



**Leadership
Institute**



Conference on “Organisations with Purpose”

16-17 September 2016

This booklet gives an overview of the presentations and discussions that took place at a conference co-hosted by London Business School, LBS Leadership Institute and A Blueprint for Better Business in September 2016.

NOTE: Many of the papers presented at the conference have not yet been published and some of the research is not yet completed. Accordingly, we can only give a broad description of the subject of the papers.

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In September 2016, A Blueprint for Better Business, London Business School and LBS Leadership Institute held a ground breaking interdisciplinary conference in which academics from around the world including economists, neuroscientists and philosophers, explored the latest evidence on how purpose influences business performance and how businesses serve society.

The two day event brought together leading researchers from the world's top business schools. The event included research from academics drawn from a range of different disciplines to include philosophical papers which challenge and test commonly held assumptions about the human person and business purpose. There were also sessions focusing on the experiences of practitioners to include a panel of practitioners from 3 companies who are on the purpose journey.

The papers – most of which are still in draft – were presented to an audience made up predominantly of academics. Topics were grouped together and following each set of short presentations discussants gave the presenters specific comments and suggestions on their papers. The discussion was then opened up to the audience. Some of the papers have subsequently been published – where this is the case we have included links to the full paper.

The research ranges from the impact of long term incentives on a company's performance and the impact of a clear purpose on employee motivation and how that affects performance, to how virtue can become a core element of corporate culture, what purpose means in practice and what the various barriers and enablers are to a company living out it's purpose.

"This conference is an important milestone in the growing area of research into business purpose. The academic committee were delighted by the response to our call for papers, and we received over 75 submissions from across the world. A Blueprint for Better Business's focus on business practice was instrumental in the inclusion of several conceptual papers, which made for a very rich and thoughtful dialogue – not only on what the latest empirical research tells us, but also the fruitfulness and validity of alternative ways of thinking about people and purpose."



Prof Rebecca Henderson,
Harvard Business School,
Chair of the Academic Panel

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Charles Wookey,
CEO, A Blueprint for Better Business

“This conference is a very exciting development. It shows that top business school academics are seriously interested not only in the potential of business purpose to change how business is done, but also in engaging with philosophical questions about the dominant model of business, and testing ideas that challenge the status quo in a radical way. I hope that this is the start of a continuing engagement to explore alternative approaches and gain more evidence from business practice which links the quality of human relationships to long term performance and how society is served.”

We would like to thank the following people for helping to make this conference happen:

Academic Committee

Rebecca Henderson – Committee Chair
Harvard Business School

Helen Alford
Pontifical University of St Thomas

Nava Ashraf
Harvard Business School

Alex Edmans
London Business School

Ioannis Ioannou
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Joshua Margolis
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Ioannis Ioannou
London Business School

Colin Mayer
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Charles Wookey
A Blueprint for Better Business

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Does a Long-Term Orientation Create Value? Evidence From a Regression Discontinuity

Caroline Flammer (Questrom School of Business, Boston University) and Pratima Bansal (Ivey Business School, University of Western Ontario, Canada)

This paper considers how long-term orientation impacts a firm's value. It does this by comparing the performance of companies in the US who adopted shareholder proposals on long-term executive compensation with those who did not - looking specifically at those that passed or rejected this by a small margin of votes.

Oughts and Ought Nots: Evidence from the Microfinance Industry for Asymmetrically Integration-Resistant Hybrid Combinations and the Consequences for Social and Financial Performance

Zachariah J. Rodgers (MSE, Stanford)

This paper looks at the social and financial performance of different types of organisations in the microfinance industry, by reference to 15 years of data from over 10,000 annual reports issued by 1,685 organisations. The organisations include 2 different types of non hybrids (i.e. organisations that have either social or financial objectives such as NGOs or banks) and 2 different types of hybrid company (i.e. organisations who are trying to combine both social and financial objectives in different ways). The paper considers the combination of social and financial performance and how the fear of mission drift can block integration

Corporate Purpose and Financial Performance

George Serafeim (HBS), Andrea Prat (Columbia University) and Claudine Gartenberg (NYU)

This research seeks to measure whether firms with purpose have better financial performance. It uses data from US companies drawn from approx. 500,000 survey responses of worker perceptions about their employers. It states that high purpose firms come in two forms: firms that are characterised by high camaraderie between workers and firms that are characterised by high clarity from management. The paper asserts that firms that exhibit both high purpose and clarity show better performance and that this is driven by the perceptions of middle management and professional staff rather than senior executives, hourly or commissioned workers. The research suggests that firms with employees that maintain strong beliefs in the meaning of their work experience better performance. *[this paper and can be freely downloaded [here](#)]*

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Integrated habitus for the common good of the firm – a radically humanistic conception of organizational culture with a systemic human integrity orientation

Kleio Akrivou (Henley Business School, University of Reading, UK and Institute of Enterprise and Humanism, University of Navarra, Spain)

This paper discusses whether and how virtue can become a core element of organisational culture. It presents “an ethically demanding” understanding of a virtuous organisational culture, under the term “integrated habitus” and its links with an organisational purpose that serves the broader common good. It is suggested that an integrated habitus is an organisational culture that enables both personal and collaborative moral growth, and where the practice of governance itself is mindful of maintaining ethical purpose.

The Myth of Responsibility: On Changing the Purpose Paradigm

Dr. Friedrich Glauner (Global Ethics Institute. University of Tübingen)

This paper looks at the differences between a business purpose which focuses on a revenue-oriented view of economics and one which focuses on a responsibility driven view point. It looks at the differences between how these views deal with scarcity, competition, profit and growth (i.e. value creation vs sustainability and responsibility) and how this might lead to a “downward spiral of destructive wealth creation”. The paper then goes on to discuss what the purpose of a business should encompass and what a viable future business model might look like.

Other papers were presented in this session but it has not been possible to obtain permission from the authors to include them in this summary

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Local Social Context and Entrepreneurship: Geography, Personal Values, and Hybrid Companies

Michael Russo, Brooke Boren (Lundquist College of Business, University of Oregon), Andrew Earle (Paul College of Business and Economics, University of New Hampshire) and Suzanne Tilleman (School of Business Administration, University of Montana)

This research considers whether shared local personal values are connected to hybrid* companies in a community and if so, whether variations in those values can explain variations in the missions of those enterprises. The research looks at both social and environmental values and presents a statistical analysis of business activity in 98 U S metropolitan areas across 14 years.

**A hybrid company is defined as a private, for-profit enterprise that seeks commercial success as a means to promote social and/or environmental betterment in specific areas of its own choosing.*

Staying True to Purpose: how Commercial Pressures Affect Microfinance Organizations' Identity Commitments

Eric Yanfei Zhao and Matthew Grimes (Indiana University)

An increasing number of organisations attempt to address societal problems through commercial means. While some scholars suggest that commercialisation (i.e. increasing exposure to commercial opportunities and pressures) can increase these organisations' opportunities for growth and thus their economic productivity, others raise concerns about how such pressures might encourage compromises to the organisations' original social goals. This research tests these views by looking at a database of 143 microfinance organisations that were originally founded as NGOs. The study examines the tensions and explores solutions for navigating the complexities of trying to "do good by doing well" and "do well by doing good."

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The Risk of Knowledge Spillovers and Corporate Social Responsibility: Evidence From The Inevitable Disclosure Doctrine

Caroline Flammer (Questrom School of Business, Boston University) and Aleksandra Kacperczyk (Sloan School of Management MIT)

This study explores whether companies improve their stakeholder relations in order to retain employees with valuable skills and knowledge. Several US states rejected the IDD ‘inevitable disclosure doctrine’ hence allowing employees with valuable knowledge to work with other companies immediately after leaving their original firm. Using US data from 1991-2013, this study finds that firms which are subject to a higher risk of ‘knowledge spillovers’ - especially companies involved in R&D, who operate in competitive markets, are located close to innovation hubs, or have high investment opportunities - react by increasing their CSR activity. Overall, these findings suggest that CSR serves as a strategic tool to mitigate the risk of knowledge spillovers.

The Cost of Calling? A Mixed-Method Investigation of the Financial Impact of Pursuing Meaningful Work

Shoshana Dobrow Riza, Heather Barry Kappes (London School of Economics and Political Science), Jennifer Tosti-Kharas (Babson College)

This research explores whether people who experience a strong calling toward work are more likely to reap lower financial rewards from their work. In other words, is there a cost of calling in terms of salary? A number of different research methods, including field studies and experiments, were used to test whether people who experience a strong calling are more likely to prioritise intrinsic rewards over extrinsic, ultimately resulting in a willingness to make financial sacrifices in order to pursue meaningful work.

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Participating Practitioners:

Aiden Kerr, Operations Director, Flood Re

Paul Moore, Communications Director, EasyJet

Matt Peacock, Group Director of Corporate Affairs, Vodafone

The practitioners each discussed some of the challenges their businesses were facing, how they felt the Blueprint approach had helped them and whether there were areas of academic research that might help.

The challenges

Business needs to learn to take all stakeholders into account in its decision making. Some businesses have fallen into the bad habit of trying to get away with what they can, which has led to anti-business sentiment in public life, including amongst some politicians, regulators and NGOs. There are industry specific challenges, such as human rights or supply chain issues. There is pressure to deal with these issues, whilst using resources as effectively as possible.

The three companies had engaged with Blueprint in different ways, to include carrying out a gap analysis using the Blueprint Principles, embedding Blueprint in the organisation's strategy, policies and decision making and analysing which activities to start, stop and continue. They all felt Blueprint offered them the opportunity to make a difference through their core business, which has the potential to make a positive contribution to society. Blueprint is about core business – it is not CSR. It helps business see people as people and understand the impact the organisation is having on their lives. All agreed that identifying a broader social purpose is necessary for sustainable business success.

A key challenge for all of them is implementation at all levels of the organisation, and encouraging firms that the organisation outsources to, or the companies in their supply chain, to engage with this different way of doing business.

Potential areas where research might help

A number of topics were identified as potential areas for academic research:

- Do consumers care about businesses having a positive impact on society, or are they only driven by price?
- What is the most effective way to communicate work influenced by Blueprint to consumers / others?
- What is stopping change (in the specific areas they were focused on), and how can these barriers be overcome?
- What is the best way to measure the impact of specific pro-social goals?

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The Business Case for Corporate Social Responsibility: A Critique and a Path Forward

Michael Barnett (Rutgers, The State University of New Jersey)

Do firms benefit from their voluntary efforts to alleviate the many problems confronting society? A vast literature establishing a “business case” for corporate social responsibility appears to find that usually they do. This paper argues that the business case literature has established only that firms usually benefit from responding to the demands of their primary stakeholders. The nature of the relationship between the interests of business and those of broader society, beyond a subset of powerful primary stakeholders, remains an open question despite this vast literature. The paper develops a set of propositions that highlight constraints on firms’ ability to profit from corporate social responsibility and outlines a set of managerial challenges on which researchers must focus their attention in order to truly determine whether and when firms can profit by responding to the needs of society. *[This paper can be freely downloaded [here](#)]*

A Purpose-Based Theory of Organizations

Rodolphe Durand and Paul Gouvard (HEC Paris)

This paper looks at what makes a purposeful organisation - and asserts that such an organisation undertakes purposeful actions as evaluated by their audiences; thus purpose is not given but constantly evaluated and re-evaluated by audiences. There is a ‘pointlessness’ in companies which results from a consistent failure to give a general purpose to their actions. Purposeful actions are supported by internally congruent interpretations of reality, of a goal and of a plan, interpretations which are also congruent with an audience’s interpretations. When congruence is higher, then the organisation’s language possesses a higher degree of acceptability, coherence, and relevance for this specific audience. A purposeful organisation interprets a situation e.g. natural resource depletion, pollution, or demographic unbalances and acts upon it to reach a desired reality (i.e. a new and improved situation) in a way that is congruent with multiple audiences’ representation of this situation.

In the beginning: A multi-level understanding of purpose in organizational decision-making processes

Nadine Mayers (University of Cape Town, Graduate School of Business)

Organisational purpose is intended to enable organisations to straddle, and integrate different domains. However, umbrella terms that attempt to straddle competing domains tend to die out in corporations, precisely because they straddle competing domains. This paper considers how organisations can integrate competing interrelated dimensions that are difficult to reconcile drawing from the experiences of a multinational in South Africa. The paper finds that relying on organisational rhetoric, strategy, policy and standards to enable integration throughout the firm is necessary but insufficient. It is not enough to focus on ‘how’ mechanisms - there needs to be a meaningful understanding of the ‘why’ in the areas that are important to the individuals in the organisation at all levels

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Organisations with Purpose: Thrive and Survive

Dana Born (Ph.D. Center for Public Leadership Harvard Kennedy School), Nick Craig (Authentic Leadership Institute) and Brooke Dickens (Harvard College)

This paper asserts that organisations ‘living out their purpose’ are more likely to thrive and survive than those which do not. The challenge with purpose is not to find it - the challenge is to reconnect with the one that has always been there. The paper discusses a number of examples of organisations with purpose and suggests that the most successful companies are those for which the organisation’s purpose and the leader’s personal purpose closely align. Without this congruency, organisational purpose initiatives simply turn into marketing or communication initiatives. The paper then goes on to address the challenge of how to bring purpose to an organisation, drawing on two examples and sharing key insights and links between their work on Authentic Leadership and having an effective organisational purpose.

Purposeful Strategic Thinking

Agustín Jiménez-Sánchez (Consultancy Firm Cauac) and Carlos Largacha-Martínez (Humanistic Management Center)

This paper look at the synergy between the field experience of a consultancy firm, and the theoretical foundations of humanistic management, as a path to create, develop, and consolidate purpose-driven organisations. Insights include that to achieve real change, the senior leadership must believe in and be the principal sponsors of these changes. But it is not sufficient to have top management on board, the paradigms that support former activities that limit an emerging purpose-driven organisation need to change. Changing traditional management from an operations and tactical mind-set to a purpose-driven mentality needs a deep structural change. If we, as society, want purpose-driven organisations to flourish, current board members, CEOs, executives and employees have to develop a new consciousness about the nature of business and its role for the welfare of all.

Trust Factor: The Science of Creating High-Performance Companies

Paul Zak (Claremont)

Organisational cultures can promote prosocial behaviours such as trust or antisocial behaviours such as theft. Studies in social neuroscience have identified the neurochemical oxytocin as a key neurologic signal for trustworthiness. Based on this research and field studies done in businesses, this paper identifies how to build a high-trust culture that promotes group goals and shows that such cultures result in high performance by individuals and organisations. A model is given for how to intervene in cultures to increase trust and case studies show how various organisations have done this. *[the paper was an extract from Paul Zak’s book available [here](#)]*

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Presentation by Professor Nava Ashraf

Professor of Economics and Research Director of the Marshall Institute, London School of Economics

Prof Ashraf shared the following insights from a number of experiments carried out to explore the impact of social benefit to employee motivation:

- A field experiment in Zambia encouraged hairdressers to distribute condoms to customers with different incentives. The experiment showed that those who could see a concrete link to their social impact gave out twice as many condoms as those who received a high financial return for their efforts. *[The research is freely available [here](#)].*
- An experiment with an airline to increase fuel-efficient behaviours of airline captains found that those who were given feedback on their progress, targets *and* the incentive that the company would give £10 to charity if they achieved their target, not only reduced their fuel use but also had significantly higher job satisfaction than those who were given feedback and targets, feedback only, or none of these incentives. Although the company acknowledged the cost-saving benefits, the charity incentives were symbolic of the employer's contribution to society, which gave pilots additional altruistic motivation. *[The research is available [here](#)].*
- An experiment with the government of Zambia introduced a new programme to train Community Health Workers (CHW), who act as nurses in their own communities and become part of the civil service. They wanted to know the best way to find the right people for the job. All those recruited would be given the same financial incentives on the job, but the experiment tested what difference a person's motivation for applying would make to how they performed. Two types of recruitment posters were used - half emphasised the benefits CHWs could provide to the community, and half emphasised the career benefits of being a CHW. The results showed positive indicators for those recruited using the career poster – for example, they did 29% more household visits than those recruited on the basis of community benefits, they convinced more people to use the clinics, and the share of underweight children went down 25% in areas under their care. *[The research is freely available [here](#)].*

On the face of it the results of this last experiment seem to contradict the idea that those given altruistic motivations perform better, but Prof Ashraf asserted that there is no trade-off between caring about the community and caring about one's own career. The general economic situation in Zambia and in particular the lack of career paths for people to follow obviously had a bearing on this experiment - the motivation to build a career has a different meaning in that context. They *all* cared about having a positive impact on the community but those recruited using the poster emphasising career benefits had additional motivation. It is not a case of 'altruism' vs. 'self-interest' or 'me' vs. 'you' – people can act in the interests of themselves and others at the same time.

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Gender Bias, Social Impact Framing, and Evaluation of Entrepreneurial Ventures

Matthew Lee (INSEAD) and Laura Huang (The Wharton School University of Pennsylvania)

Recent studies suggest that gender stereotypes disadvantage female entrepreneurs in their attempts to acquire resources for their ventures. This paper presents findings suggesting that female entrepreneurs were more likely to gain support if they framed their businesses to emphasise benefits to society and the environment. Further experimental evidence suggests that this is because social impact frames increase perceptions of female entrepreneurs' warmth, without sacrificing perceptions of their competence, thus avoiding "backlash" effects shown to disadvantage female entrepreneurs..

Exploring the Formation of Organizational Purpose in an Athletic Footwear and Apparel Company

Douglas Lepisto (Haworth College of Business, Western Michigan University)

This study of an athletic footwear and apparel company tests how organisations can form a higher purpose. Using ethnographic research methods, this study finds that a higher purpose can emerge without deliberate leadership actions. In particular, it highlights the importance of "corporate identity rituals" - powerful and emotive shared experiences around the company's products and services. These rituals provide an important mechanism by which companies can form a higher purpose without relying on speeches from leaders.

'God at Work' - Responding to Competing Institutional Logics Through Elastic Hybridity

Ali Aslan Guemesay, Michael Smets and Timothy Morris (Saïd Business School, University of Oxford)

This paper examines how an Islamic bank in the Eurozone worked through tensions between religious prescriptions and market demands. Also using ethnographic methods, it looks at how the bank developed novel responses to constructively accommodate both, despite their central and incompatible nature and considers how the conflict of these two logics is managed by developing 'elastic hybridity', which allows organisational flexibility between different ways of thinking.

**Ethnographic method of research is a study of social interactions, behaviours, and perceptions that occur within groups, teams, organisations, and communities.*