

Navigating Identity and Culture in Nonprofit-to-For-Profit Transitions

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ABSTRACT:

Transitioning from a nonprofit to a for-profit subsidiary presents unique challenges and opportunities, particularly in the realms of organizational identity and culture. This paper explores the complexities faced by nonprofit organizations as they establish for-profit entities, focusing on the cultural and identity shifts required for successful transformation. Drawing on case studies, interviews, and organizational theory, the study examines how core values, mission alignment, and stakeholder expectations evolve during the transition process. It highlights the tensions that arise between maintaining a social mission and adopting a market-driven approach, as well as the strategies organizations use to reconcile these differences. The research identifies key factors that facilitate a smooth transition, including leadership adaptability, transparent communication, and the integration of hybrid organizational practices. The findings suggest that a deliberate and inclusive approach to managing identity and culture can help organizations preserve their foundational values while embracing new commercial opportunities. This paper provides practical recommendations for nonprofit leaders and boards considering or undergoing such transitions, emphasizing the importance of cultural alignment and identity clarity in achieving long-term success.

Keywords: organizational identity, organizational culture, nonprofit transition, hybrid organization

1. Introduction

In recent years, an increasing number of nonprofit organizations have begun establishing for-profit

subsidiaries as a strategy to diversify funding, enhance impact, and respond to evolving market demands. These transitions are more than structural changes; they involve deep shifts in organizational

identity and culture. Moving toward a revenue-generating model requires nonprofits to reconcile their social missions with commercial imperatives, often sparking internal and external tensions. This phenomenon is particularly significant in today's landscape, where sustainability and innovation are critical to mission-driven success.

The purpose of this paper is to explore the identity and cultural dimensions of nonprofit-to-for-profit transitions. It investigates how organizations manage the dual pressures of maintaining legitimacy among traditional stakeholders while embracing new business-oriented practices. Rather than focusing solely on financial or legal aspects, this study centers on the human, symbolic, and organizational changes required for a successful transformation. By examining case studies, conducting interviews, and applying organizational theory, the paper offers an in-depth look at how values, mission alignment, and stakeholder expectations evolve through the transition process.

Key questions guiding this inquiry include how nonprofit organizations redefine their identity during the transition, what cultural adjustments are necessary to support both mission and market goals, and what strategies can help maintain coherence across both domains. The following sections delve into these questions, offering insights into the challenges and best practices for organizations navigating the complex terrain of hybridization. Ultimately, the paper aims to provide practical guidance for leaders seeking to balance integrity and innovation in the pursuit of long-term sustainability.

2. Literature Review

Organizational identity and culture in the nonprofit sector are deeply rooted in mission-driven values,

stakeholder trust, and social legitimacy. These characteristics distinguish nonprofits from their for-profit counterparts and shape how they respond to internal and external pressures. As Larsson, Forsberg, and Schneider (2022) observe in their comparative study of elderly care institutions, nonprofit organizations often prioritize co-production and participatory values, which differ markedly from efficiency-oriented practices in for-profit entities. This identity becomes particularly salient—and vulnerable—during transitions toward hybrid or for-profit models.

The growing body of literature on hybrid organizations provides a framework to understand these transitions. Hybrid organizations operate under multiple institutional logics—such as social welfare and market efficiency—that can create tensions in governance, accountability, and cultural coherence (Besharov & Smith, 2014; Skelcher & Smith, 2015). Battilana and Dorado (2010) explore how commercial microfinance institutions built sustainable hybrids by managing competing logics through hiring practices and value-based integration. Similarly, Battilana and Lee (2014) highlight how hybrid organizing demands structural and cultural adaptations to maintain both legitimacy and viability.

Cultural change within these transitions often involves managing paradoxes and identity conflicts. Jay (2013) and Pache and Santos (2013) explain how navigating paradox and selective coupling allow hybrid organizations to maintain internal coherence while addressing competing external demands. These findings are mapped in Figure 1, which illustrates the theoretical foundations and focal areas of hybridization studies, including identity, culture, governance, and institutional logic.

Table 1. Key Literature on Organizational Identity, Culture, and Hybrid Transitions

Author(s)	Title	Focus Area	Key Insight
Larsson, Forsberg & Schneider (2022)	Comparing co-production in public, for-profit, and non-profit organizations	Nonprofit culture and values	Highlights value-driven co-production as a cultural distinction in nonprofit operations
Battilana & Dorado (2010)	Building sustainable hybrid organizations	Identity integration in hybrids	Demonstrates how hiring and culture help reconcile dual institutional logics
Besharov & Smith (2014)	Multiple institutional logics in organizations	Institutional pluralism	Offers a typology explaining different outcomes of logic multiplicity
Battilana & Lee (2014)	Advancing Research on Hybrid Organizing	Theorizing hybrid organizations	Establishes a framework for studying the internal dynamics of hybrid structures
Jay (2013)	Navigating Paradox as a Mechanism of Change	Paradox and innovation	Explains how managing paradox supports innovation and change in hybrid settings
Pache & Santos (2013)	Inside the Hybrid Organization	Selective coupling	Identifies strategies to selectively align with competing institutional expectations
Skelcher & Smith (2015)	Theorizing hybridity: Institutional logics and actor identities	Identity tension in complex organizations	Shows how actor identities shift in response to hybrid institutional demands

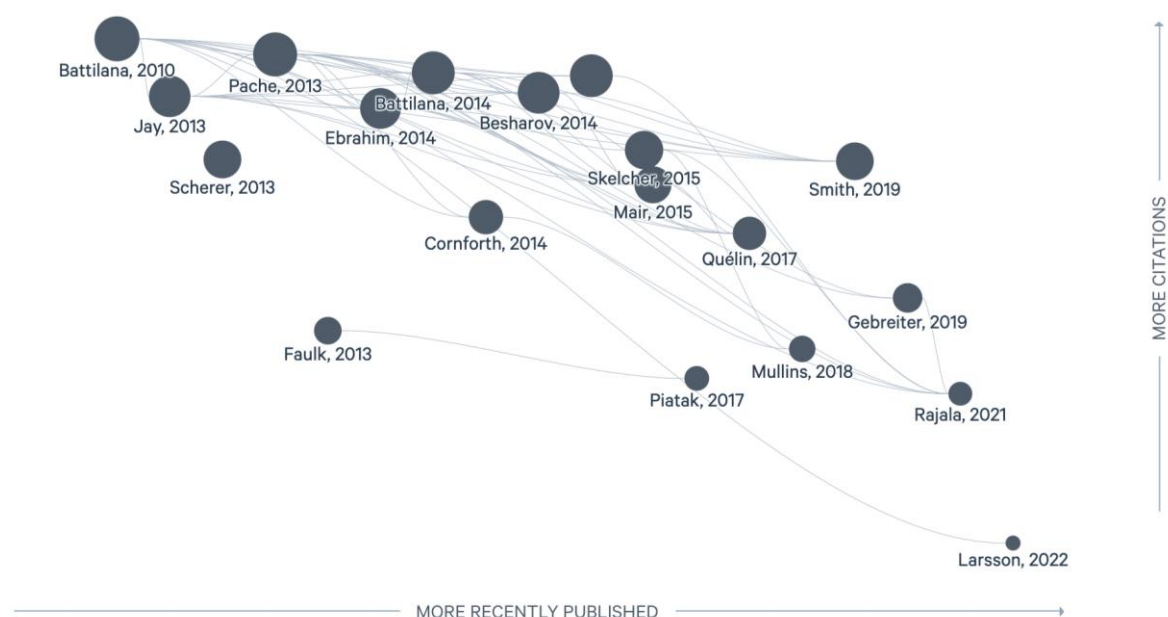


Figure 1. Literature Mapping on Organizational Identity and Culture in Hybrid Transitions

To synthesize this diverse literature, Table 1 summarizes key contributions relevant to identity and cultural transformation during nonprofit-to-for-profit transitions. It includes theoretical orientation, empirical context, and major findings that inform this paper's conceptual grounding.

Through these theoretical and empirical lenses, this paper situates nonprofit-to-for-profit transitions as complex cultural evolutions shaped by multidimensional influences. Central to this effort is the imperative of building robust knowledge management systems that document all processes of innovation and transformation — ensuring institutional memory is preserved and leveraged as organizations evolve (Budiyo et al., 2024a). Such documentation not only supports governance and strategic continuity but also enables organizations to systematically capture lessons learned across hybrid transitions (Apriadi et al., 2024; Budiyo et al., 2024b). The following sections apply these insights to examine real-world cases and offer strategic recommendations for leaders navigating similar hybrid challenges.

3. The Challenge of Identity and Culture in Transitions

Organizational identity refers to the central, enduring, and distinctive characteristics that define an organization's self-conception, while organizational culture encompasses the shared values, beliefs, and norms that guide behavior within the organization. In the nonprofit sector, identity is often tightly linked to a social mission, stakeholder trust, and moral legitimacy. Culture reinforces this identity through collaborative decision-making, mission-focused leadership, and commitment to service. However, when a nonprofit initiates a transition to a for-profit subsidiary, these defining elements are placed under significant pressure.

The transition challenges identity by introducing a new logic—commercial performance—that may conflict with the existing mission-driven orientation. Employees, board members, and

external stakeholders may struggle to reconcile profit motives with social values, creating uncertainty about the organization's true purpose. Culture, similarly, undergoes strain as new business practices, such as performance metrics, competitive positioning, and market responsiveness, are introduced. These practices can be perceived as a departure from the collaborative and altruistic ethos of the nonprofit context.

The tension between social mission and commercial imperatives is particularly acute in hybrid structures. As Battilana and Dorado (2010) emphasize, organizations must carefully manage identity integration to avoid fragmentation and mission drift. Besharov and Smith (2014) further note that when multiple institutional logics coexist without alignment, internal conflict and inefficiencies often follow. Thus, the cultural and identity challenges in such transitions are not merely operational—they go to the heart of what the organization is, whom it serves, and how it defines success in a dual-purpose environment.

4. Case Studies and Key Findings

Examining real-world cases offers valuable insights into how organizations navigate identity and cultural shifts during transitions. A particularly illustrative example is Badak, which has strategically expanded its operations by creating for-profit subsidiaries to complement its nonprofit foundation. This case demonstrates how organizations can balance legacy values with the demands of market-oriented growth.

As shown in Figure 2, Badak established two main streams under its subsidiary structure: Business Units (NRR Services) and Transformation Projects. The Business Units focus on core activities such as commissioning and start-up assistance, operation and maintenance services, technical services, and training. These services represent extensions of Badak's traditional expertise, ensuring continuity with its nonprofit roots while providing a more commercially sustainable model.

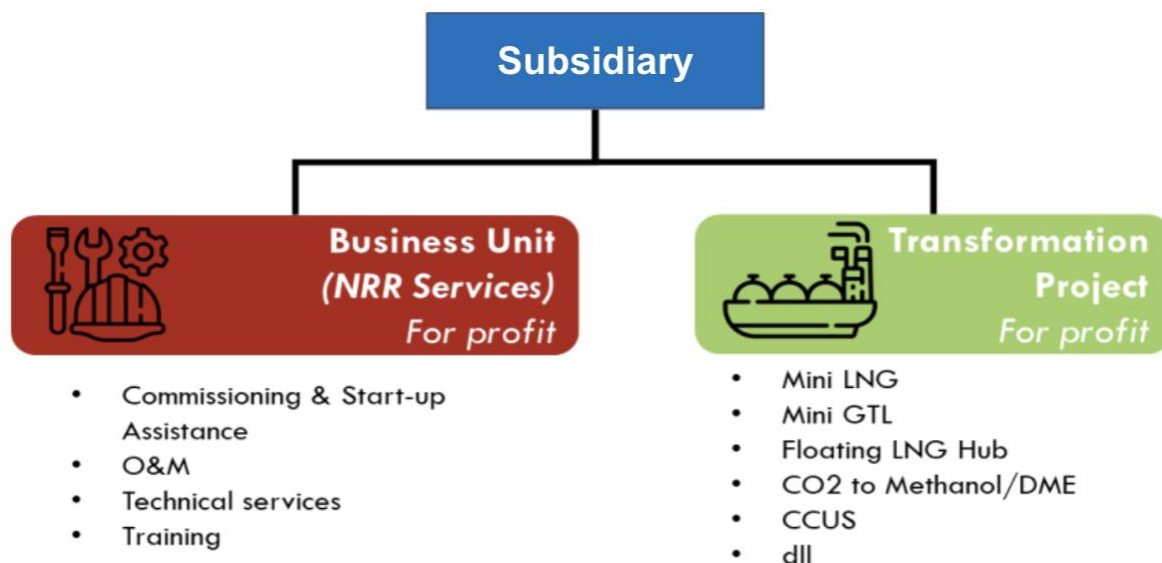


Figure 2. Subsidiary Structure (Business Units & Transformation Projects)

In contrast, Figure 3 illustrates the scope of the Transformation Projects, which emphasize innovation and long-term competitiveness. These projects include the development of mini LNG and mini GTL facilities, floating LNG hubs, and CO₂-to-methanol conversion technologies. This

forward-looking portfolio highlights Badak's effort to integrate research and development with market opportunities, demonstrating how the company seeks to align technological innovation with economic viability.

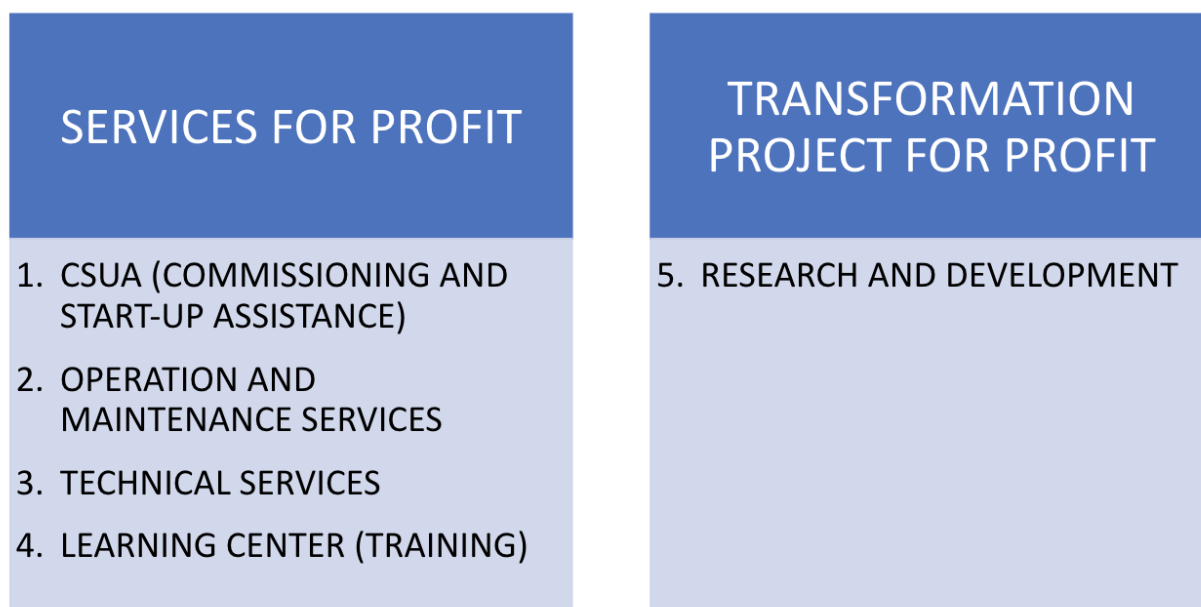


Figure 3. Details of Transformation Projects and Services Focus

Stakeholder responses to Badak's strategy highlight both opportunities and tensions. While the initiatives reinforce Badak's technical credibility, they also raise questions about maintaining social mission alignment amidst profit-driven objectives.

The dual structure exemplifies the complexity of cultural adaptation, as employees and stakeholders must internalize hybrid practices without losing sight of foundational values.

5. Strategies for Managing Identity and Culture

Managing identity and culture in times of transition requires deliberate effort and a recognition that culture should not remain static but be continuously developed. Leadership plays a vital role in shaping this process by providing vision, adaptability, and clarity of purpose. Transparent communication and active stakeholder engagement help reduce resistance, ensuring that cultural shifts are understood and accepted across different organizational levels.

A critical insight is that every value proposition requires a distinct cultural foundation, which makes integration across different functions or subsidiaries highly complex. For instance, a product leadership strategy thrives on a competent culture that emphasizes expertise and innovation, while operational excellence is best supported by a control

culture rooted in systems, rules, and procedures. In contrast, customer intimacy demands a culture of collaboration, where trust and adaptability are prioritized. Attempting to blend these approaches often creates tensions, underscoring the need for thoughtful management of cultural diversity within organizations.

The solution lies in balancing a strong control culture with a contingency-based organic system, where formal rules are supplemented by flexibility and responsiveness. By embedding an excellence mentality across all cultural forms, organizations can harmonize diverse practices without undermining their unique strengths. In this way, culture becomes a dynamic asset that not only supports identity during transitions but also equips organizations to thrive in the face of competing imperatives that are shown in this figure below.



Figure 4. Alignment of Value Propositions with Organizational Cultures

6. Practical Recommendations

For nonprofit leaders and boards considering or undergoing a transition to a for-profit structure, several practical steps can support a successful transformation while preserving organizational integrity. First, it is essential to establish a unified vision that clearly articulates how the new for-profit entity aligns with the broader mission. This vision should be communicated consistently across all levels of the organization to ensure clarity and alignment.

Second, leaders should invest in early and ongoing stakeholder engagement. Involving staff, donors, clients, and community partners in the transition process fosters transparency and helps surface potential concerns before they escalate. Open channels for feedback, inclusive decision-making, and regular updates can build trust and strengthen commitment to the change.

Third, organizations should develop internal frameworks that integrate both mission and market goals. This may include dual-key performance indicators that measure both financial performance and social impact, as well as hybrid governance

structures that include oversight from both mission-oriented and commercially experienced individuals.

Fourth, building organizational resilience is critical. Transitions often generate uncertainty and operational strain, so preparing teams with change management training, clear role definitions, and support systems can help ease the process. Leaders should also remain attentive to cultural dynamics, using tools such as climate surveys or values workshops to assess and reinforce alignment.

Lastly, maintaining mission alignment requires deliberate, ongoing attention. Leaders must model values-driven behavior, regularly revisit the organization's purpose, and ensure that commercial growth does not come at the expense of social outcomes. A steady focus on mission clarity, cultural coherence, and stakeholder inclusion is key to long-term success.

7. Conclusion

The transition from nonprofit to for-profit structures presents a unique and complex challenge, particularly in the realms of organizational identity and culture. This paper has explored how such transitions require more than structural or financial realignment—they demand a deep reconsideration of how organizations define themselves, communicate their purpose, and engage with internal and external stakeholders. Key insights include the central role of adaptive leadership, the importance of transparent and inclusive

communication, and the necessity of integrating hybrid practices that honor both social and commercial imperatives.

Real-world case studies reveal that tensions between mission and market can be successfully navigated when organizations approach change with intentionality and openness. Maintaining mission clarity, embedding values into operational routines, and engaging stakeholders throughout the process are essential strategies that help organizations evolve while staying true to their foundational identity.

For organizations considering this path, the findings underscore the need to treat identity and culture not as afterthoughts but as core strategic priorities. The transition is not a one-time shift but a continuous process that must be monitored, evaluated, and refined over time. Boards and leaders play a critical role in modeling values, setting expectations, and guiding cultural evolution.

Future research should explore longitudinal studies of nonprofit-to-for-profit transitions across different sectors, the role of employee identity during cultural integration, and the development of sector-specific tools for managing hybridity. Understanding how these transitions unfold over time and in diverse contexts will provide richer guidance for mission-driven organizations navigating an increasingly complex and blended operational landscape.

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