely call for the construction of new institutional logics.

Keywords: Profit-with-purpose, Hybrid Organizations, Stakeholders, Institutional Logics

Introduction

Our research is motivated by the introduction in the law of several countries of a new form of corporation, namely the profit-with-purpose companies (PPCs). PPCs are firms that request that an additional purpose, of a social or environmental nature, be introduced in the articles of incorporation alongside the usual profit-making motive (Levillain and Segrestin, 2018). All of these present three key features. First, they define a clear but broad purpose that designates grand challenges the company seeks to tackle. Second, they require that the purpose be inscribed the corporate by-laws, as a commitment binding the corporation. Finally, this model defines an accountability framework, in which the CEO is then mandated to fulfill the purpose of the firm, and is evaluated based on the strategies she/he invents to do so (Hiller, 2013, Levillain et al., 2018). Their increased popularity is embodied by the creation of new legal statutes in various countries that aim at providing PPCs with an adapted governance model. Hence, in the United States, statutes entitled “Benefit Corporations”, “Public Benefit Corporations” or “Social Purpose Corporations”, were created. Similar statutes have been introduced in Italy – “Società Benefit” statutes – and are currently in the voting process of the French Parliament, named “Sociétés à Mission” statutes.

This new form of corporations has already attracted a growing body of researchers. Previous work on PPCs (eg. Levillain, 2015, Raelin and Bondy, 2013) has highlighted how this legal innovation puts the main existing governance theories in question, namely the agency theory. Indeed, PPCs aim at engaging the organization on a broader purpose than shareholders' financial interest. What is more, PPCs aim at better taking into account the stakeholders' interests, even though they do not equate purpose with stakeholders' claims (Levillain, 2015).

This new legal framework raises several questions for management scholars. Indeed, PPCs can be considered hybrid organizations as they usually deal with two institutional logics: a profit-related logic and a social-related logic (Battilana and Dorado, 2010, Bruneel et al., 2016). Institutional logics are defined as: ‘socially constructed, historical patterns of material practices, assumptions, values, beliefs and rules’ (Thornton and Ocasio, 1999, p. 804). Because of its binding nature, the purpose may embody durable prescriptions for actions for the members of the organization.

How is the purpose related to the institutional logics of the firm? Does it settle the company's logics or does it introduce an institutional dynamic?

To conduct our research, we seek to empirically investigate institutional dynamics of PPCs. The introduction of legal statutes being quite recent, this makes it difficult to study the incorporated PPCs with sufficient hindsight. However, we turn to the case of a historical but non-incorporated PPC, La Poste, as this offers a great opportunity to study the long-term management of a purpose. La Poste is the historical operator providing postal services in France. This for-profit corporation is a former Administration of State that is entrusted with several public service missions that aim at 'ensuring cohesion of the French territory'. By adopting a historic perspective, we can study how this PPC has formulated and reformulated its purpose on a decade-time span, and characterize the company's logics' dynamics.

We conduct a mixed methods research. First, we looked at the nature of La Poste's purpose. To do so, we investigated the formulation and reformulation of La Poste's purpose between 1991 and 2018, through the examination of contractual documents binding the company and the State. We also looked to characterize the activity that results in the formulation of these new concepts, and that is conducted by the department in charge of exploring new societal commitments of the company.

Our results reveal that the purpose does not establish fixed institutional logics but can instead, foster the creation of new logics. Indeed, it leads to the fabrication of numerous new concepts that call for the development of bodies of knowledge and practices – and therefore new logics – to actually take form. We can make several contributions from these results. First, they enrich the PPC theory, by explaining how committing to a purpose does not necessarily entail fixating the logics at play, but can also be a lever for renewing the logics within the organization. Second, they also have implications for the institutional literature. Indeed, previous work on institutional fields and logics have examined the creation of a logic from a preexisting concept, or the conditions under which a new practice can be institutionalized. Our research, on the other hand, the creation of the concepts themselves by an organization.

Literature review: institutional logics' emergence and dynamics

PPCs Profit-with purpose companies are firms which pursue a goal of social or environmental nature, and that goes beyond the taken-for-granted objective of generating profit (Levillain and Segrestin, 2018). As they are willing to achieve a social or environmental goal, these firms can easily be considered as hybrid organizations. Hybrids can combine distinct identities or logics (Battilana et al., 2017). Many authors have studied problematics that are associated with this hybridity, namely institutional plurality or complexity (Pache and Santos, 2010, Battilana and Lee, 2014, Battilana and Dorado, 2010). In these works, logics are usually mobilized to describe the institutional demands that the organizations and individuals are confronted with. These demands constitute "various pressures for conformity exerted by institutional referents on organizations in a given field" (p.457). In this regard, part of the literature appears to consider that the logics that apply to the organizations are exogeneous and relatively stable.

However, the institutional literature has also explored the possible dynamics of institutions. For example, some authors have highlighted mechanisms of innovation in logics through the study of institutional and cultural entrepreneurs. In this literature, these dynamics are initiated by individuals (Thornton, Lounsbury and Ocasio, 2012), who can, through crossing contexts, highlight contradictions in symbols and practices, and make them a source of innovation. Others have studied the dynamics of the institutional fields themselves, such as (Dacin et al., 2002) and (Thornton and Ocasio, 1999).

These literatures indicate that there are two possible dynamics of institutional logics. In some works, the dynamics designates the shift from one logic to another. For example, to explain institutional change, Dacin et al (2002) designate new power alignments as the trigger to new cultural-cognitive conceptions that provide a foundation for new normative frameworks. In Lounsbury and Crumley's research (2007), new practices are created by organizations, as shifts in macro-level discourses influences the context

and the associated logics. Lastly, in Thornton et al.'s study (2012), new logics can appear out of combination – or contradictions – between institutional orders, according to their interpretation by entrepreneurs.

In others, some actors or organizations are able, from a concept, to construct new logics, building on new knowledge from which new tools and techniques have been developed (Lounsbury, 2002, Lawrence and Phillips, 2004.) For example, works on institutional entrepreneurs mention the creation of a whole new concept as precondition to the emergence of a new institutional field (Lawrence and Phillips, 2004). The authors indicate that the apparition of a new concept, whale-watching, had previously been produced by macro-level discourses, that constituted building blocks for the institutional entrepreneur to fabricate a new logic. In these cases, ideas appear to entrepreneurs, who, given the sufficient resources, may grab them and develop new associated practices. Lounsbury (2002), suggests that a body of knowledge can lead to a transformation of logics that are derived from a new conception of the profession. By a process of professionalization of the field of finance, the 'cognitive ideas' shared by actors had shifted from being rooted into regulative-related knowledge to being rooted into market-related knowledge.

Interestingly, this literature highlights the notion of 'concept' that is associated with the emergence of a field and the creation of new logic. As posit Thornton et al. (2012), logics can be considered as general concepts and principles that are translated and transmitted among a group. It therefore appears that behind institutional logics and practices always resides an idea, a concept – that is later interpreted or reinterpreted by actors; the new concept is then institutionalized by entrepreneurs themselves or other organizations.

Lastly, the literature on hybrids and institutional complexity points out several responses formulated by hybrids in order to be sustainable, among which the fabrication of a new logic, a set of new logics or an identity (Battilana and Dorado, 2010, Kraatz and Block, 2008). There appears to be a tension within hybrids to construct their own logics or identities, in a 'creative' approach (Battilana and Lee, 2014). They can do so by integrating or transcending the plural pre-existing identities that the organization holds, according to Kraatz and Block. It was suggested that this new whole must comply with the former logics, but not be reduced to the latter (Battilana and Dorado, 2010). The stake appears to be the definition of the content of these new logics, in order for the organization to achieve some stability. On a dynamic point of view, the literature indicates that hybrid organizations may combine some logics, or some institutional elements, to construct a new identity, that is institutionalized afterwards.

To conclude, the literature does point to a possible dynamic in the institutional logics of firms. It also considers actors as able to shape these logics through the study of institutional entrepreneurs. However, the creation of new logics does appear to only result from combination or contradictions between institutional orders or previous logics. What is more, while the literature does highlight the conceptual component of the logic, the concepts (or ideas) that precedes the apparition of a new logic always appear to be taken-for granted, or preexisting, naturally presenting themselves to actors.

Methodology

To carry out our research, we chose to conduct a qualitative case study (Yin, 2009) of a historical PPC. We therefore turn to a for-profit company entrusted with public service missions, without being an incorporated PPC: La Poste. We base our study on the in-depth analysis of one single relevant case of PPCs. As Siggelkow (2007) points out, a single case, if carefully chosen and analyzed with precision, can provide a solid basis for the establishment of a "free-standing theory", that is, a theory that seems plausible, and for which the case enables to identify the main relevant variables.

Choice of the case: La Poste as a PPC

We have selected La Poste as we make the assumption that this company is an exemplar case of PPC. As a former State Administration, and a current for-profit public service organization, it's a PPC. La Poste has historically been entrusted with public service missions – aimed at ensuring the cohesion of the French territory. These missions have been formally defined and piloted through pluriannual

planning contracts that bind La Poste and the French State. La Poste's purpose is therefore embodied in a contractual form. In addition, La Poste has been, since 2010, a for-profit limited company. We argue that these two attributes attest to the PPC quality of La Poste. A research contract with the company enabled us special access to some documents and interviewees.

Methodological setting

1. Analyzing La Poste's purpose formulation

Our research first consisted in conducting a retrospective analysis of the formulation of La Poste's purpose. We looked at the evolution of this formulation throughout the years by examining the former and current contractual documents binding La Poste and the State. We then observed the mention of new generative concepts in these formulations. In addition, we led interviews with actual and former executives to fully understand how these formulations were chosen and the roles of the different stakeholders in the designation of new commitments.

Data collection and analysis

We proceeded to a coding the generativity of the concepts mentioned in the contracts: We borrow the concept of generativity from the CK theory (Hatchuel et al., 2018). According to this theoretical framework, a design process starts with a brief or a concept, i.e. an undecidable proposition: an object that can be described, but that doesn't exist (yet) in the current state of the art. The design process stops when the concept has been enriched with different attributes and that the knowledge has been expanded so that it can be realized. We have thus used this theory as a coding method, by defining three categories of formulations, each designating different degrees of generativity.

2. Characterizing La Poste's effort to formulate new concepts

Another task consisted in analyzing how La Poste was able to generate these new concepts. We turned to the Societal Commitment Department (SCD) of the company, as it appears to be the place of discussion of new commitments formulated by the company. As the Department undertakes a work of mapping various initiatives of societal nature taking place at La Poste, we selected two projects considered as exemplar by the Department, that they wish replicate on a systematic basis. We proceeded to studying their conception patterns.

Data collection and analysis

The data we base our analysis on was gathered through interviews with both the Societal Commitment Department's team and specific projects' managers. More specifically, we conducted three interviews with the permanent members of the department, lasted about an hour and a half. They aimed at understanding their role, the nature of their activity and stakes, as well as the constraints they deal with, namely, the institutional demands they must comply with. We also interviewed three employees who were or currently are involved in two specific projects we selected. We look to understand the conception patterns associated with the regeneration of concepts that occurs. The discussion was then led to obtain information about: the original objectives of the initiative, the experimentations that were led, the knowledge that was acquired or developed during this conception effort and the types of actors involved in this undertaking.

Results: A generative purpose that calls for a renewal of concepts and logics

Our modeling of La Poste's purpose's evolution allowed us to highlight its generative dimension, by exposing the numerous concepts that emerge throughout the years. Indeed, the contracts regularly designate new concepts that part with the historic embodiment of the mission, and that remain to be investigated by La Poste.

More precisely, we have identified commitments of various degrees of generativity in these formulations. Some objectives take the form of specifications' requirements, and often refer to the historic embodiment of La Poste's public service missions. In this case, they are associated with certain techniques and practices that enable their fulfillment, and that already exist. On the contrary, other missions are of a more generative nature. These formulations usually take the form of new problems that need to be investigated. They cannot be addressed through the existing logics and practices. Indeed, they have no practices that are associated with them. We argue that they necessitate the development of new knowledge to be conceived, and new practices to be materialized. The actors therefore need to

proceed to the development of the bodies of knowledge, as well as the tools and know-hows – the logics – that will enable the concepts to take form.

What is more, we have intended to show how these concepts were originated by La Poste. We conducted an in-depth investigation of two initiatives, to understand how they resulted in two broad concepts: ‘Supporting circular economy’ and ‘Revitalizing rural areas’. First, in order to construct these new concepts, the actors from La Poste were pointed to new institutional fields, from which they appear to have borrowed some knowledge or elements of logics. . In the case of ‘Supporting circular economy’, La Poste was approached by a local firm from the recycling industry. Through the acquisition of knowledge from this field, La Poste managed to develop an office waste collecting service. In the case of ‘Revitalizing rural areas’, La Poste was led to the field of local production and economies by yet another local actor, a rural grocery store. The penetration of this new field revealed La Poste’s capacity to promote short distribution channels thanks to its infrastructure.

Once the initiatives are presented to them, the SCD’s role seems to actually formulate new concepts deriving from these activities, and relate them to La Poste’s purpose. The SCD relies on the initiatives to show that the creation of other logics associated with the purpose are indeed possible. The SCD’s activity therefore consist in retrieving more abstract concepts from these initiatives, that do match the global mission of La Poste. By doing so, the SCD can open up new avenues for exploration of its purpose.

However, and as the conception of these initiatives has indicated, in order to be successful, these new concepts need to fulfill some criteria, such as the compliance with previous institutional demands exerted by long-standing stakeholders (the State, the European Union, the employees etc.). Although we have begun to characterize these requirements, a more in-depth study of these criteria will have to be conducted in the future.

Discussion: A contribution to the PPC, institutional and hybrid theories

To begin with, our research enriches the theory of PPCs. The purpose, if generative does not fixate the institutional logics at play within the company. On the contrary, it can be conceived as a tool to regularly renew its social or environmental goals. We can draw from these results implications in terms of governance of PPCs: from an accountability point of view, the control and monitoring must not only evaluate the achievements, but also the capacity of the organization to broaden its own understanding of the purpose, and its objectives accordingly.

These results also contribute to the literature on dynamics of institutional logics and fields. Indeed, previous work described the process of shifts from one logic to another, or the construction of logics building from new knowledge and tools, new concepts. We have here intended to expose the upstream work that results in the construction of new logics. Namely, we have highlighted how a purpose can drive the organization itself to formulate new concepts that call for the development of new bodies of knowledge, new cognitive frameworks and new practices.

Finally, they contribute to the research on hybrid organizations. Whereas the literature on hybrid shows that the creation of a concept – that later builds into a logic or an identity – is a possible way of managing hybridity, we have found that another, yet uncovered, alternative is possible. Through the commitment on a generative purpose, hybrids can indeed formulate new concepts that call for the fabrication of new logics, thus renewing the practices at play in the organization.

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