

**CROSS-SECTORAL HYBRIDIZATION AS A STRATEGY
TO TURN INSTITUTIONAL VOIDS INTO OPPORTUNITY SPACES**

**THE CASE OF HYBRID ORGANIZATIONS PROVIDING
HEALTH CARE AT THE BASE OF THE PYRAMID**

ALINE MARGAUX LAUCKE

Civil Society Center | Chair for Strategic Organization and Financing | Zeppelin University

A doctoral thesis
submitted on the 26th of April 2016
to the Faculty of Corporate Management and Economics at Zeppelin University,
Friedrichshafen, Germany

First Advisor: Prof. Dr. Stephan A. Jansen,
Karlsruhe International University, Karlsruhe

Second Advisor: Prof. Dr. Alex Nicholls, MBA
Saïd Business School, Oxford

Please direct inquiries to aline.laucke@gmail.com

ABSTRACT

Organizations that aim at delivering essential goods and services to low-income populations at the base of the pyramid increasingly blend the social welfare and the commercial logics in an effort to create financially sustainable solutions to social problems. Scholars have portrayed these cross-sectoral hybrid organizations as particularly agentic and resilient in institutionally complex settings, highlighting their ability to turn institutional voids into opportunity spaces. At the same, the reconciliation of two antagonistic goals, namely poverty alleviation and financial value creation, as well as the multiple institutional voids that hybrid organizations face at the base of the pyramid (BoP) expose them to severe tensions. By investigating eight hybrid organizations in four countries, namely Colombia, Mexico, Kenya and Colombia, the present study contributes to a better understanding of cross-sectoral hybrid organizations in BoP settings in two ways.

First, it shows that hybrid organizations not only face tensions between sector logics, but also between formal and informal, as well as between “Western-style” and “local style” strategic action fields. In settings which do not effectively provide guidance on the prioritization of social vs. financial objectives, these institutional voids manifest as tensions over goals and tensions over means in hybrid organizations.

Second, the study sheds light on how field-level dynamics influence the ability of hybrid organizations to strategically employ factors that spur legitimacy advantages in an effort to turn institutional voids into opportunity spaces. Two different scenarios have been identified.

One scenario refers to Colombia, Mexico and Kenya, which have been classified as fields that don't effectively enforce a dominant sector logic concerning the legitimate way that health services should be provided to low-income populations. The present study has shown that in such fields, an organization's logic of origin as well as the personal background of founders are factors that may spur legitimacy advantages in hybrid organizations. In effect, organizations which strategically employ these factors can select more freely from competing logics and ultimately overcome the prevailing tensions. This resonates with previous research, which has suggested that in fields with a dominant logic, hybrid organizations may take advantage of legitimacy advantages if their logic of origin corresponds to the dominant logic at the field level (Pache and Santos, 2012). However, the present study suggests that the factors leading to legitimacy advantages are more complex in fields with no effective dominant logic regarding social service provision. Here, the dominant logics among funding organizations, possible legitimacy spill-over effects from other market players, as well as the specifications of the commercial and the social welfare logics become important sources of possible legitimacy advantages. However, the study suggests that an organization's ability to employ them strategically is dependent on their time of founding and their size.

In addition to these findings, the study also provides insights on cross-sectoral hybridization in fields with a weakly enforced dominant logic, which is the second scenario that has been identified in South Africa. In particular, the study suggests that in such settings, hybrid organizations are more restricted to freely draw from competing logics, given that they face effective, normative imperatives about the goals they should pursue. However, the empirical investigation also indicates that an organization's resource dependence structure is more influential than the encountered normative claims of audiences in health fields at the BoP. Further research is needed to refine these insights and explore cross-sectoral hybridization in social service provision fields in contexts of a weakly enforced dominant logic.

Based on these findings, the author derives a range of practical recommendations that may themselves be interpreted as paradoxical. As the empirical study suggests, blended value creating hybrid organizations in Colombia, Mexico and Kenya currently face legitimacy advantages when originating from a commercial origin. The researcher is thus, on the one hand, inclined to recommend them to position themselves as commercially oriented organizations as to take advantage of the legitimacy advantages that the commercial logic currently entails. On the other hand, she cautions actors in the field of blended value creation, particularly funding entities, not to neglect the actual role of nonprofit organizations. The establishment of (health) markets that provide low-income populations in developing and emerging economies with affordable, high-quality products and services is likely to require significant unprofitable efforts. Finally, hybrid organizations in South Africa need to be more careful when adopting structures or practices from the commercial logic given the low legitimacy that this logic has in the health market at the BoP. There, organizations need to thoroughly analyze the institutional claims in the specific context of post-Apartheid South Africa.

TABLE OF CONTENT

ABSTRACT	I
TABLE OF CONTENT	III
LIST OF FIGURES	VII
LIST OF TABLES	IX
LIST OF ABBREVIATIONS	XI
1 INTRODUCTION	1
1.1 Background and Problem Statement	1
1.2 Purpose and Significance of the Study	6
1.3 Structure of the Study	7
2 CHANGES IN THE HISTORICAL CONFIGURATION OF SOCIAL SERVICE PROVISION IN DEVELOPING AND EMERGING ECONOMIES	9
2.1 Market Liberalization, Third Sector Organizations and the Changing Role of Governments	9
2.1.1 The Commercialization of the Third Sector	12
2.1.2 The Rise of Endogenous, Market-Based Solutions and the Private Sector as a Legitimate Recipient of Foreign Aid	16
2.1.3 Blended Value Creation in Developing and Emerging Economies	19
2.1.4 The Case of Health Care	21
2.2 The Base of the Pyramid Proposition: New market opportunities for blended value creation in developing and emerging economies	24
2.2.1 From an Untapped Customer Market to Mutual Co-Creation at the BoP	24
2.2.2 Benefits and Challenges to Operate at the BoP	26
2.2.3 Strategies for Businesses at the BoP	30
3 ORGANIZATIONAL HYBRIDITY IN THE CONTEXT OF INSTITUTIONAL COMPLEXITY	33
3.1 Introducing Institutional Theory	35
3.1.1 Key Concepts of Institutional Theory	35
3.1.2 From Environmental Determinism to Organizational Agency	38
3.1.3 The “Paradox of Embedded Agency” and How Reflexivity Can Help	45
3.2 Institutional Complexity, Institutional Voids and their Influence on Organizations	46
3.2.1 Institutional Voids – From Empty Spaces to Institutional Abundance	47
3.2.2 Understanding Institutional Complexity at the Field Level	50
3.2.3 Organizational Responses to Institutional Complexity	53
3.3 Hybrid Organizations: The Internalization of Institutional Complexity	57
3.3.1 Introduction in Cross-Sector Hybridity	60
3.3.2 Conflicts and Tensions in Hybrid Organizations	65
3.3.3 Strategic Behavior in Hybrid Organizations	72
3.3.4 The Role of Organizational Origins	80

4	HYBRIDIZATION AS A STRATEGY TO TURN INSTITUTIONAL VOIDS INTO OPPORTUNITY SPACES – THE STUDY’S CONCEPTUAL FRAMEWORK	83
4.1	Problem Statement, Focal Concepts and Research Questions	83
4.1.1	Turning Institutional Voids into Opportunity Spaces	84
4.1.2	The Ability to Hybridize.....	87
4.2	Research Objectives.....	92
5	RESEARCH SETTING AND METHODOLOGY	95
5.1	Research Paradigm	95
5.2	Research Design and Setting: Comparative Case Studies of Health Care BoP Approaches.....	96
5.2.1	Country Selection	98
5.2.2	Case Selection	108
5.3	Data Collection	115
5.4	Data Analysis.....	117
6	EMPIRICAL ANALYSIS AND FINDINGS.....	125
6.1	Hybrid Organizations with Commercial Origins.....	125
6.1.1	MEX-FP: Defying the Mexican Health Sector.....	125
6.1.2	KEN-FP: Just a “Normal” Business.....	137
6.1.3	COL-FP: Navigating Around Obstacles	146
6.1.4	SA-FP: Leaving the Fast Lane	152
6.1.5	Comparative Reflections on Hybrid Organizations with Origins in the Commercial Logic.....	164
6.2	Hybrid Organizations with Social Welfare Origins.....	172
6.2.1	MEX-NP: Exiting the Nonprofit World	172
6.2.2	KEN-NP: Juggling with Logics	179
6.2.3	SA-NP: Cautiously Approaching Social Enterprise.....	195
6.2.4	COL-NP: Pushed Towards Mission Shift	206
6.2.5	Comparative Reflections on Hybrid Organizations with Origins in the Social Welfare Logic.....	215
6.3	Comparative Reflections on the Role of the Institutional Context.....	221
6.4	Summary and Discussion of Findings	223
6.4.1	Institutional Voids as Sources of Tensions in Cross-Sectoral Hybrid Organizations	223
6.4.2	Determining Cross-Sectoral Hybridization Strategies and Hybridization Patterns at the BoP	227
6.4.3	The Role of the Institutional Context in Hybrid Organizations’ Ability to Turn Institutional Voids into Opportunity Spaces.....	230
6.4.4	Hybridization Strategies in Fields With no Enforced Dominant Field Logic	232
6.4.5	Reflections on Hybridization Strategies in Fields with a Weakly Enforced Dominant Logic.....	242

7 CONCLUSION	245
7.1 Theoretical Implications	247
7.1.1 Implications for Theory on Hybrid Organizations from an Institutional and Paradox Perspective	247
7.1.2 Implications for Literature on Blended Value Creating Approaches (Social Enterprise and BoP research).....	253
7.1.3 Implications for Development Literature	254
7.2 Counterfactuals, Limitations and Further Research.....	255
7.3 Practical Implications	259
Appendices	263
Appendix 1: Extracts of Case Study Protocol Template.....	263
Appendix 2: List of Case Study Interviews	267
Appendix 3: Code Book for Deductive Data Analysis	268
Appendix 4: Elements of Social Welfare and Commercial Logics	270
Appendix 5: Empirical Material Illustrating Sources of Tensions	277
Institutional Voids Between the Social Welfare and the Commercial Logic	277
Institutional Voids Between Formal and Informal Strategic Actions Fields.....	283
Institutional Voids Between Western and Local Strategic Actions Fields.....	285
Appendix 6: Empirical Material Illustrating Hybridization Strategies	287
Appendix 7: Empirical Material Reflecting Legitimacy of Sector Logics in Health Fields	296
Bibliography.....	303

LIST OF FIGURES

Figure 1:	“The Social Investment Spectrum”	20
Figure 2:	“The Three Sectors and their Hybrid Zones”	62
Figure 3:	“The Hybridization Movement”	63
Figure 4:	“Types of Logic Multiplicity Within Organizations“	68
Figure 5:	“Dimensions of Hybrid Organizing”	76
Figure 6:	“A Dynamic Equilibrium Model of Organizing“	77
Figure 7:	Relationships Between Focal Concepts for Empirical Analysis	92
Figure 8:	Antecedents and Consequences of Legitimacy Advantages in Cross-Sectoral Hybrid Organizations Operating in BoP settings with No Enforced Dominant Logic in Social Service Provision	242

LIST OF TABLES

Table 1:	Strategic Responses to Institutional Processes.....	39
Table 2:	“Two Ideal Types of Higher Education Publishing”.....	52
Table 3:	“Principles underlying the private, the public and the third sector”.....	61
Table 4:	“Competing Belief Systems of the Social Welfare and Commercial Logics”.....	64
Table 5:	“Institutional Logics in Cross-Sectoral Hybrid Organizations”.....	65
Table 6:	“Drivers of Variation in Compatibility and Centrality“.....	68
Table 7:	“Social-Business Tensions within Social Enterprises”.....	70
Table 8:	“Typologies of hybridization approaches“.....	75
Table 9:	Key Social and Economic Indicators of Colombia, Mexico, Kenya and South Africa.....	100
Table 10:	Breakdown of Health Expenditures in Colombia, Mexico, Kenya and South Africa.....	101
Table 11:	Key Features of Cases.....	114
Table 12:	Steps of Data Analysis and Relationship to Conceptual Framework.....	119
Table 13:	Trajectory of Tensions, Strategies and Hybridization Patterns in MEX-FP.....	135
Table 14:	Trajectory of Tensions, Strategies and Hybridization Patterns in KEN-FP.....	144
Table 15:	Trajectory of Tensions, Strategies and Hybridization Patterns in COL-FP.....	151
Table 16:	Trajectory of Tensions, Strategies and Hybridization Patterns in SA-FP.....	162
Table 17:	Overview of Tensions and Hybridization Strategies in Hybrid Organizations with Commercial Origins.....	166
Table 18:	Trajectory of Tensions, Strategies and Hybridization Patterns in MEX-NP.....	177
Table 19:	Trajectory of Tensions, Strategies and Hybridization Patterns in KEN-NP.....	191
Table 20:	Trajectory of Tensions, Strategies and Hybridization Patterns in SA-NP.....	204
Table 21:	Trajectory of Tensions, Strategies and Hybridization Patterns in COL-NP.....	213
Table 22:	Overview of Tensions and Hybridization Strategies in Hybrid Organizations with Social Welfare Origins.....	216
Table 23:	Overview of Propositions Derived from Empirical Analysis of Hybrid Organizations at the BoP.....	241

LIST OF ABBREVIATIONS

BBBEE	Broad-Based Black Economic Empowerment
BoP	Bottom / Base of the Pyramid
BVC	Blended Value Creation
CSR	Corporate Social Responsibility
CTP	Critical Tension Point
DAC	Development Assistance Committee
EPS	Entidad Promotora de Salud
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GIM	Growing Inclusive Markets
HDI	Human Development Index
IFC	International Finance Corporation
ILO	International Labour Organization
IMF	International Monetary Fund
IMSS	Instituto Mexicano del Seguro Social
IPS	Instituto Prestador de Salud
ISSTE	Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado
LDC	Least Developed Country
LMIC	Low- and Middle-Income Country
MDG	Millennium Development Goals
MNC	Multinational Corporation
MPI	Multidimensional Poverty Index
NHIF	National Health Insurance Fund
ODA	Official Development Aid
OECD	Organisation for Economic Co-operation and Development
PPP	Purchasing Power Parity
PRSP	Poverty Reduction Strategy Paper
RC	Response Cycle
SISBEN	Sistema de identificación y clasificación de potenciales beneficiarios para programas sociales
SME	Small and Medium-Sized Enterprises
UHC	Universal Health Coverage
UNDP	United Nations Development Programme
USD	United States Dollar
USAID	United States Agency for International Development

1 INTRODUCTION

1.1 Background and Problem Statement

Innovative organizational models that solve societal issues with business means and concurrently create social and economic, that is, *blended value* (Emerson, 2003), have raised significant attention, both in theory and practice. This trend, which blurs traditional boundaries between the public, private and third sectors (Nicholls & Murdock, 2012), is particularly prominent in developing and emerging economies.¹ On the one hand, their economic growth often leads to a flourishing private sector that attracts foreign and domestic investors. On the other hand, many social issues such as access to health and education remain pressing challenges that still require support from development organizations and donors, as governments often lack the necessary resources and institutional strength to ensure a full supply of basic goods and services. Their provision is thus typically organized in mixed markets, meaning that various players from diverse sector backgrounds collaborate and/or compete with each other (Marwell & McInerney, 2005, p. 7). Given this pluralistic environment, various players have called for collaborations, as well as solutions that overcome sectoral barriers and create blended value in an effort to become self-sustainable and provide lasting solutions to societal needs (see e.g. United Nations Development Programme, 2008, p. 21).

The *base of the pyramid* (BoP) proposition, introduced by Prahalad and Hart (2002), is one of the blended value creating approaches that has spurred enthusiasm mainly among business practitioners and scholars. By stressing the existence of an untapped “fortune” at the BoP, that is, the market of low-income people,² Prahalad and Hart expressed a pivotal claim: poverty reduction does not necessarily have to happen at the expense of profit generation (p. 2). If innovative business models are applied at a large scale, the authors argue, the BoP yields a huge market potential, where both social and economic value can be created in a mutually beneficial way.

¹ The term “public sector” is used to refer to the sphere of the economy owned and run by governmental entities both at the national and municipal level. “Private sector” refers to the sphere that is run by commercially driven organizations and primarily seeks profit making. It is mainly populated by for-profit organizations, such as private companies and small and medium-sized enterprises (SMEs), as well as banks, investment funds and individual investors. Finally, the “third sector” designates the sphere between community, market and state, in which particularly nonprofit or civil society organizations emerge in order to promote certain social objectives. These organizations include, for instance, foundations and nongovernmental organizations (NGOs). Third sector (organization) is often used interchangeably with “nonprofit sector/organization” or “civil society (organization)” – although each term implies a different emphasis. However, they generally refer to the same phenomenon, namely organizations that operate between the public and the private sector. In this study, the terms will be used interchangeably, depending on the context and the references from which they are drawn.

² In accordance with extant literature, the term BoP is used in this study to refer to the approximately four billion people around the world that live in considerable poverty and face substantial socioeconomic challenges. Although a small share of these people live in the Global North, the term is furthermore used with a focus on developing and emerging economies, that is low- and middle income economies with rapid growth rates and a focus on economic liberalization as their primary growth engine (Hoskisson, Eden, Lau, & Wright, 2000, p. 249).

However, there are so far only relatively few examples of BoP approaches that are financially and socially successful on a larger scale (Simanis, 2012). Evidence from microfinance, the best-known example of large-scale blended value creating approaches at the BoP, has triggered controversial discussions about its actual social impact and thus the legitimacy of “doing business with the poor” (see e.g. Khavul, 2010). Examples include the Mexican bank *Compartamos*, as well as the Indian microfinance institution *SKS*, which sparked a global wave of indignation by going public and attracting large private investments. Critics argued that in order to fulfill their shareholders’ profit expectations both organizations putatively turned their socially oriented initiatives into companies that generated profit out of the poor (The New York Times, 2012). In addition, the wide range of challenges that prevail in BoP markets make profitability, or even financial sustainability, difficult to achieve. The BoP proposition has therefore been criticized for being overly optimistic concerning the compatibility of social and financial value creation (see e.g. Karnani, 2006, p. 91f.).

Hence, it isn’t surprising that Multinational Corporations (MNCs), which were Prahalad and Hart’s main target group due to their ability to achieve economies of scale, have remained hesitant in approaching the BoP. Instead, new types of organizations have taken up the challenge of creating blended value through business models that serve the poor – particularly hybrid organizations that embrace the institutional logics³ of the private and the third sector, that is, the *commercial logic* and the *social welfare logic* (Pache & Santos, 2012, p. 972). *Social enterprises*, *inclusive businesses* and other types of *social innovations*, combine structures and practices traditionally belonging to separate sectors in order to make sense of complex environments and to gain the legitimacy and resources needed to achieve their hybrid goals of social and economic value creation (ibid). This capacity has been put forth as particularly important in a world that becomes more global, fast paced, and competitive, and thus depicts a higher level of institutional complexity, where multiple institutional logics co-exist, compete with each other, and create contradictory prescriptions for organizations (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011).

Still, despite their potential innovativeness and flexibility to adapt to institutional complexity, organizational scholars have also pointed to the tensions that hybrid organizations have to manage. Being exposed to conflicting institutional demands can cause tensions that jeopardize the achievement of aspired goals, or even organizational survival, as complying with one set of demands may require neglecting another set of demands (see e.g. Battilana & Dorado, 2010; Besharov & Smith, 2013; Pache & Santos, 2012; Smith & Lewis, 2011).

Besides microfinance or telecommunications, for instance, health care is one of the fields in which hybrid organizations currently work towards developing and delivering solutions with a

³ Institutional logics are defined as “the socially constructed, historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality” (Thornton und Ocasio 1999, p. 804).

blended value creation approach. As a central human need, health is not only a human right, but also a huge market that attracts both philanthropic and commercial actors (see e.g. International Finance Corporation, 2007; Kapoor & Goyal, 2013; Paul, 2005). Especially in emerging economies, health sectors are characterized by high degrees of institutional complexity. Generally, various subsystems of health financing and provision co-exist with different, but also overlapping target segments of the population, thereby creating an inefficient and often ineffective health system that leaves certain parts of the population un- or poorly attended (Pan American Health Organization (PAHO) 2008, p. 35). Partly as a consequence of the resource scarcity and the administrative fragility that are typical for public health systems in emerging markets (Gerald Bloom, 2004, p. 7), the public, private and third sectors all interact within these mixed health markets (see e.g. Evers, 2005; Marwell & McInerney, 2005). Therefore health financing is typically a mixed and largely “unorganized market” (Standing & Bloom, 2002), where significant shares of health expenditures are unpooled out-of-pocket payments (Kutzin, 2001, p.1), that is direct payments from people – including low-income people – who increasingly favor private providers to the generally affordable, but often low-quality, public health service provision (see e.g. G. Bloom, Champion, Standing, Lucas, & Peters, 2009).

Given this background, a growing number of health care organizations have emerged and started to attract considerable interest among private investors, international development agencies and philanthropic organizations (see e.g. Glaxosmithkline 2014; International Finance Corporation 2007; PharmAccess Foundation 2014). They aim at hybrid goals in the sense that they seek to provide high-quality health care that is affordable for the poor in a financially sustainable manner. Due to the above-mentioned diversity and scarcity of resources available for these goals, these health care organizations experiment with new hybrid organizational models that combine elements of the commercial and the social welfare logics in order to allocate the best of two worlds that are traditionally in antagonistic positions (see e.g. Pache & Santos, 2012). However, it remains poorly investigated how they deal with tensions. For example, at first sight, the core of the BoP proposition remains a trade-off: Deciding to set a profitable price adversely affects the objective of reaching very poor customers, as they are by definition completely or partially unable to pay. If, on the one hand, hybrid organizations decide to charge profitable prices, they risk earning substantial criticism and jeopardizing their organizational legitimacy. If, on the other hand, they opt to offer products or services for free or sell them below the profitability threshold, it negatively affects their goal to reach financial sustainability. In order to cope with such trade-offs, new strategies such as the cross-subsidization between high or middle-income and low-income people have started to spread among organizations that operate at the BoP.

In recent years, hybrid organizations have increasingly attracted the attention of management scholars, including institutional theorists and paradox researchers (see e.g. Battilana & Dorado, 2010; Ebrahim, Battilana, & Mair, 2014; Jay, 2013). The number of publications about hybrid organizations – mainly in Western settings – has thus been growing, forming an emerging theory

that integrates the diversity of those organizations. While institutional researchers put a stronger focus on the deterministic power of contradictory pressures to which hybrid organizations have to react, for example, through balancing or compromising, paradox researchers generally adopt a more optimistic view on tensions and argue that they may stimulate organizations to develop innovative solutions. One of the main interests of analyzing hybrid organizations therefore lies in shedding light on hybridization as a particularly resilient strategy to deal with complex institutional environments that impose conflicting demands on organizations.

However, theory about hybrid organizations is still in its infancy. Many questions remain to be answered. For instance: Why do organizations combine logics of different sectors in a certain way? Or in other words: why do they hybridize the way they do? And why are certain organizations better able to manage tensions than others? The hybridization movement includes organizations with origins in the private sector as well as organizations with origins in the third sector, and thus legally encompasses both for-profit companies and nonprofit organizations (Battilana, 2012, p. 52). As recent research has shown, hybrid organizations' logic of origin provides them with legitimacy advantages or disadvantages, and thus has influence over their ability to hybridize. For instance, in their study on social enterprises in the field of work integration in France, Pache and Santos (2012) show that social enterprises with a social welfare origin have a legitimacy advantage when compared to their peers with a commercial origin. This legitimacy advantage enabled them to draw more freely from structures and practices of competing logics. Yet, the source of this legitimacy advantage, as the authors explain, lies in public institutions' effective enforcement of a field-level consensus concerning the way social services should be provided through. As the authors argue, in the field of work integration in France, there was a strong field-level consensus that social enterprises should pursue a social mission. Tensions over the appropriate goals of social enterprises were thus effectively resolved at the field level, thereby providing clear guidance for social enterprises about their appropriate behavior. The emerging theory of hybrid organizations so far lacks insights on cross-sectoral hybridization in settings where such a field-level consensus doesn't exist or is not effectively enforced, thereby exposing hybrid organizations to tensions over goals.

The present study shares the argument of scholars who emphasize that developing and emerging economies provide an interesting setting to investigate the influence of institutional environments on organizations (Peng, 2003, p. 276), and more specifically, on hybrid organizations. Besides the above-mentioned institutional complexity that may challenge organizations, BoP settings pose further obstacles that may cause different types of tensions for organizations. For instance, institutions developing and emerging economies have generally been argued to be weak or absent. Governmental enforcing mechanisms of formal institutions such as laws, for instance, are often weak, thereby inhibiting the establishment of well-functioning (Western-style) markets (Mair, Martí, and Ventresca, 2012, p. 832) and consequently, social and economic development (see e.g. World Bank, 2002). However, scholars – mainly paradox

researchers and some institutional scholars (see e.g. Desa & Basu, 2013; Estrin, Korosteleva, & Mickiewicz, 2013; Estrin, Mickiewicz, & Stephan, 2013; McMullen, 2011) – have more recently started to argue that uncertain institutional conditions, or institutional voids, can also be seen as opportunity spaces. In particular, Mair, Martí and Ventresca (2012) argue that organizations may interpret institutional voids not as empty spaces, but rather as “intermediate outcome of conflict and contradiction” (p. 842) between several institutional spheres and thus as “problem-sensing tools (...) to diagnose conditions that need to be addressed for inclusive market initiatives to develop” (p. 843). This reasoning resembles arguments from scholarly investigations that portrayed hybrid organizations, particularly social enterprises, as particularly effective and flexible players that succeed in turning institutional voids into opportunity spaces (see e.g. Desa, 2011; Mair & Martí, 2009). Yet, little is known about cross-sectoral hybridization as a strategy to make sense of institutional voids. For instance: to which logics do hybrid organizations at the BoP refer to in order to overcome the challenges that institutional voids pose? How do field-level factors,⁴ such as the prevalence of institutional voids, enable and/or constrain hybrid organizational models?

In order to contribute to the emerging theory of hybrid organizations, and more concretely, to BoP and development literature, the present study seeks to approach two specific research questions:

1. *What tensions do hybrid organizations targeting the BoP experience, and why?*
2. *What hybridization strategies do they apply to manage these tensions, and why?*

In approaching those research questions, the study will concentrate on *the logic of origin* and on *institutional voids* as two focal concepts that influence the tensions (constraints) and the strategic leeway (agency) in hybrid organizations at the BoP. It is believed that the research setting of the present study – four different BoP markets (Colombia, Mexico, Kenya and South Africa) – is particularly well suited to investigate the relationship between those concepts due to the high prevalence of institutional voids in their health systems, and thus to provide important contributions for theory and practice.

⁴ In this study the term ‘field’ refers to both the field of health care and the field of blended value creating organizations, depending on the context in which it is used. In accordance with institutional theorists, it will be used to emphasize the relational and network features of the space in which organizations operate (Scott, 2008, p. 430) and relate “to the totality of relevant actors” in “a recognized area of institutional life” (see DiMaggio & Powell, 1983, p. 148). Interactions among actors within an organizational field are frequent and routinized, and thus provide stability and meaning (Scott, 1995, p. 56). Field-level analysis thus emphasizes factors that relate to the interconnectedness of organizations and their embeddedness in an institutional environment that guides their behavior (Wooten & Hoffman, 2008, p. 131f.). While earlier conceptions of fields emphasized the rigidity of institutional environments and predicted organizational inertia, more recent scholarly work has adopted a dynamic perspective on organizational fields that can be subject to institutional heterogeneity, variation and change (ibid, p. 133ff.).

1.2 Purpose and Significance of the Study

The present study is based on the belief that a better understanding of hybrid organizations in BoP settings is important for practical as well as theoretical reasons. From a practice point of view, it can be observed that BoP approaches are currently being promoted from several ends, though with little coordination and little understanding of their actual potential to contribute to poverty alleviation in developing and emerging markets. Stemming from strategy research, BoP literature is very practice oriented, providing a range of tools and recommendations for businesses that seek to tap into low-income markets. Yet, these recommendations largely neglect field-level dynamics as well as other types of actors that are currently actively experimenting with the BoP propositions, including social enterprises and other types of hybrid organizations. Altogether these approaches – be it in health care or in other areas – form an eclectic organizational field at the BoP, which keeps growing and continues to raise interest among investors, donors, policy makers and other related actors (Kolk, Rivera-Santos, & Rufin, 2013, p. 16). Yet, despite its increasing relevance in practice, the body of scholarly work about these organizational models in emerging markets remains relatively small, largely anecdotal, and scattered across different disciplines. A focus on hybrid organizations is thus believed to add to BoP literature by describing innovative ways of managing institutional complexity. With the focus on potential capacities to flexibly adapt to institutional complexity and mobilize resources in an innovative way (Desa & Basu, 2013), the emerging theory of hybrid organizations is a useful, though rarely applied, lens to learn about innovative ways to organize and foster social and economic development at the BoP. In addition, it remains largely unknown how field-level, and particularly cross-sector dynamics, constrain and/or enable BoP approaches in creating blended value. Leaning on institutional theory as a lens to investigate hybrid organizations will therefore account for the role of field-level factors and their influence on organizational level tensions and strategies at the BoP.

From a theoretical point of view, cross-sector hybridity at the BoP provides a particularly fruitful research setting. Developing and emerging economies are typically not only characterized by institutional complexity, but also by institutional voids, which may challenge organizations and/or trigger innovative and strategic organizational behavior – for instance, with regard to hybridization strategies at the interstices of sector logics. The study will thus link organizational-level phenomena (tensions and hybridization strategies) to field-level factors (institutional complexity and institutional voids), and contribute to the emergent theory on hybrid organizations by shedding light on the process of turning institutional voids into opportunity spaces as well as organizations' ability to hybridize in settings with no effective field-level consensus about their appropriate behavior.

1.3 Structure of the Study

The present study will begin by providing a bigger picture of the configuration of social service provision in developing and emerging economies. Chapter 2 will outline the major historical factors that have led to the increasing market orientation in the development regime over the last decades. The rise of market-oriented development approaches will be further illustrated with the example of cross-sector hybridity in health care and a stronger focus on the BoP approach as an own body of literature originating from business literature. Chapter 3 will subsequently provide the theoretical background for the investigation of hybrid organizations in BoP settings. A review of key concepts from institutional theory, particularly institutional complexity and conflicting institutional logics will be presented. In addition, the chapter will outline the main arguments from paradox research, as the second most important research stream to investigate hybrid organizations. Based on these theoretical elaborations, chapter 4 will present the conceptual framework, that is, the assumed relationship of concepts on which the study focuses in order to approach the research questions. Chapter 5 will explain the methodology, which is rooted in critical realism, meaning that reality is understood as socially constructed, while also possessing a certain degree of objectivity. The study's qualitative approach to data collection and analysis will furthermore be described in this chapter. Chapter 6 displays the empirical analysis of eight case studies of blended value creating health care providers in BoP settings. All cases will be presented through narratives that trace the trajectory of tensions and hybridization strategies throughout organizations' existence. Furthermore, the findings of the empirical analysis will be summarized and embedded in extant literature. Finally, chapter 7 wraps up the study, presents the findings in the light of contributions to theory and practice, and suggests avenues for further research.

2 CHANGES IN THE HISTORICAL CONFIGURATION OF SOCIAL SERVICE PROVISION IN DEVELOPING AND EMERGING ECONOMIES

In order to gain a better understanding of the complex institutional settings in which hybrid organizations that serve the BoP operate, it is necessary to consider some key dynamics that have shaped the way social services are provided in the Global South.⁵ Although countries indisputably differ with regard to their institutional arrangements, the majority has been affected by an increasing market-orientation of the international development regime over the last decades. While development aid has traditionally flown to developing and emerging economies through channels of the public and third sector, the last years have increasingly positioned the private sector as a legitimate recipient of financial and technical support (Hanley, Wachner, & Weiss, 2015, p. 23). This trend will be further described in the following sections with a focus on the increasing importance of concepts such as *social investment* and the *Base of the Pyramid (BoP)* approach. In addition, the increasing market-orientation will be illustrated with the example of the health care sector, which is also the sector in which the case study of the empirical analysis operate.

2.1 Market Liberalization, Third Sector Organizations and the Changing Role of Governments

The beginnings of modern international development aid, as opposed to development aid in the colonial era, are often associated with events in the post World-War II period. In particular, the establishment of the Development Assistance Committee (DAC) by the Organization for Economic Cooperation and Development (OECD) in 1960 can be understood as the natal hour of official development aid (ODA). Since then, the development agenda, that is, the common understanding of key development actors over development goals and means, has experienced several shifts.

After World War II, when the institutionalization of modern international development aid began to take off, “the prevailing view was that government intervention, public provision, inward orientation and economic planning could all enhance a country's development” (Greenaway &

⁵ The terms Global North and Global South refer to the disparities of resources and income between the Northern and Southern hemisphere. The terms have been popularized by the so-called Brandt Report (officially entitled “North-South: A Program for Survival”), which was published by the Independent Commission on International Development Issues” chaired by the former Chancellor of West Germany. The report broadly distinguishes between “developing countries as those which occupy the southern hemisphere and developed countries as those which occupy the northern hemisphere, while acknowledging exceptions to this generalization and emphasizing the common global economy that all countries function within. A distinction is drawn between the comparatively large human population that lives in relative poverty in the South, compared to the smaller and more affluent population of the North. The determining factor here being economic power, with the North's domination of “the international economic system, its rules and regulations, and its international institutions of trade money and finance”. See more at <http://www.sharing.org/information-centre/reports/brandt-report-summary>

Morrissey, 1993, p. 241). The two major development theories, namely, modernization theory and dependency theory, differed with regards to their core argument,⁶ however, both embraced the importance of strong government involvement (Babb, 2005, p. 199f.). Countries in Latin America, Asia and Africa, which were lagging behind in terms of social and economic development, had high hopes for rapid growth and development. Programs that promoted state-driven development through import-substitution industrialization were implemented in various countries with the purpose to rapidly catch up with countries in the Global North (see e.g. Heidhues & Obare, 2011).

However, as the aspired progress in development failed to materialize, the perception about governments' role changed significantly from the early 1980's onward. Concurrent to the "anti-Keneyasian wave that swept through the West", a "neoliberal "counterrevolution" in development theory" emerged (Brohman, 1995, p. 134). As Evers (2005) describes with reference to the European context, "welfare systems increasingly define themselves as purchasers and regulators of services provided by private and non-profit businesses" (p. 741). A similar trend can be observed in the majority of developing and emerging economies, where governments have increasingly "hollowed out" (Rhodes, 1994) over the last decades; meaning that they have privatized state-owned firms, deregulated the provision of goods and services that was previously in the hands of public entities and opened it to multiple providers that compete in retail markets in the name of "efficiency, competitiveness, innovation, individual freedom, deficit reduction, revenue generation, and so on" (Haque, 1999, p. 204).

Particularly, as a consequence of structural adjustment policies that were tied as conditions to financial assistance from the International Monetary Fund (IMF) and the World Bank (WB), various countries have been incentivized to implement extensive liberalization reforms, which promote market principles, the reduction of state interventions, the establishment of comparative advantages, and the importance of economic growth (Manor, 1993, p. 306). Hence, the measures included "the privatization of state enterprises, deregulation of state controls, liberalization of trade, elimination of import restrictions, encouragement of foreign investment, withdrawal of subsidies, and reduction of welfare programs" (Haque, 1999, p. 204).

These changes in the development regimes of the last decades have resulted in a penetration of market mechanisms in various aspects of life in developing and emerging economies. In sectors that relate to basic needs,⁷ structural adjustment policies and the resulting market liberalization has spurred significant criticism. Homedes and Ugalde (2005, p. 83), for instance, argue that the

⁶ Modernization theory emphasized the need for policies that foster rationalization and industrialization – or as Pieterse (2001) argues, an „adoption of „Western“ political institutions“ (p. 22). Dependency theory criticized modernization theory as they argue that it is precisely modernization that has led to the exploitation of underdeveloped nations. Dependency theorists therefore advocated for alternative development strategies that states could apply, including the facilitation of world market access for underdeveloped countries (p. 24f.)

⁷ In this study, basic needs will be defined according to the International Labour Organization (ILO) as the minimum consumption needs of a family, including adequate food, shelter and clothing, as well as essential goods and services like safe water, sanitation, public transport, health care and education. The ILO definition also encompasses access to employment as a means to an end in meeting basic needs, as well as participation in decision-making. (International Labour Office, 1976)

beneficiaries of neoliberal health reforms in Latin America aren't the populations of the countries, but rather Western companies as well as employees and members of development organizations and associations. More specifically, liberal reforms in developing and emerging economies have been argued to have negative effects on human rights (Abouharb & Cingranelli, 2007), poverty (Killick, 1995), inequality (Babb, 2005, p. 209), environmental sustainability (Haque, 1999) and access to basic goods and services such as food (Walton & Seddon, 1994). Overall, even the most ardent supporters of liberalization reforms today concede that structural adjustment programs have not yielded the expected results (Rodrik, 2006, p. 973).

As a reaction to this evidence, some scholars have expressed the radical recommendation to stop aid entirely, as it reflects the hegemony of the Global North over the rest of the world, and promoted the idea of inaugurating a post-development era (see e.g. Escobar, 1992; Sachs, 1992). However, these claims haven't materialized. Instead, the 1990's brought about significant changes in development programs, among others, by emphasizing the role of the third sector. Nonprofit organizations were argued to be ideally suited for filling the gaps of markets and state provision due to their "small scale, flexibility and capacity to engage grass-roots energies" (Salamon, 1994, p. 110). Various development policy directives and agreements, including those from the DAC, explicitly stressed the importance of the third sector for development (see e.g. Bernard, Helmich, & Lehning, 1998). As a result, third sector organizations increasingly became the preferred recipients of development aid, and the emergence of nonprofit organizations proliferated – resembling an "associational revolution" (Salamon, 1994, p. 109) – both in developed, as well as in developing and emerging economies.

As these changes in the landscape of welfare delivering organizations show, the role of the government has changed over time. As Salamon (2000, p.1611f.) explains, governments all over the world are today rather expected to build conducive conditions for private and third sector provision of essential goods and services instead of acting as providers themselves. However, as the next sections will explain, neither the criticism against market liberalization in developing and emerging economies, nor the emergence of the third sector have perturbed the hegemony of the liberal mindset in development thinking. Alternatives to privatization largely remain off the agenda in many developing and emerging economies (McDonald & Ruiters, 2012). Instead, internationally accepted guidelines and directives have further emphasized the need to build (Western-style) markets (Mair, Martí, & Ventresca, 2012, p. 821) and that well-functioning institutions are a prerequisite for that purpose (see e.g. World Bank, 2002).

2.1.1 The Commercialization of the Third Sector

Given the persisting belief in the establishment of Western-style markets as being key to development, many nonprofit organizations have also started to dedicate their work to market development. Nonprofit organizations ideal-typically pursue social objectives – meaning that they don't allow for profit distribution to shareholders or directors, and pursue public purposes that benefit socially underprivileged populations or public purposes (Salamon, 1994, p. 109). To achieve this, they rely on non-repayable sources of funding, mainly grants and donations as well as voluntary workforce. However, not only has market development become a social purpose in itself, over the last decades, scholars have repeatedly described “marketization” (Eikenberry & Kluver, 2004) and “commercialization” (Cooney, 2006) trends in third sectors all over the world, as well as a shift of nonprofit organizations towards becoming more “business-like” (Dart, 2004a) or “market-oriented” (Liao, Foreman, & Sargeant, 2001). Eikenberry and Kluver (2004, p. 132), for instance, investigate major marketization trends in the nonprofit sector, namely revenue generating activities, contract competition between nonprofits, the rise of a new culture of donating (e.g. *philanthrocapitalism*, which refers to the adoption of methods and values from the market to transform philanthropy and foreign aid (Bishop & Green, 2008), as well as social enterprise.

However, despite the common perception that nonprofit organizations have shifted towards increased market-orientation, scholars largely remain vague about their concept of market-orientation. Originating from marketing literature, the term already causes confusion in the for-profit context, as it touches on issues ranging from prioritizing customer concerns over production concerns to generally increasing marketing activities or the influence of marketing executives in strategic decision-making (Liao, Foreman, and Sargeant, 2001, p. 256). In order to apply it to the nonprofit sector, Liao et al argue that significant changes would have to be made. When referring to “markets” in the nonprofit sector, scholars need to define the markets in which nonprofits operate, and embrace their complexity. Nonprofits generally rely on several markets such as the one for resource acquisition and the one for resource allocation. Yet, these are often dysfunctional markets, and nonprofits frequently emerge in these precise situations of market failures (p. 258). The notion of markets furthermore implies an exchange relationship between market actors, which again may not exist particularly in the case of nonprofits that provide goods or services free of charge. In addition, the need to compete with other organizations differs in the case of nonprofits. Although it is widely known that nonprofits do compete with each other and with other types of organizations for funding and customers, many nonprofit organizations also collaborate with the very same organizations. Finally, the authors emphasize that the number of relevant stakeholders is much higher for nonprofits than for for-profits, making it necessary to account for the multiplicity of stakeholder and markets on which nonprofit organizations have to focus.

Most scholarly work, including the present study, however, refer to the growing resemblance of nonprofit and for-profit organizations when describing a growing market-orientation in the third sector – that is, the trend of nonprofits to become more business-like in the way they operate. According to Dart (2004a, p. 290), this can happen in four different ways; first, with regards to the goals of their programs that emphasize the importance of markets or the generation of revenues; second, as being organizations of program service delivery with more narrowly focused services and more specific client groups; third, in their organizational management that stresses efficiency enhancing measures; and fourth, with regard to their organizational rhetoric. In addition, the way nonprofits are financed should also be added as donors equally move towards a market logic in their financing instruments and accountability mechanisms.

The reasons for the increasing commercialization, marketization or market-orientation in the third sector are manifold. Lasprogata and Cotton (2003, p. 68) explain that nonprofits in the US have increasingly moved towards “enterprise” as they face increased competition for revenue sources and financial support with other nonprofits and for-profit entities, heightened pressure for accountability, as well as calls to continuously develop new programs and improve their efficiency. Similar trends can be found in developing and emerging economies. On the one hand, financial and technical support for developing and emerging economies has increased significantly in the last decades – particularly from private sources to nonprofit organizations (Hudson Institute - Center for Global Prosperity, 2013, p. 4f.).⁸

As Smith (2014) explains, the reason for this increase has, among others, been the reputation of nonprofit organizations for being more efficient and effective in delivering aid than the public sector or large development organizations (p. 3). Paradoxically, this trend didn’t lead to an improved situation for nonprofits with regard to their access to funding. Instead, increasing donor volatility and a lack of coordination in the fragmented and vast donor landscape intensified unpredictability for nonprofit organizations in developing and emerging economies. Donor volatility, mainly referring to the incontinuous donor preferences (Arellano, Bulfř, Lane, & Lipschitz, 2009, p. 88) has repeatedly been criticized by development experts in the last decades, as it doesn’t allow for continuity in development programs (Sindzingre, 2012, p. 25). In addition, the landscape of development actors today is more complex than ever before, as not only more countries become official donors, but also new types of actors and cooperation emerge (Gore, 2013, p. 769). Nonprofit organizations have therefore sought ways to react to this increased

⁸ The Hudson Institute’s Center for Global Prosperity, for instance, publishes an Index of Global Philanthropy and Remittances every year. Its latest report – published in 2013 and based on data until 2011 – states that of the total financial flows from developed to developing countries, over 80% are private – including private capital investment, philanthropy and remittances. Government aid, at less than 20%, today represents a minority share of financial flows to developing economies, the opposite of 40 years ago. In absolute numbers, the Index shows that “private flows from the 23 developed donor countries who are members of the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD), amounted to \$577 billion, holding steady from 2010.” Of these private flows, capital investments account for the largest share with \$322 billion, followed by total remittances (\$196 billion) and philanthropy (\$59 billion) (Hudson Institute - Center for Global Prosperity, 2013, p. 5).

unpredictability by diversifying their revenue streams and venturing into commercial activities (see e.g. Carroll & Stater, 2009).

However, besides the resource-related trends, the increasing market-orientation of nonprofits can also be related to the difficulties that the world community has faced in reaching development goals. These difficulties have, among others, been described by a growing body of “Aid Effectiveness Literature” that has emerged in the last decades. Best-selling books like *The White Men’s Burden* (Easterly, 2006) or *Dead Aid* (Moyo, 2010) are just two examples of publications that explain why aid has failed, and suggest that market approaches are better suited to foster social and economic development. Since 2003, four High Level Forums on Aid Effectiveness were organized as governments and development agencies recognized the need to maximize the effectiveness with which aid is deployed. In several agreements, such as the *Paris Declaration on Aid Effectiveness* (OECD, 2005) increasing accountability was stressed as an essential measure to achieving development results.⁹

Criticism expressed in debates about aid effectiveness often referred to failures in channelling foreign aid through public entities, as these often face substantial problems such as corruption (see e.g. Calderisi, 2006). However, a large part of the literature also emphasizes the failures of nonprofit organizations to contribute to development progress. Similar to governments, non-profit organizations have been accused of fraud (see e.g. Platteau & Gaspart, 2003) and incentive structures that prioritize donor preferences (*upward accountability*) over the need of the social target group (*downward accountability*) (Agyemang, Awumbila, Unerman, & O’Dwyers, 2009, p. 10). Given that the nonprofit sector in general lacks a common higher authority, accountability mechanisms have mainly been defined and enforced by funders. The most common accountability mechanisms are therefore reports on nonprofits’ performance. This is particularly the case in the field of development aid, where geographical distance between foreign donors and implementing organizations results in large information asymmetries and principal-agent problems.¹⁰ However, reporting and performance measurement not only causes significant administrative costs in an increasingly professionalized nonprofit sector (see e.g. Hwang & Powell, 2009), it also often fails to realistically reflect and improve the impact that organizations have on the communities that they target (see e.g. Brown & Troutt, 2007).

Given this context, as well as the limits that international aid faces in reaching development goals, funders have increasingly asked for higher efficiency and effectiveness of nonprofit

⁹ The term accountability can be understood as “the means through which individuals and organizations are held externally to account for their actions and the means by which they take internal responsibility for continuously shaping and scrutinizing organizational mission, goals and performance” (Ebrahim, 2003, p. 194). Accountability is therefore closely linked to the existence of (formal or informal) higher authorities, judgment and sanction mechanisms as well as standards of performance (Kearns, 1994, p. 186).

¹⁰ The principal-agent problem was first described by Jensen and Meckling (1976), who define an agency relationship as a “contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent”. Consequently, the principals (e.g. foreign donors) have only limited possibilities to control how the agent (e.g. a local nonprofit organization) performs in reaching his goals.

organizations. Proponents of market approaches argued that a stronger market orientation – particularly a stronger emphasis on earned income strategies – would increase downward accountability. As resource-dependence theorists and institutional scholars have explained, the shift towards market-orientation can therefore be seen as a response from non-profit organizations that seek to overcome resource constraints through commercial revenue generation and conform with institutional prescriptions that legitimize the adoption of methods and values of the market (see e.g. Dart, 2004b; Eikenberry & Kluver, 2004). In other words, nonprofit organizations have increasingly adopted the market and the state logic in an attempt to secure their organizational survival and improve their financial stability. In doing so, they have departed from strictly adhering to the social welfare logic. As Knutsen (2012, p. 1007) argues, and as will be further elaborated in the present study, this adaptation of several logics in nonprofits may cause conflicts. Particularly, the logic of capitalism – equally called the commercial or market logic – that emphasizes efficiency stands in contrast with socially motivated claims such as to attend individual cases, which requires time, as opposed to efficiency.

The concept of philanthrocapitalism, which emphasizes the need to adopt methods and values from the market to transform philanthropy and foreign aid (Bishop & Green, 2008), has therefore triggered controversial discussions. While proponents argue that a business mentality in philanthropy leads to stronger accountability and performance orientation, critics have accused it of being just another “naked emperor”, thereby alluding to the argument that philanthrocapitalism has been greatly oversold (Edwards, 2009). Seeing every person as a customer, as philanthrocapitalism proponents recommend (Novogratz, 2007, p. 20), may neglect important functions of the third sector. For instance, as Edwards (2008) argues, civil society focuses on human beings as citizens, engaging in “co-creation, shared responsibilities, and mobilizing people around a common cause” (p. 62) – an attitude that is often too laborious for business. Similarly, Eikenberry and Kluver (2004) also point to the negative effects of the growing marketization of the third sector, as it tends to neglect the importance of adopting a holistic view. Alexander et al (1999) further posit that civil society organizations act “as value guardians, service providers and advocates, and builders of social capital” (p. 138). Such a holistic role, however, may be threatened through a market-oriented perspective, which emphasizes a focus on the most effective and efficient modes of service delivery (Eikenberry & Kluver, 2004). Hence, Weisbrod (2004) even argues that nonprofits should avoid any type of commercialization, in particular, substituting donations through earned-income strategies, as they run the risk of mission drift.

As the next section will argue, the commercialization of the nonprofit sector in developing and emerging economies is just one manifestation of the increased legitimacy of the commercial logic in the delivery of social services. The “aid effectiveness” crisis has furthermore led to the legitimization of the private sector as a recipient of foreign aid.

2.1.2 The Rise of Endogenous, Market-Based Solutions and the Private Sector as a Legitimate Recipient of Foreign Aid

Within aid effectiveness literature, a large number of different recommendations have been expressed in the last decades. While the most extreme recommendations continue to advocate for a radical stop of foreign aid (see e.g. Moyo, 2010), most arguments currently relate to radical reforms of international development aid. Banerjee and Duflo (2011, p. 3) highlight two competing streams that significantly shaped development discourses in the last years. The first recommendation, mainly expressed by Jeffrey Sachs, suggests drastically increasing aid flows in order to help developing countries overcome the “poverty trap”, which is a self-reinforcing mechanism keeping poor people in poverty because they don’t have the means to escape from their situation without external support (Sachs, 2006, p. 56). The second recommendation refers to the quasi-liberal, anti-colonial arguments pioneered by William Easterly to increase the accountability of development aid by actively scrutinizing its failures (Easterly, 2010, p. 1075). Easterly argues that in current development aid, particularly in bilateral and multilateral governmental aid, donors are not being held accountable for their decisions and activities. Consequently, recipients – above all, governments of developing countries – have no incentive to develop, as they do not experience any scrutiny when aid efforts fail. Easterly therefore advocates for home-grown, demand-driven solutions to local problems, best developed by so-called “searchers” such as private firms or democratically accountable politicians – as opposed to “planners”, particularly governments and development organizations that implement programs based on decisions made in high-level forums. He states that poverty “is only ended by searchers, both economic and political, who explore solutions by trial and error, have a way to get feedback on the ones that work, and then expand the ones that work, all of this in an unplanned, spontaneous way” (p. 1f). For this reason, searchers do much better in free markets and democracies than aid agencies that are tied to autocratic planning and state interventionism (p. 13).

Based on this, Banerjee and Duflo (2011) claim to provide a “radical rethinking of the way to fight global poverty” in their best-selling book *Poor Economics*. Instead of attempting to find the “big answer” for the “big question”, they direct their attention to, and try to learn from, the behaviour of poor people, more specifically their saving behaviour and their consumption behaviour, as well as their use and understanding of health care and family planning. The question of how radical this rethinking is, remains debatable, as micro-level or bottom-up approaches to development, for example through the collaboration with community-based or local civil society organizations, look back to several years of existence. However, Banerjee and Duflo’s approach, as well as Easterly’s call for more “searchers”, are examples of scholarly work that legitimized current market-oriented development approaches that are built from the bottom up.

As the last sections have described, private sector development is nothing new in international development aid. Structural adjustment programs have promoted a liberalization of various

sectors in developing and emerging economies. However, since the 2000's, the promotion of smaller-scale business activity has added a new notion to private sector development. All over the world, economists have repeatedly emphasized the importance of entrepreneurship and small and medium enterprises (SMEs) for economic development. Joseph Schumpeter's *Theory of Economic Development* (Schumpeter, 1949) or Richard Swedberg's more recent book *Entrepreneurship: The Social Science View* (Swedberg, 2000) are well-known elaborations on this topic. However, it is only recently that entrepreneurship in the Global South has received attention not only from development economists (McMullen, 2011, p. 186), but also from management and entrepreneurship scholars.

Mair et al for instance, argue that institutional voids are generally interpreted as a major cause of the exclusion of poor people from Western-style markets (Mair, Martí, and Ventresca, 2012). Similarly, Bruton and colleagues (2013, p. 685) find that entrepreneurs in settings of poverty face severe penalties for failure, as the consequences may affect an entrepreneur's family to access basic goods or services such as food and shelter. Scholars have therefore expressed a range of recommendations to improve the conditions for entrepreneurial activity in developing and emerging economies.

However, McMullen (2011, p. 193) argues that commercial entrepreneurship alone is unlikely to instigate the development that developing and emerging countries need, and that policies that foster commercial entrepreneurship will therefore fall short of the expectation to have a positive impact on development. Although proponents of market-based development approaches recognize that markets in developing nations are dysfunctional, in that they fail to incentivize entrepreneurial action that serves the poor in a profitable way, few of them directly engage in improving the institutional environment. Business entrepreneurs have insufficient financial incentives to bare the efforts that proactive institutional change, that is, institutional entrepreneurship (see 3.1.2), engenders. This argument is further reinforced by the fact that entrepreneurship in developing and emerging countries often isn't people's first choice. Much entrepreneurship is not opportunity based, but rather necessity based, meaning that it is people's only option, since they are excluded from labor markets (Reynolds, Camp, Bygrave, Autio, & Hay, 2001, p. 8f.). These circumstances are likely to influence entrepreneurial decision-making as well as the effects of entrepreneurial activity on growth and development. Finally, Hall et al. (2012) also show that policies which seek to promote entrepreneurial activities in BoP markets may even lead to destructive outcomes such as social exclusion or crime. The authors therefore argue that policies need to be designed in a way that integrates social objectives, which may require a slower pace in economic development.

However, in practice, the belief that fostering entrepreneurship in developing and emerging economies contributes to economic growth and thus to poverty reduction is widely accepted. McMullen (2011, p. 185) explains that although not all types of economic growth benefit the poor, growth still remains one of the major factors that alleviate poverty, and that entrepreneurship is

one of the major drivers of growth. Frustrated with government failure, new development theories therefore emphasize bottom-up, market-based strategies in order to foster endogenous transformation, particularly in Least Developed Countries (LDCs), in which the poorest people – “the bottom billion” – live without having experienced any growth (Collier, 2008, p. 185). For them to step out of poverty, economic growth is still believed to be crucial (ibid, p. 8ff.).

Events such as the awarding of Muhammad Yunus with the Nobel Peace Prize in 2006 have further underlined this view. Yunus’ philosophy of microfinance is based on the view that every human being is an entrepreneur, able to lift himself out of poverty if provided with the adequate financial support (Yunus, 2006). Microcredits that need to be repaid, he further argues, is what poor people need to unleash their potential, as they incentivize them to become entrepreneurs and invest in their future.

Today, thousands of microfinance institutions have adopted Yunus’ concept, leading to what some have described as a microfinance revolution (Robinson, 2001). Not only did microfinance convince many adopters from an ideological point of view, it also offered an entirely new opportunity in the fight against poverty, namely that of “doing well by doing good” (Khavul, 2010, p. 58). Microfinance did not only promise to deliver on development goals, it also created an entirely new market that soon attracted all kinds of funders, including development agencies, philanthropic organizations and individuals, as well as commercial investors. But as Salamon (2014, p. 7) describes, microfinance is just one example of how “the new frontiers of philanthropy” mobilize private resources to foster entrepreneurial solutions to social and environmental problems. Initiatives that seek to make markets more inclusive for the poor are surfacing in all kinds of sectors, as both scholars and practitioners increasingly believe that integrating the poor in markets will help them to escape poverty (Mendoza & Thelen, 2008, p. 427). As will be further elaborated later, today, hundreds of so-called social investment funds have surfaced, aiming at generating blended value returns through their investments. Organizations like the Aspen Network of Development Entrepreneurs (ANDE),¹¹ in which such social investors are organized, exemplify the current institutionalization of the belief in small and growing business for development. In addition, development organizations and governments have also increasingly embraced the idea of fostering entrepreneurship and inclusive markets in developing and emerging economies. The United Nations Development Programme (UNDP), for instance, continuously promotes the idea of “doing business with the poor” (United Nations Development Programme, 2008) through their Growing Inclusive Markets (GIM) initiative.¹²

¹¹ For further information see <http://www.andeglobal.org/>

¹² For further information see <http://www.growinginclusivemarkets.org/>

2.1.3 Blended Value Creation in Developing and Emerging Economies

The growing belief in entrepreneurship as a powerful means to alleviate poverty, is certainly one of the main drivers of the current rise of blended value creating (BVC) organizations. The concept of BVC has been introduced and promoted by Jed Emerson (2003), who repeatedly stressed that social and financial returns on investment can't be seen separately. "True" value, he argues, integrates both aspects:

"It is the social dynamics of financial capital markets that give numeric, financial returns ultimate value. It is the interplay of these complementary forces, the genomic embrace of interactive social capital with transactive social capital, which generates a dynamic tension that, in its totality, creates a "value vortex." (p. 44)

A number of concepts, as well as types of organizations, have embraced the idea of BVC, yet, with different emphases, objectives and various degrees to which the blending of social and financial value is central to the organization (Besharov & Smith, 2013, p. 9). The concept of Corporate Social Responsibility (CSR) depicts a relatively low level of centrality, as it mainly refers to companies' activities to conform with certain social and/or environmental norms, as well as to social initiatives that companies support besides their core business (for a review of CSR see Lindgreen & Swaen, 2010). Similarly, multinational companies implement *inclusive business* initiatives with the aim to integrate marginalized communities into their supply chains (see e.g. Halme, Lindeman, & Linna, 2012). However, inclusive practices remain a small component in multinationals' procurement practices. As will be explained later, other concepts such as *social enterprise*, referring to organizational models that pursue social objectives in an entrepreneurial or business-like manner (see e.g. Alter, 2007), and *BoP approaches* that seek to combine poverty alleviation and new market exploitation (see e.g. Prahalad & Hart, 2002), depict higher levels of centrality.

Likewise, the large number of *social investors* that have emerged over the last years have created a diverse spectrum of organizations that provide financial and technical support with social and – sometimes – financial return expectations. While the field of social investment is currently booming in practice, its definitional boundaries remain diffuse. Various types of organizations co-mingle in this space, allocating financial and technical support with means from philanthropic and/or commercial capital markets. Nicholls (2010a) therefore conceptualizes "social investment as a socially constructed space within which different investment logics and investor rationalities are currently in play" (p. 70).

Overall, social investors often refer to innovative financing mechanisms that try to grasp the idea of blended value creation and/or to fit the financing needs of innovative business models such as social enterprises – or other types of hybrid organizations – in developing and emerging economies (Salamon, 2014). As figure 1 shows, social investing embraces two key subgenres –

venture philanthropy¹³ and impact investing¹⁴ – as well as a range of potential investors, including actors from philanthropic backgrounds and commercial investors such as J.P. Morgan, Deutsche Bank as well as smaller private equity or venture capital funds. Reflecting this diversity, social investment approaches, as well as social investors, have repeatedly been located on a spectrum from social to financial return expectations (so-called “impact only”, “impact first” or “finance first” investments), or from philanthropy to commercial capital institutions.

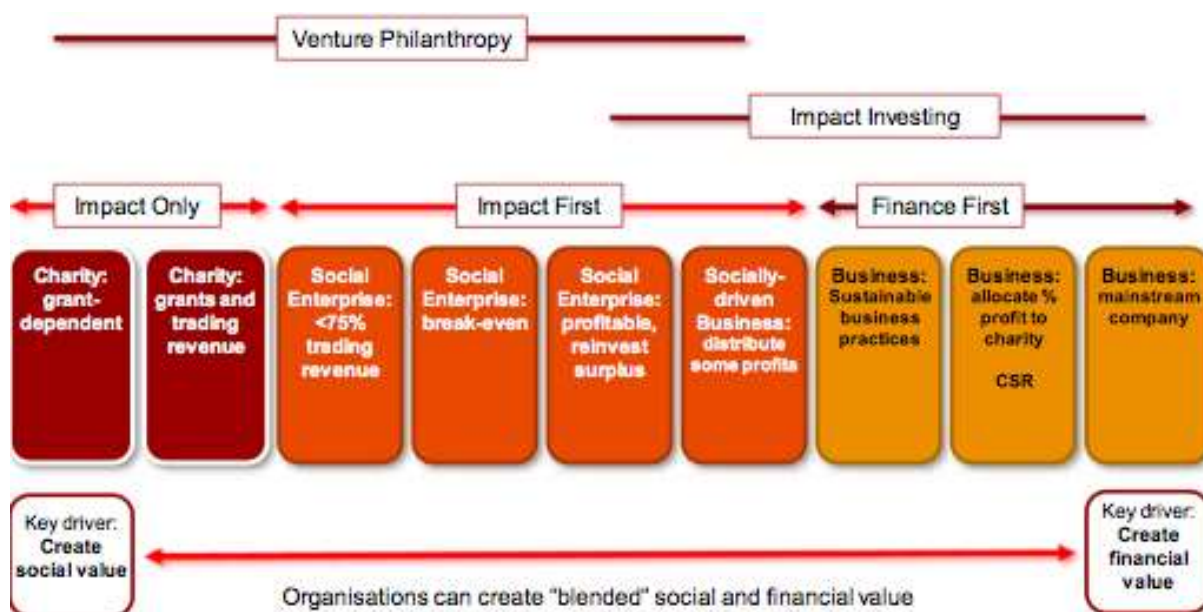


Figure 1: “The Social Investment Spectrum”
(Asian Venture Philanthropy Network, 2014, p. 18)

In addition to this diverse spectrum of approaches, Salamon (2014) further describes that co-investments between the different types of actors – what he calls “yin-yang deals” (p. 1) – become more and more common. It is no exception anymore to see the United States Agency for International Development (USAID) teaming up with various foundations – a major US investment firm and a private, India-based investment company – to invest in small-holder agricultural enterprises in Africa.¹⁵

As such new types of investors and new forms of investments with both social and financial return expectations emerge, Emerson (2003, p. 39) predicts that, over time, the boundaries and trade-offs that we currently see in combining the social and financial will disappear. With instruments and measures as well as “breeding 21st Century Managers” that embrace the

¹³ Venture philanthropy is an important subgenre of social investing with philanthropic origins. Venture philanthropists apply private equity methods, particularly management consulting and access to networks, for precise outputs and outcomes (Nicholls, 2010a, p. 80). Venture philanthropy organizations don’t distribute returns to their funders but rather aim at reinvesting them in other ventures (Hehenberg, Boiardi, & Gianoncelli, 2014, p. 27).

¹⁴ Impact investing is a rapidly growing type of investment where investors “[pursue] financial returns while also intentionally addressing social and environmental challenges” (Emerson & Bugg-Levine, 2011, p. 5).

¹⁵ See for example The New Alliance for Food Security and Nutrition <https://new-alliance.org>

concept of blended value, Emerson argues that organizations will be enabled to overcome the traditional emphasis on financial metrics and to create blended value within one entity. However, as recent research has revealed, the field of social investment in developing and emerging economies shows a strong emphasis on market-orientation. For instance, as Dichter, Katz, Koh, and Karamchandani (2013) state, impact investors tend towards minimizing financial risks by focusing on “easier, quicker, and more financially lucrative opportunities that target broader segments of society”, instead of targeting social issues in very-low or low-income settings. Further, Hanley, Wachner, and Weiss (2015, p. 23) find that social investors in developing and emerging economies increasingly target for-profit organizations with their support.

The health sector, with a vast magnitude of unmet needs and a large number of people who are willing – or forced – to pay for higher quality health care, is one of the areas in which market-based development approaches have proliferated.

2.1.4 The Case of Health Care

As the constitution of the World Health Organization (WHO) states: “The enjoyment of the highest attainable standard of health is one of the fundamental rights of every human being without distinction of race, religion, political belief, economic or social condition” (World Health Organization, 2013a). The objective of reaching “universal health coverage” (UHC) has therefore guided the majority of last decades’ policy recommendations and measures to improve people’s state of health globally (see e.g. World Health Organization, 2013b). The concept of UHC embodies the normative view that all people should obtain the health services they need without suffering financial hardship when paying for them. It usually aims at 1) enrolling people in publicly organized insurance schemes, 2) providing access to a comprehensive package of health services with financial protection for all, and 3) ensuring effective coverage guarantees, which means that an appropriate package of high-quality health services should yield the maximum attainable health results and thus reduce out-of-pocket payments for people seeking health services (Knaul et al, 2012, p. 1259).

While all WHO member states have uniformly agreed on the common objective of reaching UHC, many developing and emerging economies struggle with the implementation (Travis et al, 2004, p. 900). Several studies show that access to health care – understood as the interplay of “quality, geographic accessibility, availability, financial accessibility, and accessibility of health services” (Peters et al, 2008, p. 161) – is comparably poorer in lower- and middle income countries (LMICs) than in wealthier countries. This is, however, quite opposed to the prevalence of health needs, which are often much more urgent and numerous in those countries (see e.g. Leon & Walt, 2000): According to Peters and colleagues (2008), “LMICs account for 90% of the global burden of disease but for only 12% of global spending on health” (p. 163) – an asymmetry that has been titled the *inverse care law* (Hart, 1971). And more importantly, the relationship between

poverty and health has often been described as a vicious circle: not only do the poor suffer from insufficient access to health services, the lack of appropriate treatment of diseases is also a frequent cause of poverty or a major hurdle to step out of poverty (see e.g. Peters et al, 2008, p. 161).

The reasons for these dynamics are generally related to insufficient access to health care and dysfunctionalities in health systems of developing and emerging economies (see e.g. Leon & Walt, 2000) – in contrast to wealthier economies, where health disparities are rather considered to be a consequence of lifestyle and environmental exposures. However, there is little quantitative and reliable data providing deeper insights on health disparities in developing and emerging economies, even less with a comparative focus on different country settings (see e.g. Makinen et al, 2000). Not only is it difficult to collect appropriate data about the health status of an entire population, researchers and experts also agree on the need to view country settings separately and to account for differences caused by endogenous dynamics.

A general proxy that is frequently used to measure inequity in health across countries is the percentage of out-of-pocket payments, that is, payments for health products and services that people place in cash. Out-of-pocket payments are often viewed as the most inequitable type of payment for health services, as they exclude low-income people from accessing high-cost treatments (Joumard, Andre, & Nicq, 2010, p. 27). At the same time, they are the most widespread type of financing in LMICs – around 60% of health spending in these countries comes from out-of-pocket payments (Peters et al, 2008, p. 163). Inequity in accessing health care is thus a highly relevant and widely discussed topic among scholars and practitioners. The study of Makinen and colleagues (2000), which analyzes the results of household surveys in eight developing countries and countries in transition, shows that richer groups generally have a higher probability of obtaining care when sick, of being seen by a doctor and of receiving medicines, than poorer groups. More surprisingly, comparing the studied countries furthermore revealed a correlation between income levels and the sectors in which health care is provided. For instance, in many countries, including South Africa, wealthier households tend to use private care. However, most hospitals belong to the public sector in South Africa. As a consequence, wealthier households are less likely to go to hospitals. In other countries, such as Zambia, for example, the authors find that government-subsidized health care is mainly consumed by richer groups. Analyzing the specific labor division between sectors in health care provision thus needs to be done on a country basis.

However, it can be observed across most developing and emerging economies that public entities are generally overwhelmed by the health needs of their populations. Be it for resource constraints or institutional weaknesses, the provision of public health services is often deficient. Existing governmental or supra-governmental instruments, such as Policy Reduction Strategy Papers (PRSPs) or the Millenium Development Goals (MDGs), which cover health issues, have so far had limited success in improving the situation of the poor in many countries. Laterveer and

colleagues (2003, p. 138), for instance, assessed the “pro-poor focus” of 23 interim versions of PRSPs and provided evidence that little effort is made in including the interests of the poor in health policy designs and that the monitoring of health policies’ effects on poor populations is weak. Even in countries that have implemented public health insurances, the sheer magnitude of health issues often leads to overburdened public health systems and thus to high amounts of out-of-pocket payments for alternative, that is, private health services (see e.g. De Groote, De Paepe, & Unger, 2005).

Many of the recommendations that have been expressed by scholars and practitioners therefore emphasize the importance of involving the private and the third sector in order to leverage their strengths as well as resources and to improve the provision of health care in developing and emerging economies. Peters and colleagues (2008, p. 168), for instance, emphasize that innovations in health care, particularly in health care financing, such as health equity funds or conditional cash transfers, are needed. Cross-sector collaborations can be essential in this regard as shown by the Kenyan micro-health insurance program *Changamka*, which is supported and implemented by actors from the public, the private and the third sector.¹⁶ In fact, health innovations that operate at the interstices of the public, the private and the third sector, particularly market-oriented approaches, are currently having a strong momentum.¹⁷ As mentioned before, market-orientation is frequently argued to increase the endogeneity of health care solutions – an attribute that health experts consider important in order to account for context specific circumstances and possible changes over time (see e.g. Gwatkin et al, 2005; Peters et al, 2008). In addition, the aspect of financial sustainability – as opposed to donor dependency – can be seen as a prerequisite for a health market that is able to serve its population continuously and durably.

Given these dynamics, the health sector belongs to the most promising markets for market-based development approaches (see e.g. Berelowitz, Horn, Thornton, Leeds, & Wong, 2013; Kapoor & Goyal, 2013). Despite the wide consensus about the need to strengthen health systems and foster UHC (see e.g. World Health Organization, 2013b), governments of developing and emerging economies have struggled to implement effective measures that ensure access to healthcare for all income levels. Be it for resource constraints or institutional weakness, the provision of public health services is often deficient in developing and emerging economies. As will be explained later, this is even the case in countries like Colombia that have repeatedly been described as high achieving in the improvement of their health systems (see e.g. Mosquera, Zapata, Lee, Arango, & Varela, 2001). Consequently, access to health has remained a serious, life-threatening issue for many people living in developing and emerging economies (for the most recent figures see World Health Organization, 2013b). International development organizations

¹⁶ For further information see <http://changamka.co.ke/> and/or <http://healthmarketinnovations.org/program/changamka-microhealth-limited>

¹⁷ Another manifestation of this trend is the creation of the International Partnership for Innovative Healthcare Delivery (IPIHD) <http://www.ipihd.org/>

and NGOs therefore continue to play a relatively important role in the financing and provision of health care in developing and emerging economies. At the same time, the majority of national health care sectors across the world have experienced an increasing marketization, manifesting in an increasing importance of private commercial players in the provision of health care, a rise in private sources of health financing, as well as an increasing influence of the commercial logic in health care (see e.g. Scott, Ruef, Mendel, & Caronna, 2000). This trend is particularly strong in emerging markets, where economic growth, the increasing role of the private sector in both health provision and financing, and the rise of a middle class in emerging markets have started to attract private investments. The International Finance Corporation, for instance, estimates that “over the next decade, \$25–\$30 billion in new investments will be needed in health care assets, including hospitals, clinics, and distribution warehouses, to meet the growing health care demands of Sub-Saharan Africa” (IFC, 2007, p. vii).

Investing in health care in developing and emerging economies therefore yields the opportunities to not only improve the living standard of low-income people, but also to do it in a financially sustainable or profitable way. This blended value proposition as well as the growing legitimacy of market-based development approaches in health care and other sectors, has paved the ground for an increasing involvement of investors who seek to generate both social and financial return with their investments in developing and emerging economies.

2.2 The Base of the Pyramid Proposition: New market opportunities for blended value creation in developing and emerging economies

At the beginning of the 21st century, multinational corporations are exposed to complex challenges, including “mounting concerns over environmental degradation, labor exploitation, cultural hegemony, and loss of local autonomy, particularly in the Third World” (Hart, 2007, p. 111) and need to secure their long-term success. A growing amount of actors from the private sector are therefore seeking ways to overcome those challenges and have increasingly started to venture into spaces that were previously largely left to the third or public sector. Welfare delivery in developing and emerging economies is one of the spaces that have attracted the interest of the private sector in the last decade – because of the financial opportunities that they can gain from tapping into these new markets, but also because of the social value that they can possibly create.

2.2.1 From an Untapped Customer Market to Mutual Co-Creation at the BoP

Inspired by business models like microfinance, the two strategy scholars, C.K. Prahalad and Stuart Hart, brought a radically new perspective to poverty alleviation with their seminal article *The Fortune at the Bottom of the Pyramid* (Prahalad & Hart, 2002). Instead of viewing the billions

of people living on less than 2 USD a day as beneficiaries or victims, the authors argued that they should be seen as customers in need of affordable essential goods and services. While per capita profit margins may not be high when targeting poor customers, the aggregated amount of people living in poverty makes it a promising customer market of an estimated USD 5 trillion (Hammond, Kramer, Katz, Tran, & Walker, 2007, p. 3). Particularly multinational companies with their ability to achieve economies of scale have therefore initially been the key target group of BoP literature. In addition, reaching them with affordable essential goods and services, especially in the fields of health care, information technology, water, transportation, housing, energy, food and financial service (Hammond et al, 2007, p. 29), yields the potential of not only creating financial but also social value, as it contributes to raising people's disposable income and thus to poverty eradication. In other words, the BoP proposition claims that fighting poverty does not necessarily need to happen at the expense of profitability.

Early BoP publications mainly considered poor people as potential consumers who live in high-cost micro economic systems due to unorganized and inefficient provision of goods, local monopolies, information asymmetry, and informality (Hammond et al, 2007, p. 5). Early publications therefore emphasized the need and the opportunity to find new and innovative opportunities to provide necessary goods and services at radically more affordable prices for poor customers. On the long run, this would contribute to the creation of an organized and profitable sector as well as increased competition, which again drives down cost and enhances quality.

Despite the excitement that the BoP proposition caused, particularly among business scholars and practitioners, harsh criticism soon surfaced. Critics, such as Karnani (2006) and Jaiswal (2008), repeatedly argued that the estimation of the market size at the BoP has been widely overestimated and that the disproportionately high entry costs of tapping into these markets have been largely neglected. The generation of financial gains at the BoP has indeed proven to take very long time, requiring actors and investors to demonstrate patience in their endeavor to enter these untapped markets (Koh, Karamchandani, & Katz, 2012, p. 3f.). Another point of critique relates to ethical concerns, for example, with regard to businesses that raise a demand for non-existential goods among highly vulnerable consumers who have only very limited resources. The research of Banerjee and Duflo (2011) underpins this concerns by showing that poor people tend to spend a relatively large amount of their budget on "unreasonable" goods like sweets, television and tobacco (p. 19f.). And finally, the contribution of BoP approaches to effectively fight poverty has been contested, as it neglects the multidimensionality of poverty. As Karnani (2011) as well as Arora and Romijn (2011) argue, particularly early BoP literature drew a simplified picture of poverty, understanding it as the situation of people living on less than 2 USD a day. However, income is only one of various factors that people need to lift themselves out of poverty. Studies on the social impact of microfinance, for instance, suggest that it has "little impact on health, education, average consumption, women's decision making, or self-reported well-being (Ansari, Munir, & Gregg, 2012). BoP initiatives should therefore embrace social objectives that go beyond

income generation. Viewing poverty as a lack of *capabilities*, Nobel Prize Laureate Amartya Sen (2001) provides a useful theory to adopt a more holistic perspective on poverty. Individuals, he argues, seek certain achievements with regard to their living standard. Sen calls these achievements *functionings*, reaching from elementary ones, such as being adequately nourished and being healthy, to more complex ones, such as being happy and having self-respect (p. 75ff.). However, in order to achieve this living standard, people also need capabilities, defined as “notions of freedom” in real opportunities to achieve the aspired living standard (Sen, 1988, p. 36). Fighting poverty should therefore focus on developing the capabilities of poor people. However, as Ansari, Munir, & Gregg, (2012) argue, the “means and ends” that Sen suggests for this capability development emphasize aspects such as “political freedom, transparency, and protective security” and may therefore exceed the possibilities of firms operating at the BoP (p. 820).

Besides this criticism, experiences of the last decade such as the public scandals in microfinance have further nourished the controversial debate about the use of market principles in alleviating poverty. In particular, two events spurred global dismay, namely the microfinance crisis in India in 2010 where the exposure of borrowers to insurmountable debts and aggressive collection tactics from microfinance institutions caused a number of suicides (Taylor, 2011, p. 484), as well as the initial public offering of the Mexican microfinance Bank Compartamos, which demanded interest rates of “90-plus” on average in order to meet its commercial investors’ return expectations (Cull, Demirgüç-Kunt, & Morduch, 2009, p. 182).

As a result, the BoP proposition further developed and adopted the idea of “mutual value co-creation” (Simanis, Hart, & Duke, 2008, p. 3), emphasizing the necessity to integrate low-income communities and entrepreneurs in the development, production and realization of BoP business models rather than seeing them as mere customers (Kolk, Rivera-Santos, & Rufin, 2013, p. 17). A new generation of BoP publications thus argued that benefits for the poor should not exclusively lie in the satisfaction of needs through consumption, but require an increase in productivity and income as well as empowerment in order to contribute to a holistic improvement of their situation.

2.2.2 Benefits and Challenges to Operate at the BoP

BoP literature generally emphasizes various arguments why companies should enter low-income markets. First, these largely untapped markets yield considerable financial opportunities on the long run. The sheer magnitude of unmet needs at the BoP represents a huge market, which needs to be served with approaches that allow for economies of scale (Prahalad & Hammond, 2002, p. 50). It has to be noted, however, that Keating and Smith’s (2008) survey of multinationals with BoP initiatives finds that 70% of the business models were profit neutral; only 11% were profitable and another 11% were cancelled due to various challenges of operating in

BoP settings (p. 389). The surveyed organizations though pointed to the positive social impact that the initiatives created. This leads to the second argument carved out in BoP literature, namely that multinational corporations can demonstrate their social responsibility by engaging in ethical BoP initiatives (see e.g. Arnold & Valentin, 2013) and/or strategic CSR, meaning that the social initiatives also foster the development of a competitive advantage in the long run (Kandachar & Halme, 2008, p. 10). Third, BoP initiatives have repeatedly been argued to trigger product, process and business model innovations as they require a radical rethinking – or even an entirely new philosophy – of how to approach end consumers (Prahalad, 2004, p. 24). This is even more the case as customers at the BoP are not only very value conscious by necessity; they are also very brand conscious (ibid, p. 14f.). Fourth, venturing into BoP markets is argued to allow for an expansion of businesses' labor pool which not only results in cost savings, but also in the acquisition of local knowledge (UNDP, 2008, p. 16). This is furthermore linked to the possibility of involving people living at the BoP as “producers, suppliers, distributors, retailers and franchisees”, thereby strengthening inclusive business value chains (p. 16).

However, tapping into low-income markets in developing and emerging economies also comes along with significant challenges. Based on prior research, five major challenges can be highlighted:

- (1) **Limited Access to Market Information** Information about BoP markets are generally scarce or difficult to access. Little market research exists about demographical structures, willingness to pay for certain products or services as well as consumer behavior in low-income settings (Gradl, Sobhani, Bootsman, & Gasnier, 2008, p. 30f.). Organizations that seek to serve the BoP therefore often have to invest significant resources in order to understand their target market.
- (2) **Low levels of knowledge and skills** The level of knowledge and skills of people living in poverty is often relatively low. This means that potential consumers may not know how to use a specific product and/or lack the knowledge to evaluate the benefits of certain goods or services. Providing health services, for instance, can be challenging as health care is in many instances a so-called merit good, meaning that the evaluation of a good needs to consider not only consumers' perspective, but also additional factors such as the collective well-being of a society (Musgrave, 1987, p. 452). While consumers may lack the ability or willingness to purchase the good, other instances may judge that the consumption of this good is desirable for the individual or for society. In the case of healthcare, for example, a wide public consensus prevails in many countries about the benefits of certain products and services such as mandatory health insurance, although this doesn't necessarily reflect the individual choices of end consumers. The theory of merit goods is therefore often used to justify government interventions and has subsequently led to debates about the “appropriate ‘public/private mix’ for financing and delivering services/remedies” (Mendoza, 2011, p. 280). In developing and emerging economies, many governments face considerable challenges in

providing health services to their population. Large parts of health provision are thus left to private or third sector actors. However, their abilities and willingness to provide merit goods are limited and often insufficiently understood. Banerjee and Duflo's (2011, p. 41ff.) research yields interesting results with regard to the health-seeking behavior of low-income people. According to the authors, poor people do indeed care about their health, but often spend their money for the wrong remedies. Tradition and faith in health related issues, they argue, becomes even more important when education is low. One illustrative example is the poor's tendency to trust prescription happy doctors (p. 58f.). As a result, they rather spend more on expensive cures than on cheaper prevention and they also prefer private doctors who often lack an appropriate health education and tend to overmedicate.

- (3) **Poor physical infrastructure** Physical infrastructure including roads, water, electricity, sanitation and telecommunication is generally poor in developing and emerging markets. Not only the purchasing as well as the distribution of products and services, but also the general processes within organizations can be severely impeded (UNDP, 2008, p. 18).
- (4) **Limited access to financial products and services** Access to financial products and services is severely limited in markets at the BoP. Although Banerjee and Duflo (2011, p. 171) find that microfinance indeed increases the number of businesses being created, the idea of starting with a microcredit and growing businesses until they're big enough to get a loan from a bank appears to be myth. As the nature of microfinance gives incentives to "play it safe", risky ventures are not likely to be accepted by the social collateral networks that are formed by most microfinance institutions (p. 177). The authors therefore argue that finding ways to finance medium scale enterprises is the next big challenge for finance in developing countries. Banerjee and Duflo also provide important insights on the saving behavior of poor people. Due to the cost intensity of small saving accounts for banks and thus for low-income people, various alternative saving mechanisms have propagated in developing countries, ranging from saving clubs, to self-help groups, deposit collectors, cell phone based saving accounts or simply building a house. But, according to Banerjee and Duflo, it is not only the access to easy and safe saving instruments that matters. As the researchers argue, low-income people tend to live in the present without expecting any improvement in the future. They therefore often don't see the value of saving and/or don't bring up the necessary discipline.
- (5) **Weak and unknown institutional environments** The institutional environment of BoP markets differs substantially from Western markets. Institutional weakness has repeatedly been described as a major barrier to development. As will be further explained later, Mair, Martí, and Ventresca (2012), for instance, emphasize that the absence of Western-style market institutions has been put forth as a major reason for the market exclusion of low-income people. Kistruck et al (2011), further outline the institutional challenges that micro-franchising models at the BoP face. Micro-franchising has been put forth as a promising way

to rapidly scale up BoP ventures (see e.g. Fairbourne, Gibson, & Dyer, 2007). However, their implementation is impeded in BoP markets, where formal institutions are typically poorly developed, where institutional contexts differ substantially from developed markets and also depict high variety across different regions (Kistruck et al, 2011, p. 510). This leads to major challenges in implementing the three core propositions of franchising models. First, franchising models seek to align franchisees' incentives with those of the franchisor in order to reduce agency concerns.¹⁸ However, Kistruck and colleagues explain that the motivation of people living at the BoP to engage as micro-franchisees can't be compared to that of franchisees in more developed markets. Similar to necessity entrepreneurs, micro-franchisees may lack proactive, opportunity-seeking behavior that franchisors would expect, as they generally prefer to be employees rather than entrepreneurs (ibid, p. 510f.). The search for suitable candidates with the adequate mindset is likely to cause high monitoring costs, particularly in the context of weak technological infrastructure, difficult transportation conditions, and weak enforcement mechanisms (ibid, p. 513). Second, franchising models are based on the idea that start-up costs and operating costs can be shared between franchisors and franchisees, who ideally operate on a financially sustainable or profitable basis. This is arguably particularly advantageous for BoP initiatives that try to reach scale in resource scarce settings. However, micro-franchisees rarely possess the financial means or access to affordable capital to allow for such a cost sharing. This leaves the largest share of capital requirements with the franchisor (ibid, p. 514). Poor formal educational institutions furthermore lead to low levels of business skills requiring significant efforts from franchisors to invest in capacity building and other costs when dealing with the low levels of human capital (ibid, p. 515). And for most products and services, low purchasing power and minimal profit margins usually also don't suffice to overcome the resource scarcity that prevails at the BoP. Third, franchising models typically rest upon the idea of leveraging brand value – for instance based on the proposition of high quality – and benefitting of economies of scale through standardization and effective routines across geographies (ibid, p. 515). However, the lack of a communication infrastructure that reaches masses as well as the significant institutional differences within single regions or countries, including differences in norms, values and beliefs as well as language even between neighboring villages, undermine the possibilities to implement standardized processes and effective routines (ibid, p. 517).

¹⁸ Principal-agent relationships refer to situation in which an actor (the principal) delegates some decision making authority to another actor (the agent) to perform a task on his behalf. In order to avoid that the agent's decisions deviate from the best interests of the principal, the latter can refer to measures such as incentive structures for the agent as well as monitoring mechanisms (Jensen & Meckling, 1976, p. 308)

2.2.3 Strategies for Businesses at the BoP

In light of the diverse challenges that prevail in BoP settings, scholars and practitioners have expressed a range of strategic recommendations for companies to successfully tap into BoP markets. Radically rethinking the way to do business, investing in the BoP, gaining social embeddedness and entering cross-sector partnerships are the most important elements of recommended strategies in BoP literature.

- i. **Radical rethinking** In *The Fortune at the Bottom of the Pyramid*, Prahalad (2004, p. 25ff.) lists twelve principles of innovation for BoP markets; 1) radically rethinking price performance; 2) blending new technologies with existing and rapidly evolving infrastructures; 3) developing solutions that are scalable across countries, culture and languages; 4) conserving natural resources; 5) focusing on functionality, not just form; 6) thinking of process innovations, not only product innovations; 7) deskilling work and products; 8) educating consumers about the benefits and the right use of products; 9) developing robust products that function in hostile environments; 10) developing interfaces that account for the languages, cultures and skill levels of BoP markets; 11) focusing of end consumers in both rural and urban areas; and 12) questioning entire architectures of systems – such as a grid-based supply of electricity – and the possibility of rapid changes in BoP markets. More recent BoP publications embrace similar recommendations. Halme et al (2012), for instance, explain that multinationals short-term profit interests, as well as their incentive structures and risk aversion, usually curb the necessary mindset for innovativeness (p. 743). They therefore argue that multinationals need to promote *intrapreneurial bricolage*, that is, entrepreneurial action within the boundaries of their organizations and with the resources that are at hand (p. 747).
- ii. **Investing in the BoP** In accordance with the criticism that early BoP literature has drawn an overly simplistic picture of poverty as a mere lack of sufficient income, scholars have increasingly stressed the need to view poverty as a multidimensional issue. Referring to Sen's definition of poverty as a lack of capabilities, Ansari and colleagues (2012) propose that actors venturing into the BoP should build capabilities by leveraging social capital mainly between communities and more resource rich networks, and by protecting already established social capital in communities. Similarly, scholars have repeatedly stressed the need to invest into BoP markets, for instance, by engaging in capacity building initiatives (London & Hart, 2004, p. 361). Training programs are often required in order to transfer knowledge and skills. These efforts can be seen as long-term investments that prepare markets for the provision of additional products and services and that provide a positive return for the investing companies in the form of brand image, employee morale, and corporate reputation among others (UNDP, 2008, p. 7).

- iii. **Gaining social embeddedness** In order to gain a deep understanding of the people's needs at the BoP and to achieve the social integration that is needed in order to operate at the BoP, Hart (2007) argues that companies will have to become indigenous, meaning that they should consider views and claims from audiences that have so far been disregarded, and show stronger respect of local culture as well as nature in order to develop solutions that fully fit the context (p. 21). This is even more important as BoP markets depict high levels of informality as well as structures and systems that are hardly accessible, including individual transactions, barter transactions, or subsistence farming - more than half of economic activities take place outside of the formal economy, resulting in the dominant importance of social contracts over formal contracts. Reaching BoP markets is therefore likely to require solutions that bridge the formal and the informal economy (London & Hart, 2004, p. 352). Hence, working with local partners has been emphasized as an important market entrance strategy particularly for foreign companies that seek to place their products and services in BoP markets. Combining principal-agent theory and identity theory, Kistruck and colleagues (2012) investigate how actors can establish successful partnerships with local agents in order to overcome marketing and distribution challenges at the BoP caused by "large cultural heterogeneity, language fragmentation, and a general distrust of "outsiders" by rural BOP communities" (p. 661). However, as mentioned earlier, such local partnerships also cause monitoring costs or incentive-based contracts in an effort to mitigate opportunistic behavior of the local agents. Kistruck and colleagues therefore propose another, arguably less cost-intensive measure that turns agents into principals and fosters their ownership identity.
- iv. **Entering cross-sector partnerships** Finally, scholars and practitioners alike have called for cross-sector partnerships between the diverse actors that operate at the BoP, including nonprofit organizations, public entities and for-profit businesses. According to London and Hart (2004, p. 361), BoP initiatives that collaborated with "non-traditional" partners are more successful than those that don't. The UNDP (2008) emphasizes that engaging in policy dialogue with governments is essential, as markets are often not prepared to adopt BoP innovations (p. 21). Kandachar and Halme (2008, p. 17) synthesize the idea of cross-sector collaborations in their multidisciplinary approach to BoP innovations, according to which the integration of various relevant actors and disciplines, but also hybrid business models that combine elements from the market, the public and philanthropy, is necessary to account for the heterogeneity of BoP markets and the information gaps that impede BoP initiatives.

Given this background, it isn't surprising that profit-maximizing multinational companies (MNCs) have remained hesitant to tap into BoP markets with their core business (Kolk, Rivera-Santos, & Rufin, 2013, p. 12). Instead, a wide range of other types of organizations and initiatives have started to adopt the BoP approach (ibid, p. 16). Among them are CSR projects or inclusive businesses initiated by multinational companies and smaller local enterprises, as well as NGOs and social enterprises that try to build up financially sustainable models that serve low-income

people. Common to these approaches is that many of them embrace the idea of hybridity, not only in their goal setting, but also in the way they are organized and financed.

For example, a well-known example of cross-sector BoP partnership in health is the WOW® Business Concept initiated by S.C. Johnson to prevent Malaria transmission. In collaboration with Cornell University and the Bill & Melinda Gates Foundation, S.C. Johnson developed a business model that seeks to integrate mosquito control products into the daily routines of rural villagers in Ghana. Based on a membership model, the initiative aims to complement traditional philanthropic and aid-based efforts (Simanis, 2012). Although these types of cross-sector solutions are typical for BoP initiatives, little research has so far explored the concept of hybridity in BoP ventures. However, as Kolk, Rivera-Santos, and Rufin, (2013, p. 26) argue, drawing from research streams that have a stronger focus on hybridity may provide useful insights for BoP research. More generally, the authors posit that despite the increasing relevance of the BoP approach in practice, academic research remains underdeveloped. Most publications are targeted to practitioners and focus on the challenges that enterprises face when entering the BoP and/or propose a set of strategies in order to overcome these challenges and market to the poor (ibid, p. 8). In contrast, critical views or academic articles that contextualize the BoP approach in the larger field of international development or poverty alleviation are scarce (Ansari, Munir, & Gregg, 2012, p. 833). The reasons for this lack of contextualization are manifold. Kolk and colleagues (2013, p. 20) relate it, among others, to the difficulty of defining the BoP as well as to collecting information at the BoP, two obstacles that impede accurate academic research and theory building, particularly when it comes to the comparison of sectors or countries.

The present study contributes to filling this gap by investigating health care providers that serve the BoP through the lens of hybrid organizations. The next chapter will provide the theoretical foundations – mainly from institutional theory and paradox research – that guided data collection and analysis.

3 ORGANIZATIONAL HYBRIDITY IN THE CONTEXT OF INSTITUTIONAL COMPLEXITY

As fields – such as the field of health care or the field of international development – become inhabited by increasingly divergent types of actors, environments become more complex for organizations. Institutional theorists argue that institutional environments provide organizations with guidance on norms, values, beliefs, modes of operating and structures that are considered to be appropriate in a society.¹⁹ Institutions within political and social environments, most generally understood as “rulelike” frameworks (Scott, 2008, p. 427), structure social behavior and thereby reduce uncertainty for organizations (North, 1990, p. 5f.). As institutional theory further argues, organizations have to comply with those institutional pressures in order to secure their legitimacy and thus their survival – with legitimacy being defined as “a generalized perception or assumption that the actions of an entity are socially desirable, proper or appropriate within some socially constructed system of norms, values, beliefs and definitions” (Suchman, 1995, p. 574).

In addition to those institutional prescriptions that institutional environments produce, organizations are also exposed to internal demands. Oliver (1997) comprehensively describes the interplay of forces to which organizations are exposed: “A firm’s institutional context includes its internal culture as well as broader influences from the state, society, and interfirm relations that define socially acceptable economic behavior” (p. 697). Accordingly, institutional theory focuses on both the macro-level dynamics of the fields that surround organizations and the micro level of structures, practices and behavior within organizations.

However, when organizational fields are characterized by heterogeneity or change (Wooten & Hoffman, 2008, p. 133ff.), scholars have argued that *institutional complexity* increases (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011, p. 317ff.), and so-called *institutional voids* arise, thereby failing to provide clear guidelines for acceptable organizational behavior (Mair, Martí, & Ventresca, 2012, p. 819ff.).

Institutional complexity and institutional voids – two concepts that will be further defined in this chapter – have traditionally been viewed as obstacles to organizational activity – and thus to the functioning of markets and to social and economic development. More recently, however, scholars have started to reinterpret those institutional challenges as opportunity spaces (see e.g. Desa, 2011; Greenwood et al, 2011; Mair & Marti, 2009; Mair et al, 2012). In contradictory or

¹⁹ The term institutional theory will be used to refer to a set of sociologically oriented organization and management theories that emerged in the late 1970’s and have altogether also frequently been labeled as “new organizational institutionalism” (e.g. Greenwood *et al.*, 2008), “neo-institutional theory”, (e.g. DiMaggio and Powell, 1991, p. 12) or simply “institutional theory” (e.g. Scott, 1987, 2008). The institutional theory that build the basis of the present study is thus distinguished from, though related to, the new institutional economics, which focuses on the influence of institutions on transaction costs in economic processes and mainly goes back to Coase (Coase, 1937), and new institutionalism in political science, which emphasizes the need to analyze the behaviour of individual political actors within political institutions in order to understand political reality (March & Olsen, 1984). However, these three research streams share the fact that they explicitly seek to distinguish themselves from the older understanding of institutions as formal rules and structures.

ineffective institutional settings, the argument goes, organizations may also be able to find innovative solutions to achieve their goals. Hybrid organizations, which operate at the interstices of the public, the private and the third sector, for instance, have been claimed to be particularly resilient and innovative in such contexts (e.g. Jay, 2013). Although their emergence is not necessarily an innovation, it is only recently that they have caught the increased attention of scholars – mainly institutional theorists, but also representatives from the relatively new body of paradox research – and practitioners who seek to understand how organizations can successfully operate in complex institutional conditions. Hybrid organizations are defined as organizations that combine multiple institutional logics in unprecedented ways (Battilana & Dorado, 2010, p. 1419) – with institutional logics being defined as “the socially constructed, historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality” (Thornton & Ocasio, 1999, p. 804). In developing and emerging economies, for instance, hybrid organizations that seek to generate BVC and thus to combine the *social welfare logic* and the *commercial logic*, have raised significant hopes in the last decades. As described in the last chapter, concepts like *base of the pyramid*, *social enterprise* and *social investing* have been taken up by many actors who aim to develop innovative, financially sustainable or even profitable business models to serve the poor – among others in the field of health care.

This chapter will outline the theoretical foundations of the emergent theory on hybrid organizations by reviewing literature from institutional theory and paradox research. Combining both literature streams is argued to be crucial as they bring different emphases on the investigation of hybrid organizations and thus ideally complement each other in light of this study’s research questions.

It is believed that paradox research adds to institutional theory by providing a more agentic view on organizations, meaning one that accounts for organizations’ capacity to act independently and change its own situation (DiMaggio, 1988). Although there has been a shift towards integrating strategy arguments into institutional theory, institutional scholars generally focus on *episodic organizational responses* to institutional complexity and thus draw a rather passive picture of organizations. In addition, institutional theorists have generally predicted that in institutionally complex situations, organizations will sooner or later move toward one coherent logic (see e.g. Thornton & Ocasio, 1999). It is only recently that institutional scholars have started to explore hybridity as a sustainable characteristic of organizations (see e.g. Battilana & Dorado, 2010; Battilana & Lee, 2014; Jay, 2013; Pache & Santos, 2013). In contrast, paradox researchers view tensions as possible triggers for innovative strategic behavior that tries to move from “either/or decisions” to a “both/and perspective” (Lüscher & Lewis, 2008, p. 232) and allows organizations to manage these tensions sustainably through recursive or cyclical responses (see e.g. Jay, 2013; Smith & Lewis, 2011).

Institutional theory is an important complement to paradox research, as it accounts for field-level dynamics by viewing institutions as societal phenomena that are reflected in organizations. Given this study's interest in the reasons behind the tensions and strategies in hybrid organizations, this field-level perspective is essential. However, it is largely lacking in paradox research, which mainly focuses on strategies to manage tensions within organizations.

This chapter will therefore be structured as follows: First, a brief introduction in institutional theory will present the key concepts and trace the main shifts of the theory over time, particularly the integration of strategic arguments into institutional theory. The second part will elaborate on existing research on institutional complexity with a focus on conflicting institutional logics. Finally, the third part will present the current state of research about the concept of hybrid organizations in institutional theory and introduce key insights from paradox research.

3.1 Introducing Institutional Theory

3.1.1 Key Concepts of Institutional Theory

Early institutional literature emphasized the argument that organizations are exposed to institutional forces to which they have to comply in order to secure their organizational legitimacy and thus their survival (see e.g. Meyer et al. 1980; Meyer & Rowan, 1977; Scott, 2008). Referring to Max Weber's (Weber, 2012/1934) metaphor of organizations that are imprisoned in an "iron cage" of the "rationalist order",²⁰ the seminal work of DiMaggio and Powell (1983) posited a bold hypothesis that sought to explain seemingly irrational organizational behavior (Scott, 2004, p. 462): Organizational structures, they argued, are a result of organizations' responses to the "structuration of organizational fields" and not only pressures to reach higher levels of efficiency - with "structuration" referring to an entire set of institutions that shape social behavior (Giddens, 1979).

With this, organizational institutionalism has often been conceived as a counterpart to organization or management theories that hold a rational view on organizations being demarcated from their environment, or only exposed to resource dependencies (Pfeffer & Salancik, 1978) and technological imperatives for efficiency and effectiveness. Inefficient organizational structures and practices may, for instance, emerge and endure due to power distribution, complex interdependencies, taken-for-granted assumptions or path dependencies

²⁰ Weber's metaphor of an iron cage represents one of the most widespread and powerful metaphors used by sociologists and organizational scholars (Tiryakian, 1981, p. 27). The original concept referred to an increased rationalization and efficiency-orientation that rooted in the protestant ethic and inescapably shaped the economy and thus social life, particularly in Western societies (Weber, 2012, p. 65). DiMaggio and Powell's (1983) seminal paper, which is one of the papers that marked the beginning of institutional theory, reinterpreted the figure of the iron cage by arguing that organizations, specifically, were not only forced to comply with technical demands for efficiency, as Weber suggested, but also with institutional pressures that conferred legitimacy, but didn't necessarily lead to the most efficient outcomes.

(Oliver, 1997, p. 702). Early publications of institutional theorists have thus explicitly distinguished institutional pressures for legitimacy, and technical pressures for efficiency.

By justifying the existence of inefficient structures and the importance of organizational legitimacy, institutional scholars expressed an argument which, at that time, was bold and seminal. A large number of scholars therefore felt incentivized to join this line of argumentation and to form an entire new research stream. However, early literature on organizational institutionalism remained highly theoretical and broad, as the most widespread definition of legitimacy exemplifies, describing it as a “generalized perception or assumption that the actions of an entity are socially desirable, proper or appropriate within some socially constructed systems of norms, values, beliefs and definitions” (Suchman, 1995, p. 574). In a similar vein, the concept of “institutional forces” was vaguely defined as “rulelike” frameworks or “rational myths” that shape organizational behavior and structures (Meyer & Rowan, 1977, p. 343). The mid 1990’s, however, can be seen as a tipping point in institutional theory, mainly due to the publications of Scott (1995) and Suchman (1995) who proposed concretizations for the two interrelated concepts of organizational institutionalism, namely *institutions* and *legitimacy* – which are both central to institutional theory.

Scott (1995) suggested that institutional material is composed of three ingredients, namely *regulative*, *normative* and *cultural-cognitive* elements. These institutional elements, he specified, differ with regard to the base of order, motives for compliance, logics of action, mechanisms, and indicators employed (p. 60):

- (1) *Regulative elements* entail rule setting and sanctioning and, as Scott (1995, p. 59f.) explains, generally correspond to economists’ – particularly North’s – understanding of institutions as coercive forces in the form of legal sanctions or other enforcing mechanisms, including “political (and judicial rules), economic rules, and contracts” (North, 1990, p. 47). However, in a larger sense, coercive pressures can be related to any pressures that are imposed on organizations by sources on which they depend. In market relationships, such coercive pressure is, for instance, exerted on organizations when exchange partners have a stronger bargaining power (McGregor, 1988, p. 25). Mizruchi and Fein (1999) thus argued that coercive forces are “at least in the first instance, (...) analogous to formulations of the resource dependence model, in which organizations are viewed as constrained by those on whom they depend for resources” (p. 657).²¹

²¹ The resource dependence theory mainly goes back to Pfeffer and Salancik’s influential book *The External Control of Organizations: A Resource Dependence Perspective* (1978) in which the authors suggested that an organization’s strategic leeway depends on its external resources. As these resources are often in the hands of other organizations, organizations highly depend upon each other. Resources can thus be interpreted as a basis of power that organizational leaders need to manage in order to ensure their survival (for a review, see Hillman, Withers, & Collins, 2009).

- (2) *Normative elements* of institutions “introduce a prescriptive, evaluative, and obligatory dimension into social life” (Scott, 1995, p. 63). Their basis of compliance is social obligation, which rests on moral imperatives.
- (3) Finally, *cultural-cognitive elements* of institutions refer to taken-for-granted conceptions and frames (ibid, p. 68). These elements of institutional material are the most deeply institutionalized, as they occur in a taken-for-granted manner, meaning that cognitive pressures and cultural support occur unconsciously (Scott, 2008, p. 429). Together with normative institutional elements, cultural-cognitive institutions correspond to what North refers to with “informal constraints” (North, 1990, p. 36f.).

Organizational legitimacy, Scott further elaborated, can be seen as the result of the interplay between regulative, normative and cultural/cognitive institutional forces surrounding an organization (Scott, 1995, p. 71). Legitimacy, he argued, is respectively claimed on the basis of being legally sanctioned, morally authorized, or culturally supported (ibid, p. 60).

As Deephouse and Suchman (2008, p. 50) describe in their review of *Legitimacy in Organizational Institutionalism*, most institutional researchers credit Weber for the introduction of legitimacy in organizational theory. In his writings about legitimate forms of authority, namely charismatic, traditional and legal authority, he stressed that social practices follow ‘maxims’, or rules, and that this conformity can provide them with legitimacy (Weber, 1978, p. 212 ff.). However, as Deephouse and Suchman further describe, neither Weber nor early institutionalist publications provided a clear conceptualization of legitimacy (2008, p. 50). This mainly changed with Scott’s (1995) systematic approach to analyze the different rationales for the legitimacy claims that lie behind different institutional pressures.

In addition, Suchman (1995) also provided an important contribution to institutional theory by proposing to distinguish three conceptual dimensions of organizational legitimacy: First, *pragmatic legitimacy*, he stated, is based on audience self-interest, meaning that an organization’s constituencies grant an organization legitimacy if it’s activities have positive practical consequences for them (p. 578). Second, *moral legitimacy* is granted by audiences when they consider that an organization does “the right thing” (p. 579). It reflects a positive normative evaluation and is independent of the benefits that an organization’s activities have on the evaluator. Third, *cognitive legitimacy*, Suchman explains, is based on comprehensibility and taken-for-grantedness. This type of legitimacy is the result of a more subtle process which doesn’t rely on any active evaluation, but rather occurs unconsciously. Organizations are granted cognitive legitimacy when they act in a plausible way or when audiences literally can’t think of any alternative behavior (p. 582f.).

In contrast to Scott, Suchman extended the concept of legitimacy by an important aspect. He not only provided a framework to explain the differences in how societal beliefs become embedded in organizations, but also a strategic perspective on how legitimacy can be managed to help

achieve organizational goals (Deephouse & Suchman, 2008, p. 52). The concrete strategies will be further elaborated in the next section that summarizes the major scholarly efforts to integrate strategic arguments into institutional theory.

Overall, early institutional theorists shared Weber's argument that organizations are all subject to the above-mentioned institutional forces, and therefore predicted that organizations would, over time, move toward resembling one another. The drivers behind that increasing resemblance were argued to be so-called isomorphistic pressures, namely coercive, normative and mimetic forces, that drive homogenization processes as organizations strive for legitimacy. Boxenbaum and Jonsson (2008) explain: "organizations adapt not only to technical pressures but also to what they believe society expects from them" (p. 78). These dynamics create organizational structures that are similar and thus legitimate, but not necessarily the most efficient ones (Powell & DiMaggio & Powell, 1983, p. 147).

However, based on the observation that organizations are de facto neither totally determined by institutional pressures nor entirely free to act strategically, an increasing number of scholars started to emphasize the need to integrate arguments from strategic management into institutional theory in order to provide a more realistic view (see e.g. Beckert, 1999, p. 778; W. Richard Scott, 1995, p. 170).²² Oliver's (1991) seminal work on organizations' strategic responses to institutional processes certainly prepared the ground for various efforts to reconcile the basic premises of both literature streams by acknowledging that organizations do have a certain flexibility to strategically respond to institutional forces. As mentioned earlier, Suchman furthermore proposed various strategies to manage legitimacy, and finally, concepts such as *institutional capital* and *institutional entrepreneurship* have provided complementary views, putting a stronger emphasis on agency in institutional theory. The following sections will briefly review the key arguments put forth in this regard.

3.1.2 From Environmental Determinism to Organizational Agency


Responses to Institutional Processes

Oliver's (1991) work on strategic responses to institutional processes triggered a reorientation of early institutional arguments. By incorporating arguments of the resource-based view into institutional theory, she provided the first attempt to simultaneously account for both

²² Strategic management literature mainly deals with the question of how companies can reach their objectives, particularly by acquiring a competitive advantage (for an historical overview on the beginnings of strategic management literature (see e.g. Bracker, 1980). In contrast to institutional theory, the focus therefore lies on firms' heterogeneity, and strive to distinguish themselves particularly from competitors. Strategic management literature furthermore implies that firms have a strategic choice and the possibility to actively shape their environment, for example, by fostering the establishment of market entry barriers or resource mobility barriers (see e.g. Bresser & Millonig, 2004)

environmental determinism and strategic latitude.²³ Responses to institutional processes, she argued, may differ depending on “the degree of choice, awareness, and self-interest that organizations possess for handling external constraints” (p. 148). Accordingly, she presented five general strategic responses to institutional processes, which can be located on the spectrum between high and low conformity with institutional pressures: acquiescence, compromise, avoidance, defiance and manipulation (see table 1).

Table 1: Strategic Responses to Institutional Processes
(adapted from Oliver, 1991, p. 152)



Strategies	Tactics	Examples
Acquiesce	<ul style="list-style-type: none"> ▪ Habit ▪ Imitate ▪ Comply 	<ul style="list-style-type: none"> ▪ Following invisible, taken-for-granted norms ▪ Mimicking institutional models ▪ Obeying rules and accepting norms
Compromise	<ul style="list-style-type: none"> ▪ Balance ▪ Pacify ▪ Bargain 	<ul style="list-style-type: none"> ▪ Balancing the expectations of multiple constituents ▪ Placating and accommodating institutional elements ▪ Negotiating with institutional stakeholders
Avoid	<ul style="list-style-type: none"> ▪ Conceal ▪ Buffer ▪ Escape 	<ul style="list-style-type: none"> ▪ Disguising nonconformity ▪ Loosening institutional attachments ▪ Changing goals, activities or domains
Defy	<ul style="list-style-type: none"> ▪ Dismiss ▪ Challenge ▪ Attack 	<ul style="list-style-type: none"> ▪ Ignoring explicit norms and values ▪ Contesting rules and requirements ▪ Assaulting the sources of institutional pressures
Manipulate	<ul style="list-style-type: none"> ▪ Co-opt ▪ Influence ▪ Control 	<ul style="list-style-type: none"> ▪ Importing influential constituents ▪ Shaping values and criteria ▪ Dominating institutional constituents and processes

Several studies built upon Oliver’s seminal work to further develop the integration of strategic and institutional arguments, including Suchman (1995), who proposed several strategies to manage pragmatic, moral and cognitive legitimacy. As he elaborated, pragmatic and moral legitimacy differ from cognitive legitimacy, as they rest on discursive evaluations, as opposed to cognitive legitimacy, which is based on unspoken assumptions (p. 585). Thus, he argued, the possibilities for organizations to gain, maintain and/or repair legitimacy differ. In order to gain legitimacy, Suchman argues that organizations can, for instance, conform to environments by meeting the substantive needs of audiences (for pragmatic legitimacy), conform to more abstract ideas (for moral legitimacy) or adopt established models or standards (for cognitive legitimacy). In order to maintain legitimacy, organizations may take measures that enable it to perceive audience reactions and possible emerging challenges. These measure include monitoring multiple interests around the organizations (for pragmatic legitimacy), incorporating multiple ethics (for moral

²³ According to the resource-based view of the firm, organizations can achieve a competitive advantage by rationally identifying disposable resources that are valuable, rare, in-imitable, and non-substitutable (Barney, 1991).

legitimacy), and establishing units that question each other's taken-for-granted assumptions (for cognitive legitimacy). Finally, in order to repair legitimacy, Suchman explains that organizational managers can usually refer to three different strategies: offer normalizing accounts such as denying, presenting an excuse, justification or explanation; restructure the organization by creating monitoring instances and distance the organizations from bad influences; and avoid panic.

In addition, Lawrence (1999), introduced the concept of *institutional strategies*, defined as "patterns of organizational action concerned with the transformation of institutions, fields and the rules and standards that control those structures" (p. 167). These strategies, he argued, are not so much concerned with the objective of gaining a competitive advantage, but rather with the managing of institutional structures in order to establish conditions that are favorable for the organization. Lawrence described two main strategies that organizations use to influence their environment, namely *membership* and *standardization*. Membership strategies attempt to define the rules that determine whether an organization belongs to an institutional community as well as the meaning that such membership has for organizations. Standardization strategies, in contrast, set the standard that is "normal" with regard to the technical, legal and market process behind the production of goods and services. In both cases, Lawrence suggests that the intensity of institutional pressures determines whether a strategy is to be successful or not.

Building up Institutional Capital

In line with her efforts to integrate institutional and resource-based views, Oliver (1997) extended her argumentation, positing that an organization needs to manage both *institutional capital* and *resource capital* to establish a sustainable competitive advantage – with resource capital being defined as "the value-enhancing assets and competencies of the firm" and institutional capital as "the firm's capability to support value-enhancing assets and competencies" (p. 709). Oliver proposed a conceptual framework that traces the process of decision-making that will ultimately create this competitive advantage. This process describes the conflicts that a firm is likely to experience between institutional pressures and resource-based demands – that is, technical pressures (p. 700 ff.). A firm's ability to generate a competitive advantage, thus, according to Oliver, depends on its effectiveness in managing the social context of the resources and capabilities.

Bresser and Millonig (2004) extended the concept of *institutional capital* by distinguishing three components of institutional capital, based on Scott's (1995) conceptualization of institutions: *cognitive capital* resting on the interpretive schemes of decision makers in an organization; *normative capital* resulting from an organization's institutionalized norms, values, structures and routines; and *regulative capital* based on the way organizations deal with formal and informal demands from external institutional actors. Particularly cognitive and normative capital, they argue, differ among organizations and may therefore lead to competitive advantages (p. 232).

Measures of organizational learning, for instance, can be actively taken to reduce cognitive sunk costs or challenge institutionalized – which in this context means “dysfunctional” – organizational behavior. At the interfirm level, Bresser and Millonig furthermore argue that the ability to establish a competitive advantage will depend on a firm’s success in managing essential relationships, and their ability to “gain support from relevant institutional actors” (p. 232). Finally, Bresser and Millonig also propose a further extension of manipulation strategies by introducing five more options to Oliver’s (1991) catalogue of strategic responses: (1) *lobbying* as the active formulation of a firm’s wishes and recommendations for policy-making, (2) *co-optation* defined as the acquisition of key oppositional actors for governance or advisory boards, (3) *membership* as a means to foster the institutionalization of new groupings that become a rule setter within an organizational field, (4) *standardization* defined as the process of setting the standard that is “normal” for a certain product, service or practice. By doing so, organizations create institutions that don’t necessarily focus on the most efficient solution but rather a favored solution. Finally, (5) *influence* refers to the strategies that aim at manipulating “values, belief systems, and acceptable practices (...) at the societal level”.

Institutional Entrepreneurship

In contrast to previously mentioned efforts to theoretically account for strategic latitude in organizations, despite their exposure to institutional pressures, research on *institutional entrepreneurship* depicts a much stronger emphasis on organizational agency (Battilana et al., 2009, p. 68). While the term was first used by Eisenstadt (1980), it is Paul DiMaggio (1988, p. 14) who further introduced institutional entrepreneurship into institutional theory, thereby triggering the emergence of multiple studies on organizational efforts to shape institutional environments. Battilana and colleagues’ extensive review on institutional entrepreneurship summarizes this body of work and defines institutional entrepreneurs as “actors who leverage resources to create new or transform existing institutions” (Battilana et al., 2009, p. 68). These institutions particularly refer to formal or informal rules within a certain context or to concrete organizational practices or structures that institutional entrepreneurs consider as necessary for their purpose. Institutional entrepreneurs, however, are not exclusively individuals, as the term “entrepreneur” could suggest. They can also take the form of organizations or groups of actors that, as some scholars suggest, may act in a coordinated or uncoordinated way.

Two main streams can be distinguished within institutional entrepreneurship research: one that deals with the concrete strategies that institutional entrepreneurs use to change or create institutions such as mobilizing resources through story telling (see e.g. Zilber, 2007), applying bricolage techniques (see e.g. Maguire et al., 2004),²⁴ or building platforms that enable excluded groups to participate in markets and breaking relationships of dependence (see e.g. Mair & Marti,

²⁴ The concept of bricolage was introduced by Lévi-Strauss (1966) without providing a clear definition. Subsequent studies often used the term with reference to Baker and Nelson’s (2005) definition of bricolage “as making do by applying combinations of the resources at hand to new problems and opportunities” (p. 333)

2009); and a second body of work that analyzes the preconditions that are necessary for institutional entrepreneurs to achieve the change they seek (for an overview, see Battilana et al., 2009).

With regards to the strategies to implement institutional change, Battilana and colleagues (2009) emphasize that the process of institutional entrepreneurship often starts with the creation of a vision for divergent change on a discourse level. In concrete, institutional entrepreneurs often refer to the strategy of “framing”, which entails all discursive activities used to emphasize the importance of the aspired institutional change. This framing is said to be *diagnostic* when it aims at depicting the current failures, challenges and limits of institutionalized practices; *prognostic* when it stresses the superiority of the envisaged institutional change in comparison to the current situation, and *motivational* when it focuses on the reasons why one should support the new vision (p. 79 f.). Battilana and colleagues therefore specify that framing strategies often go hand in hand with the de-legitimization of current institutional arrangements and the legitimization of new actors and practices. As will be further elaborated at a later stage, these discursive strategies resemble the concept of *sensemaking*, which has been put forth as a central way how hybrid organizations, in particular, can overcome paradoxical situations that challenge their operations (see e.g. Jay, 2013). In addition, it also recalls narrative strategies of social movements, which refer to similar strategies for collective mobilization in a society (for an overview, see Davis, McAdam, Scott, & Zald, 2005, or Davis, 2012).

Tracey and colleagues (2011) draw a similar picture with regards to the importance of discursive strategies applied by institutional entrepreneurs. In order to create a new hybrid organizational form and gain the necessary legitimacy, the organization that they investigated referred to what Tracey et al call “bridging institutional entrepreneurship”, that is institutional work entailing discursive, operational and structural action at the micro, meso and macro level – with different purposes at each level (p. 69). While opportunity recognition was the main goal at the micro level, the design of the hybrid organizational form predominated the actions at the meso level, and the legitimization of the hybrid organizational form was the central aspiration of institutional work at the macro level. This reflects Battilana and colleagues (2009) who point to the mobilization of allies that support the vision and provide financial and social capital as the second step of their “process of institutional entrepreneurship” (p. 81f.).

Conditions Influencing Variations in Strategic Behavior

Institutional scholars have stressed, though, that agentic behavior does not occur in a vacuum. A range of factors have an influence on the strategies that organizations will apply and whether institutional entrepreneurship will occur and succeed. These factors can be divided in three categories: (1) factors relating to field-level dynamics, (2) specifications of the institutional prescriptions that surround organizations, and finally (3) organizational or individual characteristics and positions.

- (1) In her early work on strategic responses to institutional processes, Oliver (1991) suggested that the “context” of an organization would influence the choice of a strategy (p. 146f.). Environmental uncertainty, that is, for instance, unpredictability of the state, as well as the interconnectedness of actors in an organizational field are, according to Oliver, significant determinants of organizational responses. The lower the uncertainty and the lower the interconnectedness, the more likely it is that organizations will resist to institutional pressures. Several scholars have picked up this argument.

With regards to institutional entrepreneurship, Battilana and colleagues (2009) argue that field-level conditions differ in their conduciveness for institutional change and thus in their receptivity for institutional entrepreneurs’ efforts. The level of institutionalization,²⁵ the scarcity of resources, the need for new solutions, the prevalence of heterogeneity or uncertainty in the institutional environment, as well as the occurrence of “social upheaval, technological disruption, competitive discontinuity, and regulatory changes” (p. 74), all potentially facilitate the introduction of new ideas.

Maguire, Hardy and Lawrence (2004) similarly shed light on the relationship between a field’s *maturity* – again referring to the field’s level of institutionalization – and successful strategies of institutional entrepreneurs. Their qualitative study of institutional entrepreneurship in the field of HIV/aids treatment advocacy in Canada describes how uncertainty and institutional ambiguity in an emerging field, defined as a field with little coordinated action among its members and a lack of dominant actors and institutions prescribing social order, open the spaces for new solutions and actions as cognitive, normative and regulative forces are not yet deeply institutionalized, and isomorphic pressures are therefore weak.

Oliver (1991, p. 160ff.) furthermore suggested four additional factors that influence organizations’ choice for a strategy, which all relate to the specifications of the institutional forces: First, the author argued that the *cause* of why an organizations is being pressured generally refers to two main types of pressure, namely for social or economic fitness – or, in other words, for legitimacy or efficiency. Second, the *constituents* that exert institutional pressure, that is, an organization’s stakeholders, can furthermore be characterized by varying degrees of multiplicity, “defined as the degree of multiple, conflicting, constituent expectations exerted on an organization” (p. 162) and by the degree to which the organization depends on the constituents. The higher the inconsistency between the constituents and the lower the organization’s dependence on them, the more Oliver expected organizations to resist to institutional pressures. Third, the author posited that the *content* of

²⁵ Institutionalization can be understood as a process and a property variable that has been central to institutional theory from early on. As Zucker posits (1977): “It is the process by which individual actors transmit what is socially defined as real and, at the same time, at any point in the process the meaning of an act can be defined as more or less a taken-for-granted part of this social reality (p. 728).

norms, claims and requirements to which an organization is supposed to conform can differ with regards to its consistency with organizational goals and to the degree of discretion of the constraints imposed on an organization. The lower the consistency and the higher the discretionary constraints, the more organizations will tend to refer to resistance strategies. Finally, Oliver argues that the *control* that external constituents exert to impose their demands on an organization can take two forms, namely legal coercion by means of authority, or pressure for voluntary diffusion. The lower the degree of legal coercion and the lower the degree of voluntary diffusion, she argues, the more organizations are likely to resist to pressures. Oliver concludes that organizations are expected to estimate the potential gain that can be achieved through conformity with each of these pressures and choose their response strategy accordingly.

- (2) One aspect that hasn't been considered by Oliver, but subsequently by many other institutional scholars, refers to organizational-level factors, including *ownership structure* (see e.g. Goodrick & Salancik, 1996), the distribution of *power* within organizations (e.g. Delmas & Toffel, 2007), *organizational learning* (see e.g. Westphal & Zajac, 2001) or *identity* (see e.g. Fox-Wolfgramm et al., 1998). All these aspects foster heterogeneity among organizations and therefore the available resource and capacities, as well as internal preferences to deal with institutional prescriptions.

Institutional entrepreneurship scholars have expressed similar arguments. Maguire and colleagues (2004), for example, emphasize that institutional change is a "political process that reflects the power and interests of (...) actors" and that institutional entrepreneurs will only be able to achieve this change if they have "the "capital" or resources to exert power over the field at a particular time" (p. 658). Successful institutional entrepreneurs must be able to counter the efforts of opponents to the aspired institutional change and gain the support of legitimacy granting actors in the field – a process that is facilitated when institutional entrepreneurs hold "financial resources and resources related to social position" (Battilana et al., 2009, p. 83) as this in turn enables them to acquire more financial and social capital.

Maguire and colleagues (2004) therefore concluded that the number of positions within a field that enable actors to instigate institutional change are limited (p. 658). This argument is further specified by Battilana and colleagues (2009) who state that the social position or status within an organizational field influences both "actors' perception of a field (...) and their access to the resources needed to engage in institutional entrepreneurship" (p. 76).

As these elaborations show, the nexus between institutional prescriptions and strategic behavior in organizations is highly complex. The range of field-level, prescription specific and organizational level factors at play make it difficult to predict (strategic) organizational behavior. In

addition, and as the next section will explicate, the reconciliation of strategic and institutional arguments is also difficult from a theoretical point of view.

3.1.3 The “Paradox of Embedded Agency” and How Reflexivity Can Help

The last sections have outlined the major scholarly attempts to integrate a more active understanding of organizations and strategic action in the further development of institutional theory. This body of work has significantly contributed to moderating the passive understanding that initially prevailed in institutional theory. Some scholars even went further and proposed that institutional theory provides an excellent basis for understanding more dynamic phenomena such as organizational change, as it outlines the contextual dynamics that bring about the need for organizational adoption (e.g. Greenwood & Hinings, 1993). However, several scholars keep emphasizing that the current attempts to reconcile strategic and institutional arguments remain insufficient when it comes to resolving a central discrepancy between the two lines of thought, namely the *paradox of embedded agency* – a notion that has first been introduced by Seo and Creed (2002, p. 226) – (for an overview, see Battilana & D’Aunno, 2009, or Garud, Hardy, & Maguire, 2007). Under this label, scholars have regularly pointed to the argument that actors’ behavior is – often unconsciously – influenced by institutional pressures, and that actors are therefore not able to change or actively make strategic decisions concerning these very same institutions. Particularly in the situation where institutional pressures remain unconscious, the meta-theoretical question remains: How can actors that are embedded in institutions disembed themselves from taken-for-granted prescriptions and act strategically towards confronting or even changing them? The concept of institutional entrepreneurship, which strongly presupposes actors’ general ability for strategic action, has consequently been criticized for holding an overly rational and heroic view on organizations or individuals (Garud *et al.*, 2007, p. 961).

Seo and Creed (2002) try to approach the paradox of embedded agency by using the concept of *praxis*. Introduced by Benson (1977), praxis is one of four basic principles of dialectal analysis,²⁶ and refers to the “free and creative reconstruction of social patterns on the basis of reasoned analysis of both the limits and the potential of present social forms” (p.5). For the paradox of embedded agency, Seo and Creed argue that actors are “partially autonomous in a contradictory social world” and can thus become “active exploiter[s] of social contradictions” (p. 230). In other words, the authors propose to view contradictions in the institutional environment as key sources for the reflexivity that actors need to spur institutional change. The next sections will further elaborate on the topic of institutional contradictions.

²⁶ As Benson (1977) explains “the dialectical view is a general perspective on social life which can be extracted from the Marxist analysis of economic structure and its ramifications” (p. 2) He further specifies: “a dialectical view is fundamentally committed to the concept of process” (p. 2-3). Nothing is fixed but rather temporary and “arbitrary patterns and any observed social pattern are regarded as one among many possibilities” (p. 3). He posits four basic principles of dialectical analysis: social construction, totality, contradiction and praxis.

In addition, scholars have proposed further variables that may enable actors to achieve the reflexivity that is needed to disembed themselves from institutional orders. Beckert (1999) posits that it is particularly in situations of uncertainty in which the interplay of institutionalized behavior and strategic agency unfolds (p. 782). Uncertainty, he argues, occurs in complex situations where actors are unable to predict the probable consequences of strategic choices (p. 782). Beckert argues that institutionalized behavior (*embeddedness*) and strategic agency (*disembeddedness*) of actors shouldn't be seen as alternative but rather corresponding processes. He therefore points to the existence of agents with the capability to interpret constraints as possibilities to achieve more efficient outcomes. As he explains, "the violation of institutionalized structures, rules, and strategies might carry a profit premium" (p. 779).

As Seo and Creed suggested, and as will be further explained in the next section, situations of uncertainty may emerge, for example, when institutional pressures are not coherent or even conflicting. Institutional contradictions – or more generally, institutional complexity – are an increasingly prevalent condition shaping organizational environments and strategies, and thus provide an interesting setting to gain new insights on the paradox of embedded agency.

3.2 Institutional Complexity, Institutional Voids and their Influence on Organizations

As mentioned earlier, the concept of conflicting demands – understood as "antagonisms in the organizational arrangements required by institutional referents" (Pache & Santos, 2010, p. 457) – already resonated in very early institutional theorizing that pointed to the incompatibility between the legitimacy claims and efficiency claims that organizations face (see e.g. DiMaggio & Powell, 1983). However, as environments become more global, fast paced and competitive (Smith & Lewis, 2011, p. 381), researchers have started to work on a more differentiated understanding of contradictions in institutional environments, or, more generally, in institutional material.

Seo and Creed (2002, p. 226f.), for instance, further concretized the concept of institutional contradictions by distinguishing four key contradictions that may occur in institutional arrangements. First, the dichotomy of institutional and technical pressures (legitimacy versus efficiency);²⁷ second, the negative influence of adaptation on adaptability, as institutionalization processes usually come along with an increasing resistance to change; third, the contradictions accruing from incompatible institutional prescriptions; and fourth, the exposure to isomorphistic forces, which conflict with the existence of divergent interests.

²⁷ It is worth highlighting that most institutional research today doesn't distinguish anymore between institutional and technical demands, that is, competitive forces that drive organizations toward efficiency. Institutional researcher have increasingly argued that technical demands are themselves socially constructed and embedded in institutional logics that promote efficiency (Lounsbury, 2002) – mainly the commercial or market logic. More generally, recent institutional theory has come to the conclusion that all social systems, including economic systems like markets, are governed by rules, norms, and belief systems (Scott, 2008).

In addition, a larger body of research around the concepts of *institutional complexity* and *institutional pluralism* has emerged, seeking to shed light on the behavior of organizations that are exposed to multiple institutional demands. Whereas the term institutional pluralism simply points to the co-existence of multiple institutional orders – and thus institutional demands towards organizations (see e.g. Kraatz and Block, 2008) – institutional complexity furthermore stresses the difficulties that pluralism implies when institutional prescriptions contradict each other (e.g. Greenwood et al, 2011). In the latter case, recent scholars have argued that so-called *institutional voids* arise, that is, analytical spaces between conflicting institutional spheres (Mair, Martí, and Ventresca, 2012, p. 822) – and not empty spaces as suggested by other researchers (see e.g. Chakrabarty & Bass, 2013). As the next section will summarize, researchers have interpreted institutional voids as both challenges and opportunities for organizations.

3.2.1 Institutional Voids – From Empty Spaces to Institutional Abundance

Given that institutional scholars have repeatedly emphasized the role of institutions in giving stability and meaning to social reality, as described in the last sections, institutional voids have traditionally been interpreted as challenges for organizations, and thus for social and economic development in developing and emerging economies (see e.g. Chakrabarty, 2009; Chakrabarty & Bass, 2013; Webb, Tihanyi, Ireland, & Sirmon, 2009). However, institutional theory so far lacks a commonly accepted definition of institutional voids. At least two different perspectives on institutional voids can be distinguished in the literature.

The first widely adopted interpretation of institutional voids comes from scholars with management and economics background mainly, who argue that institutional voids refer to situations in which institutions are weak or absent. This view has been coined by Khanna and Palepu (2006), who define institutional voids as “the absence of specialist intermediaries, regulatory systems, and contract-enforcing mechanisms” in an economy (p. 62). Chakrabarty (2009, p. 32) adopted a similar view, explaining that the lack of institutional norms and regulations needed for monitoring contracts is one type of institutional voids, and the lack of financial credit availability is another type. Chakrabarty and Bass (2014, p. 529), further expand the list of institutional voids and include ineffective governmental institutions, ineffective regulatory agencies, regressive laws and regulations, as well as weak policing. Similarly, Tracey and Phillips (2011, p. 31) view institutional voids as situations in which institutions that facilitate economic activity as well as their enforcing mechanisms are absent. In other words, the first interpretation of institutional voids emphasizes the lack or weakness of formal or regulative institutional elements. These institutional voids, the argument continues, incentivize organizations to refer to informal practices such as bricolage (see e.g. Desa, 2011), trust and reciprocity in social relations (see e.g. Puffer, McCarthy, & Boisot, 2010), or the affiliation to business groups (see e.g. Castellacci, 2015), thereby inhibiting the formation of efficient markets (see e.g. Kistruck, Webb,

Sutter, & Ireland, 2011). Developing and emerging economies are therefore often the setting of studies that theorize around institutional voids, as they are characterized by weak formal institutions as well as strong institutional transition and therefore rapidly changing prescriptions for organizations (see e.g. Peng, 2003).

However, another interpretation of institutional voids rather adopts a sociologist or anthropologist perspective, stressing the abundance of institutions. Desa's (2011) definition of institutional voids points to the cognitive frames that underlie an interpretation of institutional voids as a lack of formal institutions. By using the term institutional voids, Desa refers to "institutional arrangements that are absent, weak, or fail to accomplish the role expected of them" (p. 1) and thereby points to the fact that viewing institutional voids as empty spaces lies in the eye of the beholder who "expects" certain institutions to accomplish a function. Institutions, he explains, can enable and constrain entrepreneurial action. However, in the case of social entrepreneurship,²⁸ he argues, this action by definition often takes place in the context of institutional voids. Social entrepreneurs thus seek to address social problems that remain unsolved by other institutions, innovatively using and combining resources for their social purpose. In the context of lacking institutional support, Desa argues that this resource mobilization may take the form of *bricolage* – more specifically "material bricolage, labor bricolage, and skill bricolage" (p. 4). The author explains that it is through these mechanisms that social enterprises gain access to resources in a wider sense, including normative and cognitive legitimacy for a specific social need. He furthermore expands on the reciprocal nature of bricolage in that not only do entrepreneurs gain access to resources but they also shape their institutional environment by creatively combining resources and are therefore instigating institutional change. Bricolage, he argues, is thus particularly prevalent in developing and emerging economies that depict restrictive cognitive, regulative, and normative institutions (p. 16). With these elaborations, Desa's study certainly added important insights to the study of social entrepreneurship in the context of institutional voids. However, it unfortunately didn't provide any further elaboration on the socially constructed character of institutional voids that he implied in his definition.

²⁸ The definition of social entrepreneurship and social enterprise remains a central issue in this body of literature that has emerged out of business research. Accordingly, many publications have attempted to typologize and conceptualize the phenomenon (Dacin, Dacin, & Matear, 2010, p. 41). In general, two schools of thought can be distinguished within social entrepreneurship literature. The first stream emphasizes the characteristics of the social entrepreneur as an individual able to instigate systemic change in analogy to commercial entrepreneurs who cause creative destruction, meaning economic development through the repeated emergence of disruptive solutions that destroy old structures and create new ones (Schumpeter, 1943/2013, p. 81). Researchers involved in this debate largely draw from entrepreneurship literature and center on various characteristics of individuals that recognize entrepreneurial opportunities and succeed in exploiting them as to create social value (e.g. Palmås, 2012).

The second body of work emphasizes the organizational aspect of social enterprises – or social businesses – as organizations that apply business mechanisms to reach their social objectives, or in other words, "as a businesslike contrast to the traditional nonprofit organization" (Dart, 2004b, p. 411). The differences between social enterprises and traditional nonprofit organizations relate to the strategy, structure, norms, and values of the organizations (ibid, p. 411). Social enterprise research therefore deals with questions of strategic management (Moizer & Tracey, 2010), financing (Sunley & Pinch, 2012), resource mobilization (Desa & Basu, 2013), organizational form (Townsend & Hart, 2008), organizational legitimacy (Nicholls, 2010c) and other organization centered topics.

Mair and colleagues (2012) further concretized this idea by treating institutional voids as “analytical spaces at the interface of several institutional spheres, each with its own animating logic of meanings and social practices” (p. 822). In a case study of the Bangladeshi NGO BRAC, the authors show how institutional voids result from conflict and contradiction between components of Western-style market institutions – namely property rights and autonomy – and local political, community, and religious spheres in rural Bangladesh. Their study further suggests that when such institutional voids arise, organizations can renegotiate existing institutional orders to overcome the contradictions. In concrete, they show how BRAC acted as an intermediary to build more inclusive markets, that is, markets that are also accessible for women who were formerly excluded from market activities. The organization referred to social narratives and negotiation activities surrounding existing institutional patterns in order to legitimate new actors and redefine markets (p. 833).

With this study, Mair and colleagues presented an important contribution to the scholarly understanding of institutional voids, particularly in developing and emerging economies. In contrast to viewing institutional voids as empty spaces, they stress their situatedness at the interface of different institutional spheres and thereby deemphasize the belief in Western-style market institutions as the only means to establish well-functioning markets (p. 843). Instead, they echo Bourdieu’s (2005) and Fligstein’s (2002) social interpretation of markets and emphasize that markets result out of efforts to build on locally prevailing institutions through “social movement-like struggles between incumbents and challengers” (p. 822).²⁹

In addition, Mair and colleagues view corresponds to the argument of authors who have emphasized that institutional voids are not necessarily, or only, challenges for organizations. They can also be interpreted as opportunity spaces for more discretionary organizational strategies in the context of institutional complexity. This argument has been put forth in similar words, for instance, by Goodrick and Salancik (1996, p. 5) who argued that in situations of institutional uncertainty, organizations have more discretion to pursue their strategic interests. Institutional uncertainty, they explain, refers to situations in which institutions only specify goals, not means; when the knowledge base for practices is insufficient; or when multiple institutional

²⁹ Bourdieu’s (2005) *The Social Structure of The Economy* appeared in 2005 as an English translation of the French original *Les structures sociales de l’économie* published in 2000. While most scholars cite Bourdieu with reference to his elaborations on cultural sociology (e.g. his extension of the concept of capital to include social capital, cultural capital, financial capital, and symbolic capital (Bourdieu, 1977)), Manning (2007) interpreted the book as a “call for sociologists to reengage with the study of economy” (p. 443). Most sociologically oriented interpretations of markets insufficiently challenge rational neoclassical economic theories. *Economie and markets*, Bourdieu argues, must be viewed in the context of the historically constructed habitus of the actors that populate them.

With *The Architecture of Markets: An Economic Sociology of Twenty-First Century Capitalis Societies*, Fligstein (2002) further provided one of the cornerstone works of modern economic sociology. In this book, Fligstein presents a rich analysis on the social construction of markets – an idea popularized by Granovetter (1985) – and introduces his political-cultural approach which emphasizes the political nature of markets. It stresses the interactions of various market players – including the state – and suggests various stages of market development in which actors introduce, defend and transform their positions (see also Fligstein (1996) for a further elaboration on the concept of *markets as politics*).

prescriptions contradict each other (ibid, p. 4f.). Viewing institutional voids as outcomes of contradictions between different institutional spheres thus directly links the concept to situations of high institutional complexity.

3.2.2 Understanding Institutional Complexity at the Field Level

Research on institutional complexity can be divided in two main areas: one focusing on the field level and one focusing on the organizational level. In studies that sought to shed light on higher-level institutional orders, research on institutional complexity has mainly tried to trace back field-level roots of conflicts between multiple institutional prescriptions. Greenwood and colleagues (2011, p. 334) explain that institutional complexity within organizations is directly linked to the structures of the organizational fields in which they operate. Research on institutional complexity has therefore often referred to the concept of *institutional logics* – more precisely to *conflicting logics* – as it allows a cross-level perspective on the influence of overarching sets of meaning and normative criteria on organizations. Institutional logics are defined as “the socially constructed, historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality” (Thornton & Ocasio, 1999, p. 804). Friedland and Alford (1991) explain that “[t]he central institutions of the contemporary capitalist West – capitalist market, bureaucratic state, democracy, nuclear family, and Christian religion” (p. 232) each follow own logics. As will be explained later, these high-level orders may, however, be incompatible at an organizational level, as they expect organizations to conform to different demands.

Initially, research on conflicting logics suggested that in situations where multiple logics co-exist, fields will ultimately move towards one dominant logic. Thornton and Ocasio (1999), for instance, described how a *logic of markets* dominated a *logic of profession* in the higher education publishing industry over time. In institutionally complex contexts, the importance of collective actors such as professional associations, public entities or the media to impose a dominant logic was frequently stressed (see e.g. Greenwood, Suddaby, & Hinings, 2002, p. 335; Hoffman & Ocasio, 2001, p. 420ff.). However, recent institutional work suggested that, in some fields, competing logics may co-exist over a longer period of time or even endure concurrently (Greenwood *et al.*, 2011, p. 323). The co-existence of multiple logics becomes particularly salient in a world of increasing cross-sectoral collaboration and congruence (Townsend & Hart, 2008, p. 686), which poses new challenges above all for organizations that seek to comply with multiple institutional orders.

Greenwood *et al* furthermore state that organizational fields have been compared in terms of their degree of “fragmentation,” “formal structuring / rationalization,” and “centralization / unification” (Greenwood *et al.*, 2011, p. 337). These dimensions arguably influence the number and the nature of institutional demands imposed on organizations. Fragmentation refers to the “number of

uncoordinated constituents upon which an organization is dependent for legitimacy or material resources” (ibid, p. 337). The higher the fragmentation, Greenwood et al explain, the more complex is the environment. Formal structuring further “refers to whether institutional demands are formally or informally organized” (ibid, p. 337), where a high degree of formality leads to decreased complexity for organizations. Finally, high degrees of centralization – referring to “the hierarchical power structure of institutional constituents” (ibid, p. 337) – arguably reduce institutional complexity, as they may enforce standardized organizational forms.

By acknowledging the prevalence of institutional complexity, institutional theorists have increasingly shifted away from predicting universal isomorphism. The homogenization of organizations was less and less expected in whole populations of organizations, but rather in delimited organizational fields or societal sectors with similar institutional demands (Scott, 2008, p. 430). Furthermore, with the increased integration of organizational agency into institutional theory, many scholars started to shift their focus of attention on the linkages between institutional complexity and organizational action.

As mentioned earlier, the co-existence of multiple institutional orders often results in demands that compete or even conflict with each other at the organizational level. Pache and Santos (2010, p. 458f.), for instance, suggest that field-level dynamics manifest in institutional demands, which permeate organizational boundaries either through claims from external actors on which organizations depend for resources, including financial and human resources or a license to operate, or through “hiring and filtering practices” as organizational members are imprinted from past exposure to certain practices, norms, and values that they now consider as appropriate.

In order to investigate competing institutional orders at the organizational level, scholars have frequently referred to the analytical tool of ideal types.³⁰ As Greenwood and colleagues argue, logics “manifest(...) in rituals, practices and day-to-day behavior” (Greenwood u. a., 2011), p. 334). Thornton and Ocasio (1999), for instance, outline the manifestation of two institutional logics – the *editorial logic* and the *market logic* by using ideal-typical characteristics of logics with regards to different categories such as authority structures, focus of attention or logics of investment in organizations (see table 2).

³⁰ Ideal types are frequently used as an analytical tool to grasp organizational archetypes or institutional logics. As Thornton and Ocasio (2008) describe: “Ideal types are a method of interpretive analysis for understanding the meaning that actors invest their actions with. They were first developed by the classic theorists as a theoretical tool to facilitate intelligible comparisons (...). In theory building, ideal types require the development of formal typologies composed of two parts: (a) the description of ideal types and (b) the set of assertions that relate the ideal types to the dependent variable (...). They do not precisely conform to reality because of deliberate simplification to afford comparative analysis and multidimensional classification of phenomena not restricted by the events of the selected cases.” (p. 110)

Table 2: “Two Ideal Types of Higher Education Publishing”
(adapted from Thornton and Ocasio, 1999, p. 809)

	Editorial Logic	Market Logic
Characteristics	Personal Capitalism	Market Capitalism
Organizational identity	Publishing as profession	Publishing as business
Legitimacy	Personal reputation Rank in hierarchy	Market position Rank in performance
Authority structures	Founder-editor Personal networks Private ownership	CEO Corporate parent firm Public ownership
Mission	Build prestige of house Increase sales	Build competitive position Increase profits
Focus of attention	Author-editor networks	Resource competition
Strategy	Organic growth Build personal imprints	Acquisition growth Build market channels
Logics of investment	Capital committed to firm	Capital committed to market
Rules of succession	Family estate plans	Market for corporate control

As mentioned earlier, most research on competing logics, including Thornton and Ocasio (1999), predicted that ultimately one logic would dominate at the field-level as certain players would use their power to institutionalize the preferred logic. However, in the last years, an increasing number of scholars have pointed to the possibility that under certain conditions field-level conflicts between logics may remain co-existent at the field-level and thus need to be resolved at the organizational level. Pache and Santos (2010, p. 457), for instance, suggest that when fields are fragmented and moderately centralized – that is when there is no clear dominant institutional constituent and yet several of them are powerful enough to constrain organizational agency in an uncoordinated way – conflicting institutional pressures are likely to be directly imposed on organizations instead of being resolved at the field level.

Research using the concept of institutional logics, including research on conflicting logics, thus originates from observations on field-level dynamics, but at the same time often takes a cross-level perspective that highlights the interplay between organizations, individuals and institutional forces. However, it has to be noted that scholars have recently criticized the widespread use of the concept of institutional logics in organizational research. Fligstein and McAdam (2011, p. 4) for instance, argued that institutional logics provide an overly broad perspective and furthermore suggest too much consensus among the actors embedded in those logics. Hence, they recently presented their theory of *Strategic Action Fields* (SAFs) in an effort to better account for collective strategic action (see Fligstein and McAdam, 2012, for their detailed elaborations). Drawing from institutional theory, Anthony Giddens’s theory of “structuration”, and, Bourdieu’s account for habitus, field, and capital in social and political life (Fligstein and McAdam, 2011, p.2), they define SAFs as “meso-level social order where actors (who can be individual or collective) interact with knowledge of one another under a set of common understandings about the purposes of the field,

the relationships in the field (including who has power and why), and the field's rules" (ibid, p. 3). SAFs, they argue, constantly change and are constructed by (collective) actors on a situational basis, depending on what is at stake.

With a similar purpose to provide a more holistic view on the meso-level orders that structure organizational behavior – though not explicitly as an extension of the concept of institutional logics – Beckert (2010) argued that previous research on the sociology of markets has emphasized one of three types of social structures to explain economic outcomes: social networks, institutions, or cognitive frames. However, in order understand the dynamics in markets, he advocates for an integration of the three structures, given that together they form "social grids within which the decisions of market actors take place" (p. 617).

Both concepts promise to provide significant advancements in the reconciliation of environmental determinism and strategic latitude – or as Fligstein and McAdam more generally state, between "structure and agency" (ibid, p.1). However, they have so far merely been applied in research about organizational behavior in institutionally complex settings. As the next sections will outline, existing research about organizational responses as well as active strategies to deal with institutional complexity mainly draw on the concept of institutional logics.

3.2.3 Organizational Responses to Institutional Complexity

From Decoupling to Synthesis

As mentioned earlier, the coexistence of multiple pressures in the form of claims for efficiency and legitimacy has been an essential observation in institutional theory since its beginnings. In this context, *decoupling* was the first strategy that scholars identified as a response to conflicting demands. Decoupling refers to situations in which organizations implement certain structures, programs or practices in order to conform to external societal expectation, but do not adopt this implementation in their actual operations, for example, for financial or efficiency related reasons (Meyer & Rowan, 1977, p. 341). In other words: they give only ceremonial and symbolic commitment to certain pressures while preserving their original behavior and identity (see e.g. Fiss & Zajac, 2006, on symbolic management).

The exposure of organizations to such conflicting pressures has also been described by strategic management scholars such as Pfeffer and Salancik (1978) who observed that firms are often confronted with multiple pressures to which they can't conform unilaterally. Satisfying one set of demands might often require ignoring or defying the demands of others. As a result, organizations experience institutional uncertainty, in particular when the demands can't be clearly prioritized one over the other (Goodrick & Salancik, 1996, p. 4f.). Decoupling strategies supposedly enable organizations to overcome such situations by pretending conformity with institutional pressures while actually striving for efficiency (Meyer & Rowan, 1977, p. 340).

However, as MacLean and Behnam (2010) argue, decoupling strategies entail high risks for organizations. Internal constituents or insiders such as employees who experience the choice for a decoupling strategy are important sources of legitimacy for an organization as well. If a dissonance emerges between organizational members' perceptions and external stakeholders' perceptions, organizational behavior may be affected in several ways. It may, for instance, lead to reduced employee motivation, loyalty and commitment (see e.g. Foreman & Whetten, 2002) or even to legitimacy losses (see e.g. Maclean & Behnam, 2010).

Organizational scholars have therefore analyzed the different possible organizational responses to institutional complexity, including the selective synthesis of competing logics, where certain organizational practices from one logic were selected and synthesized with existing practices (Chen & O'mahony, 2006, p. L1); or the selective collaborative understanding within groups carrying competing logics whenever this collaborative attitude is perceived as useful for achieving a common objective (Reay & Hinings, 2009). Overall, in their review of literature on institutional pluralism, Kraatz and Block (2008, p. 11ff.) suggest four different responses that scholars have described: (1) delete or marginalize one of the institutionally-derived identities, (2) compartmentalize identities and relate to the various institutional constituencies independently, (3) balance the various institutional demands actively through cooperations among identities, and (4) building an own identity and thereby forging a new institution in itself.

Conditions Influencing the Choice of a Strategy

Scholars have further analyzed the factors that influence to which strategy organizations will refer. These factors, again, relate to the field and organizational levels as well as to logic specifications. Some studies, for instance, suggest that organizations may experience institutional complexity differently depending on their position within a field (e.g. Galaskiewicz & Wasserman, 1989; Greve, 1998; Leblebic *et al.* 1991). However, these studies yield contradicting results. Greenwood and colleagues (2011, p. 340) explain that organizations at the periphery of a field may experience lower levels of complexity. Being less connected to other organizations which suggest what appropriate behaviors are, they may also be less exposed to, and thus, less aware of institutional claims. This difference in perception not only affects their sensitivity to institutional complexity but also their ability to conceive opportunities for action. In contrast, D'Aunno and colleagues (2000, p. 698) suggest that organizations located at the center of a field are likely to be less sensitive to complex situations as they are more deeply embedded in institutional arrangements and thus more resistant to alternative conceptions.

As Greenwood *et al* (2011) outline, the characteristics of organizations, such as structure, ownership, governance and identity, are further factors that influence the way institutional complexity affects organizational behavior. The way they are organized and structured, particularly with regard to their members, affects how institutional pressures are "interpreted, given meaning, and "represented" by occupants of structural positions" (p. 342). The authors

summarize that the more complex an organizational structure, the more it is likely to be sensitive to institutional complexity as a higher number of actors and structures automatically leads to more intra-organizational communities and the representation of a higher number of institutional claims (ibid).

Other researchers provide additional insights, suggesting that the specificity of what constitutes an adequate mean, or in general the specificity of logics, is a key factor influencing the discretion of organizations to act strategically. Goodrick and Salancik (1996, p. 4), for instance, argue that the more logics are unspecific and ambiguous concerning their institutional prescriptions, the greater the leeway that organizations have. This can occur as logics prescribe specific organizational goals, but leave more leeway in choosing the means to achieve those goals.

Given that these factors occur at the field and the organizational level, institutional scholars have increasingly shifted towards a cross-level perspective when analyzing the factors that influence the strategic behavior of organizations. They provided several models that combine the different types of variables – field-level, organizational-level and prescription-specific variables.

Pache and Santos (2010) propose a model to predict organizational responses to conflicting demands, which considers the influence of both logic specifications and organizational factors, namely the *nature of the conflict* and the *intraorganizational representation* of that conflict. In contrast to prior research on conflicting logics, Pache and Santos take a novel perspective by choosing the conflict itself as a point of departure. With regards to the nature of the conflict, Pache and Santos propose a distinction between *conflicts over goals* and *conflicts over means*. Goals refer to the ideological level of the appropriate objective to be pursued, while means point to the adequate way these goals should be pursued. The authors argue that whereas conflicts over goals are more difficult to resolve and generally require a field-level response, conflicts over means can be resolved at an organizational level. Pache and Santos, however, accentuate that means and goals can sometimes overlap, for example, when “technical prescriptions are so institutionalized that they become ends in themselves for the constituencies implementing them” (p. 460). In their model, they conceive of conflicts over such prescriptions as conflicts over goals.

Concerning the internal constituencies within organizations, Pache and Santos build upon Greenwood and Hinings (1996), who suggest an understanding of organizations as complex “entities composed of various groups promoting different values, goals, and interests” (Pache & Santos, 2010, p. 459). They hence distinguish situations in which (1) the conflict is not represented, (2) one side of the conflict is represented and (3) multiple sides of the conflict are represented in the organizations. While prior institutional research would suggest that in cases of multiple representation, the power of the constituents that represent the controversial issues is of decisive importance, Pache and Santos point to the limit of this argument in the context of conflicting demands. First, full compliance with conflicting demands, they argue, is problematic, as one source of institutional pressure would then be neglected. Second, conflicting demands

often emerge in moderately centralized fields with a less marked distribution of power. Pache and Santos therefore suggest considering the *costs* and the *risks* that an organization attributes to a certain strategic response as determinants for their choice. Conflict over means, they argue, might often not be worth the “cost of an institutional battle” (p. 464). Particularly when the conflict is internally not represented, the organization will be more likely to resort to compromise or avoidance strategies. In contrast, when both sides of the conflict are represented, avoidance will be unlikely. Instead, the power of the respective groups will decide whether one side of the conflict will win or a compromise can be found.

Pache and Santos further argue that conflicts over goals are more challenging for organizations as they touch on their core identity. The authors explain that, in these cases, negotiations and compromise will be difficult to achieve. Instead, strategies such as avoidance or defiance become more likely. Within the organization, manipulation of one internal representative might also take place in the case of multiple representation of the sides of the conflict. This, however, may strongly destabilize the organization from the inside ultimately may even lead to organizational paralysis or breakups.

Greenwood and colleagues (2011) emphasize that the “thickness of the ties between organization members and field-level referent audiences” (p. 342) are significant factors that influence organizational behavior. The thicker the tie, the more external actors will be able to utilize these ties in order to make sure that their position or institutional pressure is being implemented by the organization. Furthermore, organizational responses to competing institutional pressures reflect the distribution of power in and around organizations. They add: “appreciation and recognition of logics, and the choice of which logic to prioritize and how to do so, will be dictated by those with power” (p. 344). In accordance with a resource-dependence perspective, Greenwood et al emphasize that this power mainly lies in the hands of those that control and allocate resources or confer the legitimacy that organizations need.

Crilly *et al.* (2012) further observe that few research has attempted to analyze under which conditions organizations refer to decoupling strategies and which factors – both internal and external ones – cause variance in organizational responses. The depth of decoupling strategies, they argue, has to be conceived in a more elaborated way. Decoupling as a response to multiple institutional pressures, they suggest, depends on the *consistency of stakeholders’ expectations* about firms and the *awareness of stakeholders* about practices taking place inside the firm. In their study on the implementation of corporate social responsibility (CSR) practices, they find that decoupling might not always be a well-coordinated response when managers disagree with claims from external stakeholders. Decoupling may also happen as a consequence of low consensus among managers. This situation produces uncertainty both outside and within a firm, and may result in an uncoordinated “muddling through” strategy. In contrast, Crilly and colleagues also point to the possibility of applying strategies other than decoupling. *Strategic implementation*, they state, might occur when managers link CSR to potential business opportunities and when

closer relationships with stakeholders are needed, making decoupling strategies unfeasible. Finally, *routine implementation* describes the situation of managerial consensus about expected behavior, even if such expectations are contradictory or vaguely defined. Here, the impetus for implementation is internally driven, based on organizational values or identity.

In sum, these elaborations reflect how recent institutional research insinuates that institutional complexity may enable or incentivize organizations to act strategically. Pache and Santos (2010, p. 461 f.) even go further and posit that choosing between antagonistic demands is not a choice, but rather a necessity in the context of institutional complexity. This view recalls Seo and Creed's (2002) argumentation that identified institutional contradictions as a key trigger for strategic action and institutional change. Contradictions, tensions and conflicts arguably increase the consciousness and reflexivity of organizational actors and thereby enable them to take action in order to creatively approach conflicts. In addition, Chen and Mahony (2006, p. 46) posit considering multiple conflicting logics helps prevent a logic becoming an end in itself, rather than a means to reach an aim.

Based on these scholarly reflections, it is believed that a better understanding of conflicts in organizations is of paramount importance for a better understanding of organizational behavior in the context of institutional complexity. As the last sections have shown, institutional theorists have largely treated organizational responses to institutional complexity as episodic necessities. However, in recent years, scholars have moved towards the investigation of persisting conflicts and viewing conflicts as constitutive elements of organizations – particularly in hybrid organizations. As will be explained in the next section, these organizations are by definition highly and durably exposed to conflicting demands from outside and from within the organization. Organizational responses to institutional complexity are therefore inevitably to be seen as recursive elements of their strategies.

3.3 Hybrid Organizations: The Internalization of Institutional Complexity

As mentioned previously, some scholars have pointed to the challenge of a current increase in the multiplicity of demands that are imposed on organizations. Smith and Lewis (2011) observe that “organizational environments become more global, dynamic, and competitive” (p. 381). Moreover, several studies outline an increasing congruence of sectors – for example, of the private and the third sector (see e.g. Townsend & Hart, 2008, p. 686) or of the public and private sector (see e.g. Meyer & Hammerschmid, 2006). As the last sections have outlined, institutional researchers, in particular, have investigated the various challenges as well as opportunities that institutional complexity implies. Research on hybrid organizations builds upon this body of literature by looking at the combination of institutional logics as a constitutive element of organizations.

Hybridity, in its original abstract meaning, “refers to the state of being composed through the mixture of disparate parts” (Battilana & Lee, 2014, p. 4) – a condition that refers to many phenomena, be it in organizations, biology or engineering. Further, this mixture needs to be “central and persistent within a given entity, rather than adaptive and transitory” (ibid, p. 4). To illustrate, Battilana and Lee argue that “a mule is a hybrid, but a chameleon, due to the contingent nature of its multiple forms, is not” (ibid, p. 4).

In organizational research, the concept of hybridity has been used to describe various organizational arrangements. While Powell (1987) already coined the term nearly two decades ago to describe a new type of organization that combines network and hierarchy, other scholars have used it to describe organizations that mix characteristics and practices that ideal-typically belong to different organizational fields or sectors – particularly the public, the private and the third sector (see e.g. Billis, 2010; Minkoff, 2002). Furthermore, strategy scholars have used the concept of hybridity to describe the strategic choice of organizations not to apply “pure” strategies, that is “the extent to which a business pursues one type of generic strategy over another” (Thornhill & White, 2007, p. 553), but rather to also consider the importance of being flexible and adaptive (see e.g. Gopal *et al.*, 2013).

The present study concentrates on the hybridity concept as used in institutional theory and paradox research. Almost two decades ago, Haveman and Rao (1997) already pointed to the possibility that hybrid forms of organizing (*hybrid plans*) may emerge in the presence of competing logics. However, it is only recently that efforts to further specify the concepts of *hybridization* (see e.g. Greenwood *et al.*, 2011, p. 352), *hybrid organizations* (see e.g. Battilana & Dorado, 2010; Pache & Santos, 2012) or *hybrid organizing* (see e.g. Battilana & Lee, 2014) have increased significantly. Stated concretely, the hybridity lens in institutional theory has been applied to several areas of interest – to the blending of different institutional logics at the field level resulting in a new *hybrid logic* (see e.g. Glynn & Lounsbury, 2005), to the establishment of a *hybrid identity* within organizations (see e.g. Meyer & Hammerschmid, 2006), the creation of *new hybrid organizational forms and structures* (see e.g. Tracey *et al.*, 2011), or to the synthesis of antagonistic behavior into new *hybrid practices* (see e.g. Pache & Santos, 2012). Most institutional studies on hybrid organizations, however, implicitly or explicitly follow a cross-level approach, which can be seen as a natural consequence of the cross-level nature of the concept of institutional logics that underlies many of these studies. As Battilana and Lee (2014) posit: “the combination of logics, of organizational forms, and of identities (...) co-occur” (p. 7). They therefore propose the concept of *hybrid organizing*, which embraces those interrelated levels and furthermore also combines an internal and external view on organizations. They define hybrid

organizing as “the activities, structures, processes and meanings by which organizations make sense of and combine multiple organizational forms“ (p. 7).³¹

The main assumption behind the recent attention on hybrid organizations is, among others, based on the belief that hybridity as a structural or behavioral feature may enable organizations to reconcile or balance conflicting logics enduringly. This contrasts to prior institutional arguments for at least two reasons. First, it contradicts the widely spread understanding that in situations of institutional complexity, one logic will ultimately dominate, implying that hybridity is unstable (Battilana & Dorado, 2010, p. 1419). And second, it presents hybridity as a long-lasting feature and ongoing strategy of organizations that operate in the context of institutional complexity, rather than focusing on episodic responses to conflicting institutional pressures (Jay, 2013, p. 138).

In practice, the increased interest in hybrid organizations reflects the rise of new organizational arrangements – in particular organizations that operate at the interstices of the public, the private and the third sector. In this context, hybrid organizations have formed, partly as a consequence of resource scarcity (see e.g. Desa & Basu, 2013, p. 27) and/or as a reflection of field-level shifts towards market-orientation (see e.g. Dart, 2004, p. 418f.). Pache and Santos (2010) explain: Hybridity “is particularly prevalent in fields where mission and resource dependence patterns require the interaction of a wide variety of stakeholders (hence inducing high levels of fragmentation) and where the fields are dependent on a few key resource providers (hence inducing moderate levels of centralization)” (p. 471f.).

As the next sections will show, social enterprises, especially, have repeatedly been interpreted as an ideal type of hybrid organizations (see e.g. Battilana & Lee, 2014, p. 2). As Doherty and colleagues (2014) argue, hybridity in social enterprises is given through the pursuit of a dual mission, namely financial sustainability and social purpose, which challenges traditional conceptions of private, public or non-profit organizations (p. 1). Social enterprises therefore blur the private, the public and the third sectors and allow values and artefacts from competing categories (sectoral paradigms, logics and value systems) to coexist (p. 2).

Social enterprises have furthermore been portrayed as exceptionally agentic organizations, which creatively make sense of conflicting institutional logics or institutional prescriptions. Particularly in the context of resource scarcity, social enterprises have been claimed to be particularly good in

³¹ Battilana and Lee (2014) define organizational forms as “organizational templates that are socially legitimate, and therefore provide standard instructions for building organizations” (p. 3). In the context of social enterprise research, and more generally in research about hybrid organizations, the term organizational form has frequently been used synonymously with legal form. Most countries lack a legal entity that accounts for the hybrid nature of social enterprises – with few exceptions such as in the United Kingdom where the Community Interest Company (CIC) has been introduced by the British Parliament in 2005 (for further elaborations on the CIC, see Nicholls, 2010). Social enterprises thus typically have to choose between incorporating as a for-profit or a nonprofit organization. Greenwood and Hinings (1993), however, state that the term organizational form is often imprecisely defined and used synonymously with the concept of “archetypes”. Archetypes, they argue, are patterns of organizing that are coherent in that the subcomponents of those patterns are systematically related to each other (p. 1054). Hence, the concept of archetypes resembles the one of ideal-types as it serves scholarly efforts to classify and typologize organizational behavior.

managing resource dependence (Desa & Basu, 2013, p. 27). Combining structures and practices from competing logics, in this context, has been put forth as a strategy to access various types of resources (see e.g. Teasdale, 2010) and avoid becoming too dependent on one powerful funding source (Desa & Basu, 2013, p. 29f.). From this perspective, hybridity is viewed as an outcome of dynamics in resource environments. As organizations face increasing resource constraints, they expand their scope of search to other sectors in which resources are less scarce and adopt structures and practices from these sector logics in order to gain the legitimacy of powerful resource providers. However, by doing so, scholars have argued that organizations expose themselves to competing institutional demands, which may cause tensions that can ultimately even threaten organizational survival (Smith, Gonin, & Besharov, 2013, p. 35).

More generally, scholars have also emphasized that hybrid organizations may equally form in an effort to develop innovations that solve complex problems, that is, problems such as climate change or global poverty, that overwhelm organizations drawing on one single logic (Jay, 2013, p. 137). In his ethnographic case study of a public-private hybrid organization, Jay describes how an organization started with a combination of selected practices from a *logic of public service* and a *logic of client service* (p. 141) and iteratively moved towards the synthesis of logics through an iterative process of sensemaking. More precisely, the organization experienced conflicts between the logics not as a consequence of competing demands from external resource providers, but when it realized that organizational outcomes could simultaneously be interpreted as successes and failures. Organizational leaders reacted by making sense of those paradoxical outcomes, thereby fostering organizational change and innovation, as means and ends are combined in a new way, forming a new hybrid logic (p. 152).

Similarly to many of the above-mentioned studies, the present study will focus on cross-sectoral hybrid organizations. Hybrid organizations have often been defined as organizations that are able to integrate multiple societal-level logics in unprecedented ways (see e.g. Battilana & Dorado, 2010; Battilana & Lee, 2014; Pache & Santos, 2010, 2013). Accordingly, investigating the tensions as well as strategies, doesn't neglect a field-level perspective. It rather views them as proxies for dynamics between the public, the private and the third sectors. The next section will further elaborate on cross-sector hybridity and scholarly reflections on the manifestation of sector congruence within organizations.

3.3.1 Introduction in Cross-Sector Hybridity

Economies are typically conceptualized as consisting of three sectors, the public, the private and the third sector, which all depict distinctive characteristics and are populated by different types of actors.³² The last decades, however, have seen a blurring of boundaries between these sectors and, consequently, also between the corresponding ideal-typical logics that prevail in those

³² See footnote nr. 1 for a definition of the terms public, private and third sectors.

sectors. With a focus on the United Kingdom, Billis (2010, p. 11) describes that hybridity – which he understands as a blurring of sector boundaries – has been a key characteristic of the third sector for many years. It is manifested, among others, in concepts such as “the mixed economy of welfare” (Powell, 2007), which denotes the pluralism in welfare delivery involving private, voluntary and informal sectors. However, Billis stresses that we are currently facing changes that go beyond the congruence of the private, the public and the third sector at the macro level. Fundamental changes are happening with regard to the financing, planning and delivering of welfare as organizations themselves become “mixed” or hybrid (Billis, 2010, p. 11f.), meaning that they increasingly possess core characteristics of more than one sector.

In order to further elaborate organizational hybridity, Billis displays the core elements of non-hybrid organizations in the private, the public and the third sector with regard to their ideal-typical ownership, governance, operational priorities, distinctive human resources, and distinctive other resources (see table 3). With this, Billis’ conceptualization yields several similarities with analytical tools developed by institutional scholars to describe the ideal-typical components of common institutional logics – in this case, respectively, the *market* or *commercial logic*, which prevails in private sector or for-profit organizations that seek to maximize shareholder value (Thornton, Ocasio, and Lounsbury, 2012, p. 56); the *state logic*, predominating in public, that is governmental entities (ibid); and the *social welfare logic*, which typically resides in organizations of the third sector, particularly in voluntary organizations with the single aim to create social impact (Pache & Santos, 2012, p. 977).

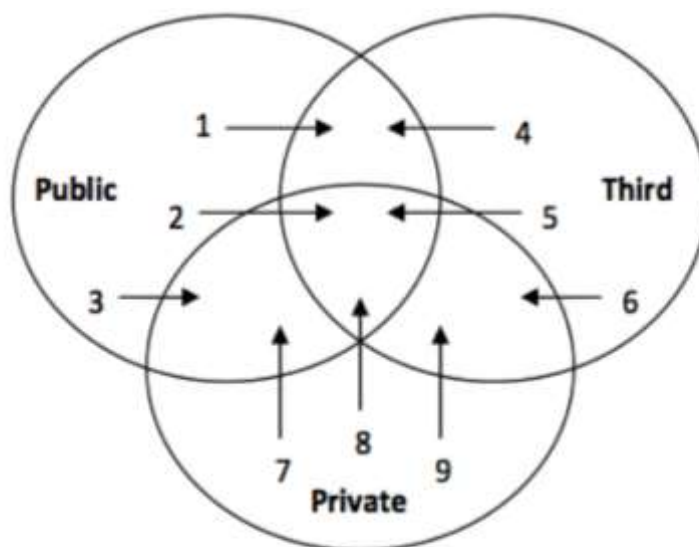
Table 3: “Principles underlying the private, the public and the third sector”
(adapted from Billis, 2010, p. 11)

Core elements	Private sector principles (or <i>market logic</i>)	Public sector principles (or <i>state logic</i>)	Third sector principles (or <i>social welfare logic</i>)
1. Ownership.....	Shareholders	Citizens	Members
2. Governance.....	Share ownership size	Public elections	Private elections
3. Operational prioritie.....	Market forces and individual choice	Public service and collective choice	Commitment about distinctive mission
4. Distinctive human resources..	Paid employees in managerially controlled <i>Firm</i>	Paid public servants in legally backed <i>Bureau</i>	Members and volunteers in <i>Association</i>
5. Distinctive other resources....	Sales, fees	Taxes	Dues, donations and legacies

As Billis posits, private sector organizations are ideal-typically owned by shareholders, governed in accordance to owners’ share size, operated based on the principles of market forces and individual choice, consisting of paid employees who work in a managerially controlled firm, and primarily financed by sales and fees. In contrast, public sector organizations are owned by

citizens. Their governance is determined through public elections, as well as their operational priorities, which are driven by the principles of public service and collective choice. Human resources in public sector organizations are ideal-typically paid public servants, operating in a legally backed bureau; and taxes represent the main types of other resources. Finally, third sector organizations are ideal-typically owned by members. Private elections determine their governance, and the commitment to a specific mission mainly influences their operational priorities. While members and volunteers organized in associations are the typical human resources in third sector organizations, dues, donations and legacies represent other distinctive key resources.

Building on these core elements of non-hybrid organizations in the three sectors, Billis then explores nine “hybrid zones”, that is nine variations of sector intersections (see figure 2). Furthermore, the author emphasizes that hybridity may take the form of *entrenched* vs. *shallow* hybridity, depending on the degree to which sector characteristics are mixed in core organizational elements, as well as *organic* or *enacted* hybridity, referring to the point of departure for hybridity. Whereas organic hybridity refers to the growing blurring of sector boundaries within an organization that has started closer to the ideal-type organizations, enacted hybrid organizations have been purposefully founded as hybrids from day one (p. 61).



- | | | |
|-------------------------|-------------------------|-------------------------|
| 1. Public/Third | 4. Third/Public | 7. Private/Public |
| 2. Public/Private/Third | 5. Third/Public/Private | 8. Private/Public/Third |
| 3. Public/Private | 6. Third/Private | 9. Private/Third |

Figure 2: “The Three Sectors and their Hybrid Zones”

(Billis, 2010, p. 57)

This recalls Battilana (2012) who describes in her popular article *In Search of the Hybrid Ideal*, how hybrid organizations combining aspects of nonprofits and for-profits are currently on the rise. This movement encompasses traditional nonprofits as well as traditional companies that

increasingly become more “integrated”, meaning that they increasingly adopt structures and practices from for-profit and nonprofit organizations, respectively. In addition, a range of new hybrid organizations have emerged, which seek a balanced combination of both worlds from the beginning (see figure 3).

The Hybridization Movement

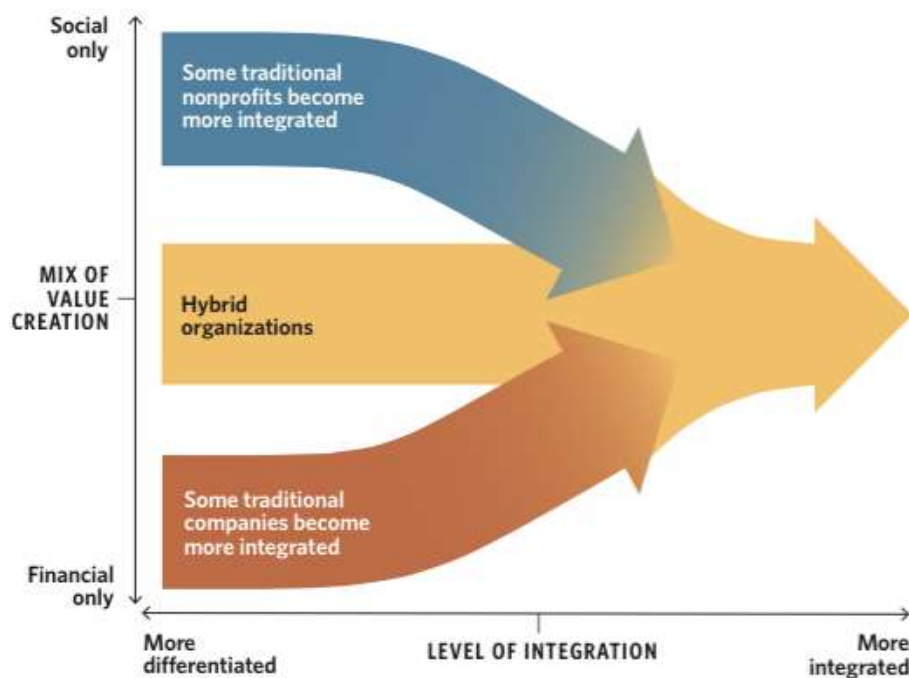


Figure 3: “The Hybridization Movement”
(Battilana, 2012, p. 54)

Although Billis doesn’t utilize the concept of institutional logics, his approach strongly resembles institutional scholars’ conceptualizations of hybrid organizations, where hybridity refers to the inner-organizational combination of competing logics.

Recent studies have located social enterprises, for instance, at the interstices of economic sectors, and emphasized how they challenge traditional conceptions of labor division in welfare states (see e.g. Jansen, 2012). Similarly, researchers have repeatedly situated social enterprise at the interface of the *commercial* and the *social welfare logic* – as the ideal-typical logics of the private and the third sector (Smith, Gonin, and Besharov, 2013, p. 419). While the commercial logic emphasizes “profit, efficiency, and operational effectiveness”, a social welfare logic seeks to promote “the welfare of society” (ibid). Ideal-typically, different institutional structures and practices, including actors, legal forms, financing and governance mechanisms, as well as sources of professional legitimacy, embody and support the two logics. Pache and Santos (2012, p. 980) juxtapose some of these characteristics as outlined in table 4:

Table 4: “Competing Belief Systems of the Social Welfare and Commercial Logics”
(adapted from Pache & Santos, 2012, p. 980)

	Social Welfare Logic	Commercial Logic
Goal.....	Make products and/or services available to address local social needs.	Sell goods and/or services on the market to generate economic surplus that can be legitimately appropriated by owners.
Organizational form.....	The nonprofit form (association) is legitimate because of its ownership structure giving power to people who adhere to a social mission. The nonredistribution constraint ensures a real focus on the social goal.	The for-profit form is legitimate because its ownership structure allows it to channel human resources and capital to areas of higher economic return.
Governance mechanism...	Democratic control, which is, by law, constitutive of the association status, is the appropriate way to monitor strategy and operations, allowing organizations to take into account local social needs.	Hierarchical control is the appropriate way to monitor strategy and operations in a way that ensures consistency of products and services and efficient allocation of resources.
Professional legitimacy....	Professional legitimacy is driven by contribution to the social mission.	Professional legitimacy is driven by technical and managerial expertise.

Similarly, Jay (2013) also refers to ideal-typical conceptual categories of institutional logics in the state, the market and the civil society and displays the differences of these three logics with regard to their ideal-typical organizational form, their normativity/strategic imperatives, their constraints, the time and space dimension, as well as the ideal-typical artifacts (see table 5).³³

³³ These categories, Jay explains, are based on Ewick and Silbey (2002) as well as Scott (2003).

Table 5: “Institutional Logics in Cross-Sectoral Hybrid Organizations”
(adapted from Jay, 2013, p. 143)

Institutional Logic	State	Market	Civil Society
Ideal type organization	Municipal government bureaucracy.	Business firm.	Nonprofit organization.
Normativity/strategic imperatives	Public service. Policy implementation, serving constituents, accountability.	Client service. Revenue, profit, value creation.	Public service. Mission, public service, solidarity, selflessness.
Source of agency/capacity to act	Coordination of public resources, rule making, enforcement power.	Salesmanship, innovative service delivery.	Convening, collective action framing, education.
Constraint/structures	Law, procurement rules, transparency to public.	Rules of the game, scarce client attention and resources, brokerage position, fiduciary responsibility to financiers.	Normative expectations of stakeholders.
Time	Budget cycles, election cycles.	Sales cycles, quarterly reporting.	Campaign momentum, tipping points, grant funding cycles.
Space	Public meetings/bearings.	Homes and businesses as clients.	Neighborhoods, events, intimacy.
Artifacts (carriers)	Climate action plan, budgets.	Business plan, sales brochures.	Grant proposals.

As will be further elaborated in the next section, the prescriptions of the different sector logics yield incompatibilities that may challenge organizations. A major topic in research on hybrid organization is thus the tensions that the inner-organizational combination of competing institutional logics causes.

3.3.2 Conflicts and Tensions in Hybrid Organizations

In the last years, institutional theorists have dedicated increased attention to the further specification of conflicts between institutional forces, and to the ways hybrid organizations experience such conflicts. While most of this research focuses on the organizational level, very recent work has started to link the emergence and manifestation of inner-organizational conflicts to field-level dynamics. Much of these insights are again related to social enterprise research.

Based on a review of social enterprise literature, Doherty, Haugh and Lyon (2014, p. 12) outline the various areas in which hybridity impacts social enterprises, and list concrete tensions and trade-offs that emerge. First, with regard to their *mission*, the authors argue that social enterprises need to constantly balance the goals of commercial opportunity exploitation and pursuit of social mission, depending on the degree to which these two areas are tied to one another. Second, hybridity affects social enterprises' ability to *access financial resources*, as social enterprises may not fit recognized categories of financial institutions, and as commercial funders, in particular, may not understand the social value. Finally, Doherty and colleagues

describe the impact of hybridity on *human resource management*. Besides the financial constraints that social enterprises are likely to face, they argue that the pursuit of dual goals yields considerable challenges with regard to human resource management, as employees are likely to be imprinted by former professional experiences.

Ebrahim, Battilana and Mair (2014) additionally point to the *governance challenges* of social enterprises that are “accountable for both a social mission and for making profits (or surplus)” and thus accountable to multiple stakeholders – including their beneficiaries and their funders or investors, which may have diverging interests (p. 82). Particularly when social enterprises are dependent on commercial revenue generation for their survival, Ebrahim and colleagues argue that they are constantly at risk of *mission drift*, given that they are likely to prioritize the demands of stakeholders on which they depend for resource acquisition, that is, funders and paying customers. In differentiated hybrids, where social and commercial activities are separated, management teams are at risk of prioritizing activities that generate revenue and neglect those that pursue the social mission. In integrated hybrids the risk lies in the temptation of “charging higher prices, offering additional products or services that are meant to generate profits rather than actually help beneficiaries, or by shifting to market segments that can afford to pay for their goods or services rather than those who most need them” (p. 84). With regard to the different constituents to which social enterprises are accountable, social enterprises are furthermore exposed to tensions between upward accountability requirements (generally from funders) and downward accountability requirements, which mainly relate to the voices of social enterprises’ social target group (p. 91).

Similarly, Teasdale (2012a) also cautions social enterprises to carefully manage tensions in order to avoid mission drift. Investigating integrated social enterprises in the field of homelessness in the UK, the author finds that the costs relating to placing homeless people into employment differ according to people’s social and economic needs. He observes that “those with the highest support needs are harder to place into employment than those with lower support needs” (p. 519). Accordingly, social enterprises may face the inherent trade-off between their social objective to support homeless people in need and the economic objective of reducing costs. This is why many of them ended up “creaming off” those homeless people that were easiest to integrate into the labor market (p. 525).

In recent years, scholars have moved from the investigation of tensions in specific hybrid organizations – mainly social enterprises – to developing a theory of hybrid organizations. As part of that, the conceptualization of tensions has made some important progress. Besharov and Smith (2013), for instance, provide a framework that – although not explicitly referring to hybrid organizations – seeks to further the understanding of logic multiplicity in organizations. In this framework the conflicts between logics are central elements for a typology based on how *compatible* and how *central* the multiple logics are to an organization. The *compatibility* of logics refers to the extent to which concurrent logics offer compatible prescriptions to organizations

(p. 367 f.). In accordance with Pache and Santos (2010), Besharov and Smith (2013) stress that “compatibility is lower when there are inconsistencies regarding the goals of organizational action than when there are inconsistencies involving only the means by which goals are achieved” (p. 367). The *centrality* of multiple logics refers to the varying degrees of influence that logics have on the functioning of organizations (Besharov & Smith, 2013, p. 369 f.). According to the authors, centrality is high when both logics are essential to the core functioning of organizations. This is, for example, often the case in social enterprises that explicitly pursue a double-bottom-line (e.g. Battilana & Dorado, 2010). In contrast, centrality is low when one of the logics, for instance, dominates the core of an organization while the other logic remains at the periphery of operations. In a multinational company that maintains a CSR project to help marginalized communities and to improve its reputation, the social logic largely remains at the periphery while the commercial logic is at the core.

Compatibility and centrality, they further argue, are functions of field-level, organizational and individual factors (see table 6). The instantiation of incompatible logics in organizations depends on the number of professional institutions in a field as well the relationships between them. Furthermore, hiring and socialization practices influence how multiple logics are represented in an organization and thus determine the extent to which (in)compatibility will be experienced. Finally, incompatibility also depends on the ties that individuals within organizations have to field-level referents as well as to the degree they are interdependent. As Besharov and Smith argue, “when members have close relationships to one another or are more interdependent, they are motivated to develop more compatible ways of enacting multiple logics” (p. 368). Although not explicitly considered in their model, the authors further argue that compatibility is also a function of the elements of the logics themselves. Some logics are more compatible than others, depending on the prescriptions that they carry. Democratic participation, for instance, often put forth as a core element of a *state logic*, may inherently be difficult to combine with the *commercial logic* in which shareholders hold the major power in decision making (Thornton, Ocasio, and Lounsbury, 2012, p. 56). This recalls Goodrick and Salancik (1996, p. 4) who suggest that the specificity of what constitutes an adequate means in an institutional logic or, more generally, the specificity of logics itself is a key factor influencing the way how organizations experience conflicts.

Similarly, Besharov and Smith (2013) posit that the centrality of multiple logics is determined by organizational factors, such as its mission and strategy, and its resource dependence structure. For example, if an organization depends on one source for resources, it will be forced to comply with the demands of that actor even if the logic underlying the demands conflicts with the organization’s core logic (p. 370). This argument has already been put forth by scholars that have combined institutional theory with resource dependence arguments, while Oliver (1991) has pioneered this integration (see 3.1.2), scholars have built upon her arguments to suggest that hybridization patterns are an outcome of resource-dependencies. For instance, Pache and

Santos (2010, p. 460f.) argue that organizational responses to institutional pressures are a function of how logics are given voice within an organization. Ebrahim, Battilana and Mair (2014) also point to the risk of mission drift for social enterprises if they give more importance to the claims of resource providers than to the voices of their social target group. As Greenwood et al (2011) caution, this is particularly delicate as “the ability of a voice to be heard is linked to the influence of that logic’s field-level proponents over resources—including legitimacy—that they control” (p. 349).

Table 6: “Drivers of Variation in Compatibility and Centrality“
(Adapted from Besharov & Smith, 2013, p. 367)

Level of Analysis	Factors That Influence Compatibility	Factors That Influence Centrality
Institutional field	Number of professional institutions and relationships between them	Power and structure of field actors (i.e. fragmented centralization)
Organization	Hiring and socialization	Mission and strategy Resource dependence
Individual	Ties to field-level referents Interdependence	Adherence to logics Relative power

Based on these two variables, compatibility and centrality, Besharov and Smith (2013, p. 370 ff.) present a typology of four different types of organizations. As figure 4 illustrates, the degrees of centrality and compatibility are presented as continuous spectrums on which organizations can be located (featured by the dashed lines between the different types). Accordingly, the types of organizations portrayed in the typology – the contested, estranged, aligned and dominant organization – have to be conceived as ideal-types:

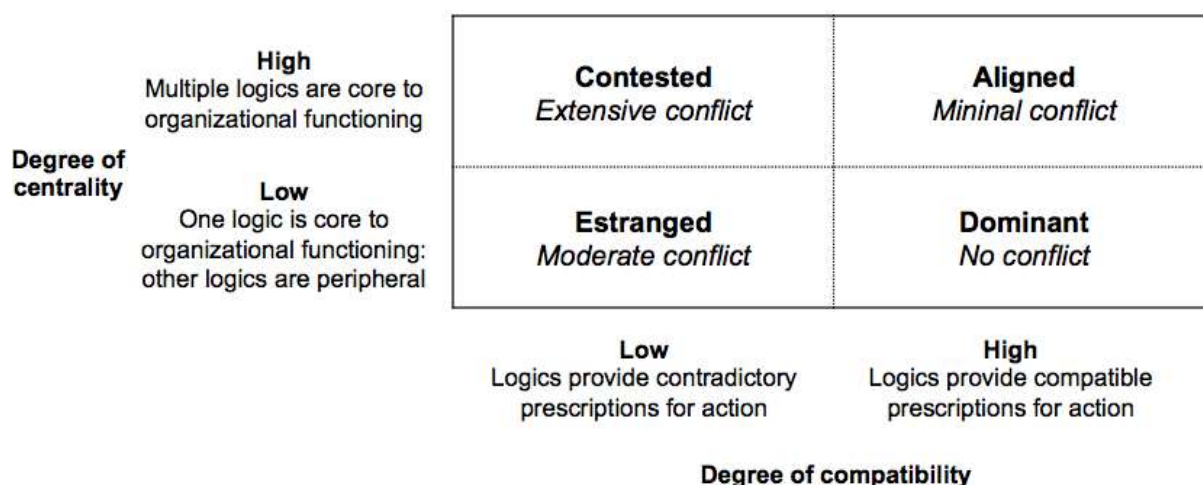


Figure 4: “Types of Logic Multiplicity Within Organizations“
(Besharov and Smith, 2013, p. 371)

As the authors posit, logic multiplicity within organizations can cause both challenges and opportunities. However, in the case of high centrality and high incompatibility (*contested organizations*), they propose that challenges and opportunities are both the highest since the tensions have to cause either a creative or a destructive outcome. As they observe, this type of hybrids has received a disproportionate amount of attention, particularly in the field of social enterprise (p. 375).

Besharov and Smith further provide several examples of how logic multiplicity manifests in different organizational areas. In contested organizations, they argue that the multiplicity of logics will be observable in central organizational features and practices such as “mission, strategy, structure, identity, and core work practices”, and will also “be represented among members, with no clear hierarchy between logics” (p. 371). The same counts for *aligned organizations*, where multiple logics are central to the functioning or organizing, with the only difference being that those logics are highly compatible and therefore do not pose big challenges to the organization. *Estranged organizations*, which confront inconsistent pressures that only affect peripheral practices, will only face inconsistency with regards to certain goals. Finally in the case of *dominant organizations*, one logic predominates at the core of the organizations and diverging logics only appear at the periphery, creating little room for conflict.

Another scholarly body of work providing important contributions to a better understanding of hybrid organizations comes from paradox researchers. In contrast to institutional theorists who largely focused on the concepts of conflicting logics and organizational response to these conflicts, paradox researchers have adopted a more proactive understanding of organizations. In addition, they have dedicated more attention to specifying the types of tensions that emerge in organizations. Smith and Lewis' (2011, p. 383) *dynamic model of organizing* provided an important contribution to this new research stream. Based on Lüscher and Lewis (Lewis, 2000; Lüscher & Lewis, 2008), the authors classify tensions in four pure categories: belonging, learning, organizing and performing tensions.

Belonging paradoxes refer to tensions concerning an organization's identity. Opposing “roles, memberships, and values” are instances of such belonging paradoxes (p. 383). Learning paradoxes emerge as side-effects of organizational change, renewal and innovation. *Organizing paradoxes* occur when “complex systems create competing designs and processes to achieve a desired outcome” (p. 383 f.). Hence, this type of tension evokes Pache and Santos's (2010) definition of *conflicts over means*. Finally, *performing paradoxes* relate to divergent stakeholder expectations to which organizations are exposed and manifest in “competing strategies and goals” (Smith and Lewis, 2011, p. 384). In addition to those pure categories, tensions between them may equally emerge, for example, when organizations seek to promote both “the individual and the aggregate”, which results in a *belonging / organizing tension*.

This typology has also been used by Smith, Gonin and Besharov (2013) to classify the types of tensions put forth by social enterprise research (see table 7).

Table 7: “Social-Business Tensions within Social Enterprises”
(adapted from Smith, Gonin, & Besharov, 2013, p. 410)

	Dimensions of Social Missions	Dimensions of Business Ventures	Emergent Tensions between Social Missions and Business Ventures
Performing Tensions <i>Tensions that emerge from divergent outcomes – i.e. goals, metrics, and stakeholders</i>	<ul style="list-style-type: none"> ▪ Goals address concerns across a broad ecosystem of stakeholders ▪ Metrics are more subjective, qualitative, and difficult to standardize and compare across organizations 	<ul style="list-style-type: none"> ▪ Goals address concerns of a narrow group of shareholders ▪ Metrics are more objective, quantitative and easier to standardize and compare across organizations 	<ul style="list-style-type: none"> ▪ How do organizations and leaders define success across divergent goals, particularly as the same event can simultaneously be a success in one domain and failure in the other? ▪ How can organizations sustain support for both social and financial metrics?
Organizing Tensions <i>Tensions that emerge from divergent internal dynamics – i.e. structures, practices, and processes</i>	<ul style="list-style-type: none"> ▪ Organizations hire for skills that enable the social mission, or hire disadvantaged employees as a means of achieving the social mission ▪ Organizations usually adopt non-profit legal form 	<ul style="list-style-type: none"> ▪ Organizations hire for skills that enable efficiency and profitability ▪ Organizations usually adopt for-profit legal form 	<ul style="list-style-type: none"> ▪ Who should organizations hire, and how can they socialize employees? ▪ How much should organizations differentiate vs. integrate the social mission and the business venture? ▪ What legal designation should organizations adopt?
Belonging Tensions <i>Tensions that emerge from divergent identities among subgroups, and between subgroups and the organization</i>	<ul style="list-style-type: none"> ▪ Employees and stakeholders predominantly identify with the social mission 	<ul style="list-style-type: none"> ▪ Employees and stakeholders predominantly identify with the business venture 	<ul style="list-style-type: none"> ▪ How can organizations manage divergent identity expectations among subgroups of employees? ▪ How can organizations manage divergent identity expectations among stakeholder groups? ▪ How can organizations present their hybrid social-business identity to external audiences?
Learning Tensions <i>Tensions that emerge from divergent time horizons and flexibility vs. stability and certainty</i>	<ul style="list-style-type: none"> ▪ Social mission success requires a long time horizon ▪ Growth can increase but also threaten social mission impact 	<ul style="list-style-type: none"> ▪ Business venture success can come from short-term gains ▪ Social mission can constrain growth 	<ul style="list-style-type: none"> ▪ How can organizations attend to both the short term and long term? ▪ How can organizations manage increased short-term costs to achieve long-term social expansion?

Performing tensions may, for instance, emerge as the general dominance of quantitative metrics over qualitative metrics, which are more difficult to compare, and thus may result in the dominance of commercial objectives over social objectives (p. 411). Controversies about human resource practices, the organizational model or the adequate legal form for a social enterprise, are furthermore examples of areas in which organizing tensions may emerge (p. 411f.). Belonging tensions can manifest in social enterprises' difficulties concerning the identity that is presented to external audiences, or the identity expectations of internal constituencies, particularly employees. Finally, learning tensions may emerge as social outcomes are often only tangible at the long run, whereas commercial outcomes can often be measured in the short term. Yet, social objectives are as important or more important to social enterprises, leading to challenges in managing both at the same time.

In addition, Smith and Lewis (2011) also discuss elaborations of previous researchers who have debated about whether tensions are *material* or *socially embedded*. Material tensions, they explain, are "inherent in the external world" and "embedded in complex human systems" (p. 385). In contrast, from a social construction perspective, tensions are created through the cognitive frames of actors and therefore "situated (...) within a particular time or space" (ibid). In contrast to making such a distinction, Smith and Lewis propose to view tensions as both material *and* socially constructed, arguing that they "are embedded in the process of organizing *and* are brought into juxtaposition via environmental conditions" (p. 389). In other words, they remain latent, that is, "dormant, unperceived, or ignored" (p. 390), until environmental conditions, such as plurality, change or resource scarcity, make them salient.

Although these elaborations touch upon the sources of tensions, field-level antecedents of tensions, however, received limited attention in paradox research. For instance, with regard to cross-sectoral hybridity, Smith, Besharov, Wessels and Chertok speak of "contradictory elements", arguing that "commercial viability is based on economic values, whereas social missions are grounded in societal values" (2012, p. 465). With regard to social enterprises, the authors further specify two specific challenges that arise from dealing with competing demands. The first challenge refers to the risk of a mission shift, leaving the dual focus of social and economic value creation out of sight and shifting towards a single value creation process. The second challenge refers to internal conflicts between different groups of members advocating the need to either pursue social or economic value creation. As group membership also provides organizational members with a sense of continuity, Smith et al argue that individuals are likely to side with one of the groups, which may lead to polarization within an organization. Yet, like most paradox researchers, the authors do not further elaborate on the roots of these competing demands.

As will be further explained in the next chapter, the present study argues that it is at this specific point where paradox research can benefit from institutional research which emphasizes the environmental factors that shape organizational behavior. The field-level antecedents of tensions

– or in Smith and Lewis' words, the complex human systems in which tensions are embedded – are essential in order to understand hybridization patterns from a theoretical point of view, and derive appropriate recommendations for practitioners.

On a final note, it also has to be noted that the terminology used to describe tensions in paradox research depicts significant inconsistency. Smith and Lewis (2011) explicitly point to this “lack of conceptual clarity” (p. 385) and propose to distinguish four types of tensions: (1) *paradoxes*, which refer to “contradictory yet interrelated elements (dualities) that exist simultaneously and persist over time”, (2) dilemmas as “competing choices, each with advantages and disadvantages”, and (3) dialectics, which relate to “contradictory elements (thesis and antithesis) resolved through integration (synthesis), which over time, will confront new opposition”. Although helpful in theory, the distinction between those types of tensions, however, sometimes proves to be difficult. As Smith and Lewis posit, dualities, dilemmas and dialectics can sometimes themselves be paradoxical, thereby resulting in an overlap of the four types of tensions. Furthermore, Smith and Lewis' categorization of organizational tensions is itself confusing, as it uses both the term “tension” and “paradox” interchangeably. While the figure uses the term “tension”, the narrative description names those tensions “paradoxes”. This leads to the question of whether the categorization refers to all types of tensions, or only to paradoxes. The present study believes that Smith and Lewis' model of dynamic organizing may be not only apply to paradoxes, but to all kinds of tensions.

3.3.3 Strategic Behavior in Hybrid Organizations

As mentioned above, institutional theorists have mainly applied the hybridity lens to investigate the combination of competing institutional prescriptions at different levels, ranging from the creation of a new hybrid logic at the field level to a new hybrid identity, hybrid structures or hybrid practices at the organizational level. In contrast to traditional institutional arguments, research on hybrid organizations has sought to explicate how competing institutional logics can durably co-exist. This research stream has thus drawn a particularly agentic picture of hybrid organizations as actors that are able to combine competing logics in unprecedented ways (see e.g. Battilana & Dorado, 2010; Jay, 2013). As mentioned previously, social enterprise research has been a major body of literature showcasing this trend. In this context, scholars have pointed to a series of strategies that social enterprises apply, including the creation of new hybrid practices and structures. Nicholls (2009), for instance, delineates the creative strategies that social enterprises use to report on their social and economic impact. Based on the concept of BVC (Emerson, 2003), he proposes a spectrum of blended value accounting, encompassing all reporting practices that emphasize quantitative financial value creation on the one side, and more qualitative social value creation on the other (p. 764). In other words, Nicholls describes how social enterprises hybridize two different modes of control, namely a managerial and a

democratic mode of control, into a “new logic of governance” (Nicholls, 2009, p. 765). The creative interpretation of blended value accounting spectrum and the strategic combination of different reporting options within the limits of their regulatory context, he further argues, helps social enterprises to “enhance their performance, access resources, and build organizational legitimacy” (p. 766).

However, as Pache and Santos (2012) posit, based on their study of French social enterprises in the field of work integration, “hybridization” mainly takes place as a combination of “intact” practices of the social welfare and the commercial logic, and less through the creation of new hybrid practices (p. 972). Instead of mixing certain traditional procedure of the commercial and the social welfare logics and creating new hybrid practices with regards to branding and monitoring, for example, social enterprises instead choose to implement the intact for-profit branding practice and the intact nonprofit monitoring practice. This strategy of “selective coupling” allows the social enterprises “to project legitimacy to external stakeholders without having to engage in costly deceptions or negotiations” (ibid).

This finding is reflected in much of social enterprise research, which has described how organizations balance commercial and social activities. One such strategy, for instance, is cross-subsidization of various income streams, in which organizations complement earned-income with donations, grants and/or voluntary labor, or set higher profit margins when providing to customers with increased ability to pay (see e.g. Teasdale, 2012).

Particular attention has also been dedicated to the study of hybrid organizational identities in the context of institutional complexity (Greenwood et al, 2011, p. 354).³⁴ Battilana and Dorado (2010), for instance, investigated how hiring and socialization practices influenced hybrid organizations’ ability to establish a sustainable hybrid identity. They compared the hiring practices of two microfinance institutions embedded in two competing logics – the *development logic* which guided their activities to help the poor, and the *banking logic*, which prescribed the generation of sufficient profit to keep operations up and running, as well as to fulfill external financial expectations. Battilana and Dorado’s study shows that hiring employees that are not attached to one of both logics is a key success factor for the establishment of a common hybrid identity and thus for a sustainable hybrid organization. In contrast, employees that have experiences in one of both logics will be more difficult to convince of the new hybrid identity, as they are often carriers of archetypal logics. As a consequence, sub-group identities are likely to be formed within the organization, which hinders the formation of a common hybrid identity and puts the organization at risk of a mission shift, that is, in this particular case, a dominance of the banking logic, which prioritizes the financial objectives, over the development logic with a primacy of social objectives.

³⁴ In accordance with the seminal definition of Albert and Whetten (1985, p. 263), organizational identity refers to the central and enduring characteristics that distinguish an organization. Hence, organizational identity research mainly deals with questions about how to manage the “perception shared by organizational members about “who we are” and “what we do” as an organization (Smith, Gonin, and Besharov, 2013, p. 19f.).

A study that rather reflects the findings of Pache and Santos and showcases an example of selective coupling in the management of organizational identity, has been provided by Teasdale (2010). The author has described social enterprises' strategies to seek the legitimacy of stakeholders from diverse sectors and accessing financial resources ranging from philanthropic to commercial sources by displaying different aspects of their hybrid identity. The author posits that the innovative combination of different sources of funding is a key component of social enterprise (p. 274). Particularly in the very early stage of a social enterprise's lifecycle, grant funding plays a crucial role. Yet, most social enterprises try to mitigate the risk of single source funding by diversifying their funding streams. As Teasdale demonstrates, one strategy to succeed in this regard relates to *organizational impression management*, where organizations intentionally manipulate the audience's perceptions of the organization. As social enterprises are hybrid organizations operating between the market, the state and the non-profit sector, Teasdale argues that multiple stakeholders may take the role of resource providers. In order to access these resources and reduce ambiguity among stakeholders, social enterprises need to manage their image carefully. Teasdale's in-depth case study of a theatre production initiated by refugee and asylum seekers reveals several findings in this regard. Social enterprises, he argues, have multifaceted identities, externally and internally, that they enact differently depending on which resource holder they are talking to in order to attract their sympathy and support. For example, when talking to funders that were supporting the theatre production to become a professional organization, the social entrepreneur presented himself from a professional side, wearing a suit and emphasizing the organization's ability to systematically generate social impact. When interacting with another resource holder that sought to improve the situation of refugee and asylum seekers, he portrayed himself and his organization as a group of people in need. However, Teasdale emphasizes that resource holders are not passive recipients of this impression management. By explicitly or implicitly outlining their expectations towards social enterprises, they co-construct the impressions presented by the entrepreneur. This influence of resource holders depends on their respective strategic interests.

Overall, in their review of research on social enterprises as ideal types of hybrid organizations, Battilana and Lee (2014) suggest that, on a more abstract level, the hybridization approaches put forth by this body of work can be regrouped in four key types: (1) dismissing at least one of the multiple institutional pressures; (2) separating the exposure to multiple prescriptions; (3) managing competing institutional forces in a cumulative and simultaneous way; and (4) creating new institutional orders. These four approaches, they argue, synthesize all major attempts to conceptualize hybridization approaches – an argument that they underpin by classifying existing typologies into their four categories (see table 8).

Table 8: “Typologies of hybridization approaches“
(adapted from Battilana and Lee, 2014, p. 41)

	Oliver – “Strategic Responses to Institutional Processes” (1991)	Pratt & Foreman – “Classifying Managerial Responses to Multiple Organizational Identities” (2000)	Kraatz & Block - “Organizational Implications of Institutional Pluralism” (2008)
Dismissing	Defiance (“Explicit rejection of at least one of the institutional demands”)/Avoidance (“Attempt at precluding the necessity to conform to institutional demands”)	Deletion (“managers actually rid the organization of one or more of its multiple identities”)	Denial (“deny the validity of various external claims that are placed upon it, attack the legitimacy of the entities making the claims, attempt to co-opt or control these entities, and/or try to escape their jurisdiction or influence altogether”)
Separating	Compromise (“Attempt to achieve partial conformity in order to accommodate at least partly all institutional demands”)	Compartmentalization (“organization and its members choose to preserve all current identities but do not seek to achieve any synergies among them... multiple identities are maintained but are separated from each other”)	Compartmentalize (“(separate) identities and try to relate independently to various institutional constituencies”)
Cumulative	Acquiescence (“adoption of demands”)	Aggregation (“an organization attempts to retain all of its identities while forging links between them”)	Rein in (“try to balance disparate demands, play constituencies against each other, and/or attempt to find more deeply cooperative solutions to the political and cultural tensions which pluralism creates”)
Creative	Manipulation (“Active attempt to alter the content of the institutional demands”)	Integration (“managers attempt to fuse identities into a distinct new whole”)	Forge durable identities of their own (“forge durable identities of their own and to emerge as institutions in their own right”)

Battilana and Lee (2014, p. 13ff.) further suggest that tensions between co-existing institutional forces and thus dimensions of hybrid organizing will manifest both internally and externally (see figure 5). Within organizations, tensions may occur in five key areas of organizational life: in (1) the organizational culture, (2) the organizational design (including the organizational structure, incentive and control systems and governance mechanisms), (3) the workforce composition, as well as in (4) the organization’s core activities. External manifestations of tensions will be reflected in (5) the various inter-organizational relationships of organizations. The authors explain that in all of these areas, the activities of hybrid organizations are integrated to different degrees. Microfinance, they argue, is a highly integrated concept as the business activities (loan making) are inseparable from the social mission (providing access to finance as a means to poverty alleviation). In contrast, work integration social enterprises are less integrated as their social mission to reintegrate marginalized people in the labor market are conceptually and factually distinct from their production and sales activities (p. 16f.).

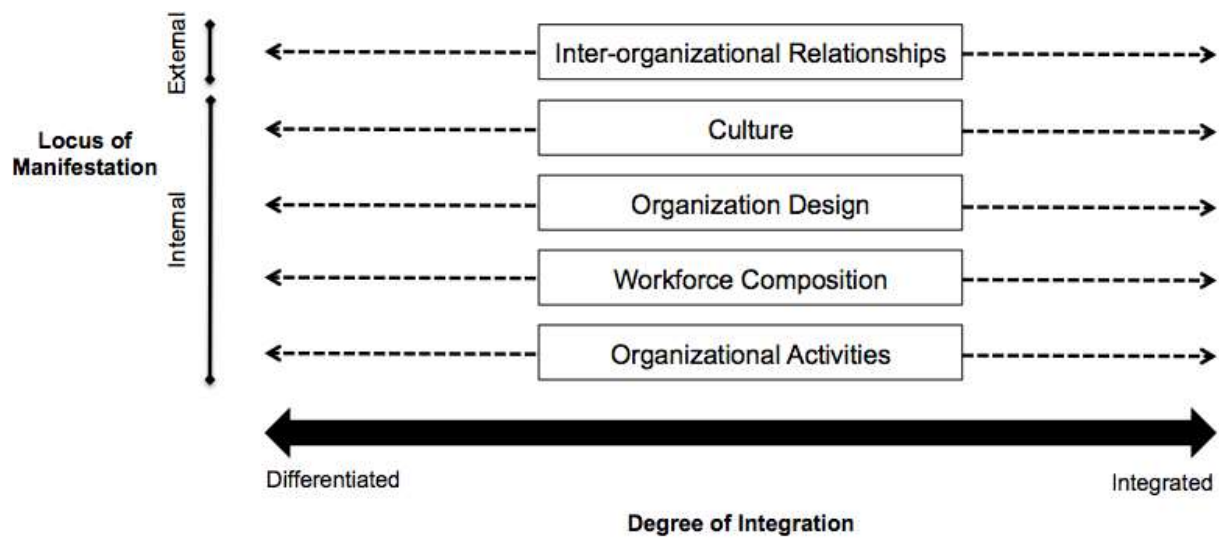


Figure 5: “Dimensions of Hybrid Organizing”

(Battilana and Lee, 2014, p. 27)

The study of paradoxes in organizations provides an alternative conception of possible strategies to deal with contradictions in organizations. In contrast to the body of work that originated from a conflicting logics perspective, which mainly focused on episodic responses to tensions, and implied that strategic decisions need to be made in an “either / or” fashion, paradox scholars emphasize the possibility and advantages of a “both/and” mind-set and point to the iterative or cyclical nature of hybridization strategies.

Poole and Van de Ven’s (1989) typology represents one of the most used conceptualizations of strategies to deal with paradox until today. They distinguished four different strategies: “(1) accept the paradox and use it constructively; (2) clarify levels of analysis [spatial separation]; (3) temporally separate the two levels; and (4) introduce new terms to resolve the paradox.” (p. 562). These categories resemble Battilana and Lee’s typology of hybridization approaches. However, what becomes apparent in Poole and Van de Ven’s strategies is the different time perspective that paradox scholars apply to conceive of organizational tensions. Paradoxes, earlier defined as persisting contradictions between interrelated dualities are by definition durable. Hence, strategies to cope with paradoxes have to be seen in function of time.

Smith and Lewis’ *dynamic equilibrium model of organizing* (2011, p. 389) illustrates this approach (see figure 6). It builds upon the argument that the possible responses to paradoxes depend on organizations’ ability to embrace them. If organizational forces or individual factors spur anxiety or inertia, paradoxes are likely to end up as vicious cycles. In contrast, if individual and organizational factors trigger the acceptance of paradoxes as opportunities to develop both/and solutions, virtuous cycles will result. According to Smith and Lewis these factors are mainly cognitive and behavioral complexity as well as emotional equanimity at the individual level, and

dynamic capabilities at the organizational level. Virtuous cycles, in turn, will ultimately contribute to organizational sustainability, defined as long-term success, fueled by organizational “learning and creativity”, “flexibility and resilience” and the “unleashing [of] human potential” (p. 393). However, Smith and Lewis’ model neglects the role of field-level factors that influence organizations’ ability to embrace paradoxes – or tensions more generally.

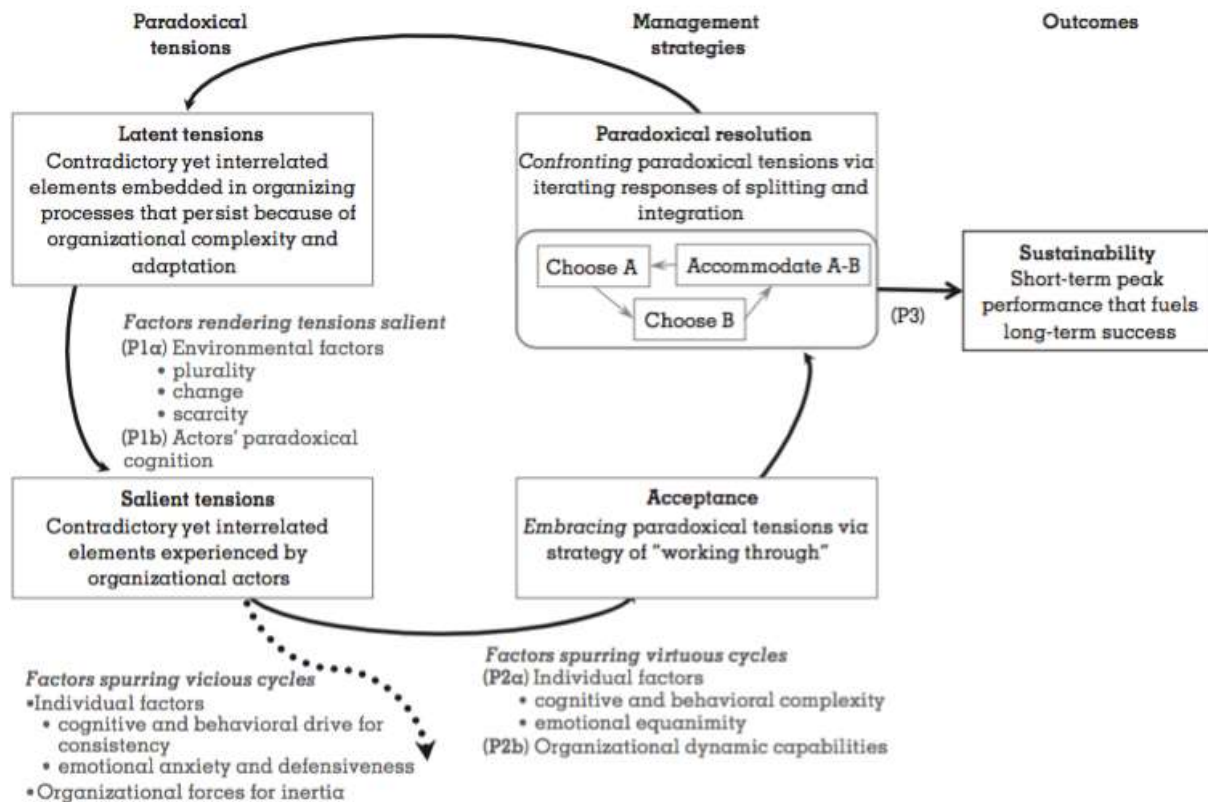


Figure 6: “A Dynamic Equilibrium Model of Organizing“
(Smith & Lewis, 2011, p. 389)

Jarzabkowski et al (2013) further elaborate on the notion of organizational cyclical processes by suggesting that the different types of tensions that Smith and Lewis proposed co-evolve over time. In a longitudinal study of an organization caught between market and regulatory demands, the authors describe how paradoxes evolved in cycles – from organizing paradoxes to performing paradoxes and ultimately to belonging paradoxes. Their study suggests that it is unlikely for theory to be able to predict certain strategies based on the types of tensions that unfold in organizations. Instead, the authors show how the type of response – defensive vs. active responses – determine how tensions further evolve in organizations. More specifically, Jarzabkowski et al show that organizational survival was only at threat when managers tried to avoid the paradoxes through defensive responses that sought short-term relief. If managers – at some point – referred to a more active response of embracing the paradox and embedding it within organizational procedures as an “organizing outcome” of paradox, they could spur virtuous cycles (p. 267).

Jay's (2013) study on public-private hybrid organizations also builds upon Smith and Lewis conceptualization of paradoxes. His ethnographic study of a hybrid organization is one of the few studies so far that has combined institutional theory and paradox research to investigate hybrid organizations. By doing so, Jay shows how a latent paradox in a hybrid organization that combined a *public service logic* and a *client service logic* became salient as outcomes of a particular action could be interpreted in opposite ways – namely, as failures or successes, depending on the logic that was adopted to evaluate the outcome (p. 138). His observations show that hybrid organizations manage such performance paradoxes through a process of “iterative, continuous organizational change” (p. 138). When the paradox first became salient, the administrative leaders interpreted it from the perspective of a client service logic – which was the dominant logic at that time – and then reframed the paradox and shifted the organizational identity to the concurrent logic (the public service logic). Only after having further reflected upon the paradox and involved external constituencies, the organization “made sense” of the paradox by oscillating between logics and iteratively interpreting organizational outcomes as to generate stable meaning and organized action (p. 140) and thus ultimately synthesizing the logics into a new one. Jay argues that it is through this cyclical process that the synthesizing of logics takes place and new types of practices emerge.

Although prior scholarly work on cross-sectoral hybrid organizations has stressed the importance of sensemaking in creating or changing institutions (see e.g. Tracey *et al.*, 2011, p. 72), Jay observes that most studies do not further explain the outcomes of sensemaking. In order to fill this gap, Jay's study describes how sensemaking leads to new organizational structures over time. In addition, the author emphasizes that his results provide a view that contrasts to prior institutional theory, which mainly described how external constituencies impose demands and claims upon organizations. He proposes that external constituencies may instead also be seen as sources of alternative interpretive schemes that allow an organization to make sense of paradoxes and hence to change. This argument leads to a further contribution of Jay's work with regards to the nexus between hybridity and innovation. Whereas prior scholar work suggested that organizations' exposure to competing institutional orders may foster innovation, little evidence existed to further concretize when this occurs. Jay's work suggests that innovation occurs when organizations – particularly their leaders – embrace alternative interpretive schemes. Only after having involved external constituencies and their interpretive schemes, the organization that he studied was able to create a synthesized logic. Hence, Jay suggests that innovation may be tied to the organizational leaders' capability to embrace “behavioral complexity” and to be “above the fray” of everyday decision making” (p. 154). This recalls ambidexterity literature, which highlighted the need of “ambidextrous leaders” who understand

the particular challenges that the concurrent pursuit of exploiting and exploring strategies pose for organizations (Greenwood et al, 2011, p. 356).³⁵

The importance of capable organizational leadership has also been emphasized by researchers who adopted a paradox lens to investigate social enterprises. In particular, Smith and colleagues (2012) suggest three strategies that social entrepreneurship leaders can adopt in order to maintain a hybrid focus and avoid or manage internal conflicts: *accepting*, *differentiating*, and *integrating* competing demands (p. 464). By accepting competing demands, social entrepreneurship leaders acknowledge the existence of competing demands as a constitutional characteristic of their organizations with which they have to live. By doing so, leaders encourage members to mindfully deal with both types of demands instead of viewing them as paralyzing conflicts. Differentiation emphasizes the value of each type of demand, aiming at avoiding the dominance of one logic over the other. Finally, organizational leaders can also integrate competing demands, trying to foster the use of synergies between them. Integration thus emphasizes a productive interpretation of competing demands. Smith and colleagues however argue that these strategies are interrelated: "Yet, paradoxically, integration depends on effective differentiation. Differentiation can help leaders identify novel features of each side of competing demands, which in turn enables them to develop more creative ways of integrating these demands" (p. 466)

As these elaborations show, the emergent theory of hybrid organizations has in recent times strongly developed and provided insights particularly on the different hybridization strategies that allow organizations to durably combine contradictory logics or claims at the organizational level. Although institutional theory often inherently takes on a cross-level approach by referring to the concept of institutional logics, theory on hybrid organizations has so far provided limited insights on field-level antecedents that explain why hybridization takes a certain form. One factor, however, that has received some attention is the origin of hybrid organizations. In the context of cross-sector hybridity, researchers have discussed the implications of commercial or social welfare origins in hybrid organizations. The next section will briefly summarize the main advances in this regard.

³⁵ As proposed by O'Reilly and Tushman (2013), "organizational ambidexterity refers to the ability of an organization to both explore and exploit—to compete in mature technologies and markets where efficiency, control, and incremental improvement are prized and to also compete in new technologies and markets where flexibility, autonomy, and experimentation are needed" (p. 324). Ambidexterity has thus been put forth as a paradox that organizations need to manage well in order to ensure their innovativeness and thus their long-term survival (see e.g. Andriopoulos & Lewis, 2009).

3.3.4 The Role of Organizational Origins

As mentioned earlier, scholars have repeatedly described the multiple roots of the currently observable rise of hybrid organizations in both theory and practice. One of these roots refers to the increasing congruence of economic sectors, portraying hybrid organizations as organizations that have been initiated by private, public or third sector actors (see 3.3.1).

Mainly motivated by the literature on imprinting, researchers have thus started to explore the influence of hybrid organizations' origin on their further existence and behavior. As Stinchcombe (1965) suggests in his seminal paper *Social Structure and Organizations*, a firm's initial structures are influenced by historical factors and persist in the long run (p. 153). Further, he hypothesized that these initial structures mainly persist as they continue to be efficient, as inertial forces come into play, or because of a lack of competition (p. 169). Although the author didn't use the term imprinting, Marquis and Tilcsik (2013) explain that Stinchcombe's elaborations have soon been interpreted as the beginning of imprinting literature in organizational research (p. 197). The authors thus define imprinting as:

“a process whereby, during a brief period of susceptibility, a focal entity develops characteristics that reflect prominent features of the environment, and these characteristics continue to persist despite significant environmental changes in subsequent periods.” (p. 199)

Based on their review of imprinting literature, Marquis and Tilcsik further state that while Stinchcombe has described similarities within entire organizational populations, imprinting literature usually focuses on the organizational level. Much research on imprinting seeks to shed light on the way organizations are affected by founding conditions – or as the authors put it, how organizations “carry the legacy of their founding environment” (p. 198). In addition, Marquis and Tilcsik observe that scholars have also recently started to examine imprinting effects at the level of organizational building blocks (e.g. jobs and occupations, see Cohen, 2012) and at the individual level (e.g. career paths, see Higgins, 2005).

Similarly, organizational researchers have started to apply the concept of “origins” to the investigation of hybrid organizations (Pache & Santos, 2012) as well as of individuals within hybrid organizations (Lee & Battilana, 2013). In light of the present study's focus, it is particularly the influence that hybrid organizations' origins have on the tensions that they face, as well as on their ability to manage these tensions, that is of superior interest.

Pache and Santos' (2012) investigation of French social enterprises compares the conflicting institutional demands that hybrid organizations with commercial and hybrid organizations with social welfare origins face, as well as the hybridization strategies that these organizations apply. With “origins”, the authors refer to the question of whether the social enterprise has been founded by a social organization or by a commercial organization (p. 978). This founding condition, their study further shows, equips social enterprises with an a priori legitimacy advantage or

disadvantage, which influences their ability to draw freely from practices of competing logics. More precisely, Pache and Santos describe how social enterprises with a commercial origin entered the field of work integration with a legitimacy disadvantage and were thus forced to prove the sincerity of their social intentions by enacting more practices from the social welfare logic than their peers with social welfare origins. The latter could select more practices from the commercial logic as their founding origin equipped them with an a priori legitimacy advantage. Building on these findings, Pache and Santos introduce a hybridization strategy that they labelled “Trojan Horse”, whereby “organizations that entered the field with low legitimacy due to their embeddedness in a contested logic strategically incorporated a majority of elements from the predominant logic to gain legitimacy and acceptance” (p. 973). Interestingly, these findings contradict the basic assumption of imprinting literature, which would suggest that organizations with a commercial origin primarily enact practices from the commercial logic. The hybridization strategy described by Pache and Santos can thus be interpreted as a way to “manipulate the templates provided by the competing logics” (p. 972).

Similar strategies had already been described by social enterprise researchers such as Wilson and Post (2013), who outline how social businesses deliberately choose to incorporate as for-profit legal entities, although they do not seek profit maximization. In their study, social enterprises considered the for-profit legal to be advantageous with regard to access to growth capital – mainly equity investments – and also for the enactment of the market-orientation rationales (p. 726). Kistruck and Beamish’s (2010) study yields similar results. The authors investigate the influence of cognitive, network and cultural embeddedness on the organizational form and structure of social intrapreneurship – a term that the authors chose in order to emphasize the frequent phenomenon of social entrepreneurial venture creation out of already existing nonprofit or for-profit organizations.³⁶ As such, the authors argue, social intrapreneurship depicts higher levels of embeddedness, path dependency and complexity (p. 736).³⁷ By comparing social intrapreneurship case studies in seven developing countries, Kistruck and Beamish propose that ventures originating from the for-profit context face less constraints in pursuing social and financial goals than ventures originating from the nonprofit context. They then investigated the advantages and disadvantages that social intrapreneurship ventures with nonprofit and for-profit origins faced in establishing an organization with a dual mission. With regard to cognitive embeddedness, the authors explain that members of organizations with nonprofit roots reported to feel constantly conflicted in their new market orientation. Members of

³⁶ Organizational form, Kistruck and Beamish specify, “refers to the legal characterization of an organization as belonging to either the for-profit or the nonprofit sector” (p. 735). See footnote 32 for a reflection on the use of the term organizational form.

³⁷ It has to be noted that the concept of path-dependency has often been used interchangeably with the one of imprinting. Sydow et al (2009), however, provide an important contribution to organizational theory by clarifying the difference between the two concepts. As the authors argue, there are certainly striking similarities between the two concepts. However, path dependency is different in that its pattern is not determined since the beginning. The process of path dependency is an „unforeseeable product of later processes, which are initially unknown“ (p. 696). Therefore, research on path dependency has to consider more than reproduction of initial structures.

organizations with for-profit roots felt that the social and financial goals were much more congruent and faced less difficulties in justifying any decisions that were made for business reasons. Similar results emerged regarding network embeddedness. Local actors, with whom many nonprofit organizations had engaged, sometimes even for decades, decided to search for better collaboration partners when organizations with nonprofit roots started to transform their relationships from being “unidirectional and donative to [becoming] bidirectional and transactional” (p. 743). Also donors didn’t feel comfortable with the notion of “making money off the back of the poor” (p. 744). Hence, social intrapreneurship ventures with nonprofit origins had to establish new networks for their increasingly commercial activities. For-profits, in contrast, were able to leverage their relational ties. Finally, similar dynamics occurred when looking at the cultural embeddedness of the social intrapreneurship ventures. As Kistruck and Beamish argue, people in developing countries “have come to rely upon nonprofit forms for charitable assistance” (746). The transformation of such practices into more transactional activities therefore faces cognitive barriers. Furthermore, the authors found that nonprofit organizations in developing countries do not benefit from the same trustworthiness as their counterparts in developed nations. Employments in nonprofit organizations, for instance, are much better paid than most other job positions, as financing from nonprofit organizations largely comes from foreign sources. This raises skepticism and distrust among local communities with regard to the intrinsic motivation of nonprofits’ employees (p. 746).

Overall, Kistruck and Beamish suggest that the for-profit form was more conducive to the implementation of social intrapreneurship than the nonprofit form. However, the authors also show that alternative organizational structures provided advantages for both organizations that originated from the nonprofit sector and those that originated from the for-profit sector. As mentioned previously, social enterprises frequently refer to strategies such as structural separation – or structural decoupling, in the words of Kistruck and Beamish – in order to accommodate social and commercial activities. Kistruck and Beamish’s investigation shows that higher levels of structural decoupling come along with higher rates of success in engaging in social intrapreneurship. The separation helped organizations to avoid confusion and overcome constraints that emerged through cognitive, network and cultural embeddedness. This effect was even more pronounced for organizations with a nonprofit origin.

In sum, these findings confirm Pache and Santos (2012) in that the founding origin of hybrid organizations appears to have an important influence on hybridization patterns and strategies. However, they suggest that the commercial origin may be advantageous in the context of developing economies – as opposed to Pache and Santos’ study on social enterprises in France. The role of the institutional setting on hybridization patterns and strategies thus seems to play an important role that yet remains under researched.

4 HYBRIDIZATION AS A STRATEGY TO TURN INSTITUTIONAL VOIDS INTO OPPORTUNITY SPACES – THE STUDY’S CONCEPTUAL FRAMEWORK

4.1 Problem Statement, Focal Concepts and Research Questions

The present study seeks to contribute to a better understanding of hybrid organizations that pursue blended value creating objectives in BoP settings. As the last chapters have outlined, the shifts in the international development regime over the last decades have manifested in an increasing institutional complexity, where multiple conflicting logics co-exist. In developing and emerging economies, where social service delivery today is typically organized in mixed markets and where financial resources are scarce, cross-sector hybridity falls on fertile grounds. For instance, organizations that aim at delivering essential goods and services to low-income people increasingly blend sector logics in an effort to access resources from the public, the private and the third sector and to create financially sustainable and thus more durable organizations.

In such contexts, concepts such as the BoP or BVC propositions have raised considerable interest. Organizations originating from different sector backgrounds – including for-profits and nonprofits – have adopted these concepts and started to experiment with innovative business models that blur sector boundaries. These organizations are hybrids in the sense that they combine practices and structures of competing logics – particularly the social welfare and the commercial logic – assuming that cross-sector hybridity is necessary, or at least useful, in developing innovative solutions that promote long-lasting social and economic development. Scholars have portrayed such hybrid organizations as particularly agentic and resilient in the context of institutional complexity, highlighting their ability to turn institutional voids into opportunity spaces (Mair & Marti, 2009, p. 420). At the same, the last chapters have also elaborated on the challenges that hybrid organizations face when operating at the BoP. Particularly, the challenge of balancing multiple logics under one organizational umbrella has been put forth as a potential threat for organizational success or even survival. Both institutional and paradox researchers have thus started to dedicate their attention to a better understanding of tensions and response strategies in hybrid organizations. In addition, BoP and social enterprise research have also pointed to a range of other challenges and tensions that hybrid organizations at the BoP have to overcome.

Building on these observations, two main research gaps are believed to curb the understanding of hybrid organizations in developing and emerging economies. First, the **process of turning institutional voids into opportunity spaces** has been interpreted in a narrow way, leaving many questions unanswered concerning the role of hybrid organizations in that process. How does hybridity enable organizations to turn institutional voids into opportunity spaces? Why do hybrid organizations draw on a particular logic to overcome the institutional voids that they face?

So far, hybridization has mainly been interpreted as a function of tensions – or institutional voids – at the interface of economic sectors. However, studies and field observations suggest that organizations also refer to hybridization as a strategy to overcome other types of institutional voids. Yet, the relationship between organizational hybridity and strategies to turn institutional voids into opportunity spaces remains a black box. Secondly, prior research has started to shed light on organizations' **ability to hybridize**. Why are certain organizations better able to hybridize than others? How does the institutional environment influence hybrid organizations' ability to freely draw from competing logics? The current understanding of field-level factors that enable or constrain hybridization is mainly based on evidence from Western settings where tensions over the appropriate goals of cross-sectoral hybrid organizations are often resolved at the field-level through effective legal regulations. However, the present study is based on the belief that the ability to hybridize, and thus hybridization strategies, are different in settings that don't effectively resolve tensions over goals. In particular, it is argued that the institutional context of developing and emerging economies or BoP settings, in which institutional voids prevail, presents a promising opportunity to extend the knowledge about factors that enable and constrain hybrid organizations.

In order to contribute to a better understanding of hybrid organizations in BoP settings, the focus will thus lie on two concepts that are believed to be of influence on hybrid organizations' ability to hybridize and on their hybridization patterns, namely organizations' *logic of origin* and their exposure to *institutional voids*. The next sections will elaborate on the relationships that are assumed to be relevant.

4.1.1 Turning Institutional Voids into Opportunity Spaces

As outlined in 3.3, scholars have interpreted cross-sectoral hybridity as a consequence of field-level dynamics, including resource scarcity (see e.g. Desa & Basu, 2013), the globally increasing legitimacy of market-oriented political and ideological values (see e.g. Dart, 2004), or, more generally, an increasing congruence of economic sectors (see e.g. Billis, 2010). From this perspective, organizational hybridity is interpreted as a consequence of field-level dynamics, thus drawing a rather passive picture of organizations that refer to hybridization as a reaction to external factors. In contrast, some researchers have recently started to suggest a more agentic view on hybridization. Jay (2013), for instance, suggests that hybridity can also be seen as a result of organizational attempts to develop innovative solutions to complex problems that require more than a single logic focus.

The present study builds upon the assumption that organizations are both constrained and enabled through environmental factors and proposes to investigate the scope for agency in the context of developing and emerging economies. As posited by institutional theorists, a central role of institutions is to reduce uncertainty by prescribing appropriate rules for action (see e.g.

DiMaggio & Powell, 1983). Hence, prior studies have suggested that organizations are challenged in their operations in contexts where institutions are weak or absent (see e.g. Desa, 2011), ambiguous (see e.g. Townsend & Hart, 2008), unknown or unpredictable (see e.g. Kistruck, Webb, Sutter, & Ireland, 2011). This has particularly been described in the context of developing and emerging economies, where institutions that support market-oriented operations exist, but are often weakly enforced (see e.g. Chakrabarty, 2009). However, Mair, Marti and Ventresca (2012, p. 819) have suggested a broader perspective on institutional voids, defining them as analytical spaces between different institutional spheres – as opposed to viewing them as empty spaces that occur when institutions are weak or absent. Institutional voids, in this sense, occur, for instance, as a result of the contradiction between Western interpretations of markets and institutional *bits and pieces* of local political, community, and religious spheres (ibid, p. 820). Interpreting institutional voids as such, Marti et al further argue, allows organizations to identify institutional contradictions and develop solutions that build on institutional interfaces – or in the words of Mair et al, solutions that “work institutional voids” (p. 819) – instead of feeling inhibited by the lack of Western-style institutions.

Building on Mair et al’s definition, the present study views institutional voids as institutional interfaces, and thereby directly links them to the concept of institutional complexity. As mentioned in chapter 3, scholarly reflections on institutional complexity have predominantly elaborated on the implications that cross-sectoral configurations have on organizations. These studies have mainly drawn from the large body of research on conflicting logics, arguing that institutional complexity manifests in organizational tensions between competing demands of internal and external referent audiences of competing sector logics. Further, institutional scholars have posited that the corresponding institutional demands may either create conflicts over appropriate organizational goals or over the adequate means to achieve set goals (Pache & Santos, 2010).

However, building upon paradox research, the present study further assumes that tensions may not only occur as a consequence of conflicting institutional demands from referent audiences, but also be inherently embedded in complex institutional arrangements. In other words, it adopts the view that tensions are both material and socially constructed (see e.g. Jay, 2013 or Smith & Lewis, 2011). It is believed that the manifestation of contradictions between elements can ultimately always be referred to a social construction – be it different views about what is legitimate behavior in an organization or dynamics in markets, which are socially constructed systems as well. However, tensions related to conflicting demands from multiple institutional logics are not necessarily the only type of tension that organizations may face. Tensions may also originate from effective trade-offs between multiple organizational goals that are all legitimate within the same logic or from developments over time – for instance when organizations innovate and disrupt markets in which they also generate profit as suggested by ambidexterity literature. Social enterprise and BoP research, for instance, suggest that hybrid organizations face different types of institutional voids, which may cause inner-organizational

tensions. Kistruck and Beamish (2010), for instance, show how three types of institutional challenges – “(1) poorly developed or undeveloped formal institutions, (2) significant formal and informal institutional differences between developed and BOP markets, and (3) significant institutional differences within and among BOP markets “ (p. 510) – inhibit the success of BoP ventures.

In sum, with regards to the challenges that institutional voids pose for organizations, the present study adopts a distinctive view by integrating institutional and paradox theory in an effort to account for antecedents of tensions in hybrid organizations that go beyond contradictions between sector logics. This is also argued to be crucial in understanding how hybridity is applied as a strategy to turn institutional voids into opportunity spaces.

Besides viewing institutional voids and institutional complexity as challenges that create different types of tensions in organizations, both concepts have also been interpreted as opportunity spaces for organizations. This study seeks to further develop this argument, arguing that hybridization strategies may be another way how organizations can turn institutional voids into opportunity spaces. In fact, many of the organizations that have been studied as particularly agentic organizations that succeed in turning institutional voids into opportunity spaces are hybrid organizations – or, more specifically, social enterprises. The Bangladeshi organization BRAC, which has been the object of study in Mair, Marti and Ventresca's (2012) elaborations on institutional voids, is a social enterprise in the sense that it combines the social welfare and the commercial logic. Similarly, Desa (2011) describes how social enterprises refer to bricolage techniques in order to reconfigure existing resources at hand in the context of institutional voids. Yet, the process of how hybridization is used as a strategy to turn institutional voids into opportunity spaces remains to be explored, as well as the question how institutional voids influence hybridization patterns. To which logics, for instance, do hybrid organizations at the BoP refer in order to turn institutional voids into opportunity spaces?

As Battilana and Lee (2014, p. 41) describe in their review of literature on hybrid organizations, institutional theory has brought forth four different types of hybridization approaches: separating, dismissing, cumulative and creative responses. Most research on cross-sector hybridity, particularly social enterprise literature, describes how organizations refer to one of these response strategies to deal with conflicts between the social welfare and the commercial logic (see 3.3.3). In particular, by studying work integration social enterprises in France, Pache and Santos (2012) find that hybrid organizations are more likely to combine intact practices from the social welfare and the commercial logics – which would refer to cumulative strategies in the words of Battilana and Lee – rather than to create new and creative hybrid practices. For instance, they simultaneously refer to a social welfare logic at the level of volunteer mobilization and to a commercial logic at the level of legal status, but they rarely create new hybrid practices that blend both logics at the very same level.

In addition, paradox theorists have recently emphasized that strategies to deal with tensions should be investigated over time, allowing to observe organizational change as an “interpretative, iterative, and emergent mechanism” (Jay, 2013, p. 153). This approach contrasts with most institutional research, which has focused on episodic responses to organizational tensions. Jay delineates that, over time, organizations may either oscillate between logics or synthesize them in order to navigate through organizational paradox. Furthermore, he extends the interpretation of tensions by arguing that they may not only emerge as a consequences of conflicting demands from internal or external audiences, but may also be latently embedded in organizational designs until they become salient, for instance when organizational outcomes can be interpreted as both success and failure. The author therefore emphasizes that *sensemaking*, which can be interpreted as a more creative response to organizational tensions, is an important strategy to manage paradoxical outcomes, as it allows transforming the organizational logic over time.

Taking the time dimension into account when looking at hybridization strategies is believed to be important for further theory development about hybrid organizations at the interstices of sector logics, as it departs from the necessity to find solutions that resolve tensions once and for all. Instead, it points to the fact that tensions may be a constitutive element in hybrid organizations and that organizational leaders should accept and embrace tensions in order to turn them into opportunity spaces. Similar reasoning has been expressed by Jarzabkowski, Lê, and Van de Ven (2010) who state the defensive strategies, which try to avoid oppositions – including separating, dismissing and cumulative strategies in Battilana and Lee’s typology – are likely to spur vicious cycles. In contrast, active strategies that accept tensions are likely to spur virtuous cycles in organizations.

However, concerning the present study’s research questions, it is argued that both extent research on tensions and hybridization strategies is limited in that it neglects the question in which way hybridization is a reaction to other types of tensions that do not emerge from conflicts between sector logics. Further, as the next section will explain, the researcher stresses the need to view hybrid organizations as actors that are embedded in institutional fields that influence their scope for agency.

4.1.2 The Ability to Hybridize

In the present study, the ability to hybridize will refer to hybrid organizations’ leeway to strategically combine structures and practices from competing logics in an effort to overcome tensions and create a sustainable new hybrid arrangement. While only a few studies explicitly elaborate on the ability to hybridize, analogies can be drawn from the larger body of literature from institutional and paradox research. From an institutional perspective, the ability to hybridize can be interpreted as organizations’ ability to enact strategies that help them overcome tensions

emerging through their exposure to conflicting logics. As elaborated in the previous chapter, factors that influence this ability include field-level, logic specific, and organization-level factors.

Besharov and Smith (2013, p. 367) suggest that at the field-level, the number of professional institutions and the relationship between them influences whether an organization will be exposed to tensions emerging from conflicting institutional demands. The higher the amount of professional institutions, and the more competitive the relationship between them, the more institutional referent audiences will claim that their own logic is unique and superior to the logics of other professional groups.

Besides the institutional context, Besharov and Smith argue, it is also the degree to which a logic is ambiguous or specific, as well as the compatibility of institutional logics that is critical (*ibid*). This perspective has interesting implications, as it suggests that the nature of specific claims in logics is of relevance when looking at tensions in organizations and that certain combinations of logics may be more feasible than others – a view that has been largely neglected in research about hybrid organizations so far. Besharov and Smith therefore stress that it is important to draw attention to the content of incompatibilities. Similar to Pache and Santos (2010), they posit that for logics to be compatible, it is more important that they are compatible concerning their goals, than with regard to the means they prescribe to achieve set goals. They explain that “goals reflect core values and beliefs and are evaluated based on a logic of appropriateness, making them hard to challenge or modify. In contrast, means are evaluated based on a logic of consequence and are therefore more malleable” (p. 367).

In addition, organizational characteristics such as field positions, structure, ownership, governance and identity (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011, p. 339ff.) or the internal representation of multiple logics within an organization (Pache & Santos, 2010, p. 460), have been identified as important influencing factors when looking at tensions in organizations and their possible response strategies. Other factors, including the distribution of power (Greenwood et al, 2011, p. 344), the resource dependence structure (Maguire et al, 2004, p. 668f.), as well as the costs and risks that organizations perceive when considering different types of strategies (Pache & Santos, 2010, p. 464), are furthermore likely to influence the strategies that organizations will apply to manage tensions.

From a paradox research perspective, researchers further suggested that dynamic capabilities of organizations, leadership skills such as cognitive and behavioral complexity and emotional equanimity (Smith & Lewis, 2011), as well as the interaction of organizations with external constituencies carrying alternative institutional prescriptions (Jay, 2013) influence the success that organizations will have in managing tensions. However, Jarzabkowski, Lê and Ven (2013) implicitly point to the role of field-level dynamics by suggesting that strategies depend on the context in which organizations are embedded. Accordingly, they argue, it is unlikely to see a one

to one link between different types of tension and strategies, but rather combinations of different responses over time (p. 249).

As outlined in chapter 3, institutional scholars have recently started to look at field-level influences on organizational hybridization patterns, defined as the specific way how competing logics are combined across organizational functions or areas. Particularly, the influence of organizational origins has been analyzed at the organizational and individual level (see 3.3.4). At the organizational level, Pache and Santos (2012) suggest that hybrid organizations that enter a field with an a priori legitimacy advantage are freer in drawing from competing logics. They show that, in the field of work integration social enterprises in France, hybrid organizations with a social welfare origin benefitted from such a legitimacy advantage in contrast to their peers with a commercial origin who had to prove the sincerity of their social objectives by applying more practices from the social welfare logic.

However, as the present study argues, Pache and Santos' findings are limited in the sense that they build on a research setting in which conflicts over goals are effectively resolved at the field level. As their empirical investigation suggests, there is a strong field-level consensus in France concerning the appropriate goals of work integration social enterprises, namely to "serve a clear social need: reintegrating long-unemployed people into the job market" (p. 982). The pursuit of this goal is furthermore protected by the state, who acts as a gate-keeper by "granting [work integration social enterprises] the right to operate, by monitoring the accomplishment of their social mission, and by expelling contravening organizations from the field" (ibid). The social welfare logic, they argue, is thus the dominant logic in the field of work integration, providing hybrid organizations with social welfare origins with a legitimacy advantage. Pache and Santos, however, themselves point to the need of investigating hybridization strategies and patterns in contexts where conflicts over goals are not resolved at the field level (p. 995).

The present study seeks to respond to this call by assuming that fields with institutional voids that inhibit public authorities or other institutions to enforce a dominant logic may provide less guidance for organizations on how to resolve conflicts over goals. It is argued that this may particularly be the case in developing and emerging economies. As elaborated in the previous chapters, BoP ventures strategically combine structures and practices from the social welfare and the commercial logic in an effort to develop business models that try to reconcile two goals that have traditionally been interpreted as antagonistic, namely poverty alleviation and profit generation. They operate in fields of social service provision, such as health care, where conflicts over goals are part of their daily routine – providing affordable health care to poor populations vs. generating financial surpluses. These conflicts may, in theory, be resolved at the field level, for instance, if governments provide health insurance for poor populations and set effective guidelines for health providers to become and stay eligible for these funds. However, BoP settings have repeatedly been argued to be characterized by weak enforcement of formal institutions, or, in other words, by prevailing institutional voids. Hence, even if conflicts over goals

are in theory resolved at the field level, they may, in fact, remain unresolved in practice and put hybrid organizations in a far more difficult situation as they have to deal with those conflicts over goals at the organizational level. It remains to be researched whether logics of origin remain a source of legitimacy advantages or disadvantages in such settings and how organizations refer to hybridization strategies to deal with institutional voids.

Interesting insights touching upon this topic have been provided by Kistruck and Beamish (2010), who suggest that in the context of seven developing and emerging economies, social intrapreneurship initiatives with for-profit origins were more successful in overcoming constraints stemming from their cognitive embeddedness (i.e. restrictive mindsets within the organizations), network embeddedness (i.e. constraints stemming from interdependencies between the ventures and external audiences) and cultural embeddedness (i.e. restrictive macro-level norms and expectations in countries, regions or populations). The reasons for this legitimacy advantage, however, do not relate to state intervention. Instead, Kistruck and Beamish explain that the cognitive embeddedness of for-profits was advantageous as the combination of social and financial objectives was less seen as a contradiction as in nonprofit social intrapreneurship initiatives. With regard to network embeddedness, the authors find that for-profits had established a network based on exchange mechanisms and thus bidirectional ties. This was an advantage in establishing social intrapreneurship when compared to nonprofits whose networks were mainly based on unidirectional ties and thus had to be reorganized for the new social intrapreneurship venture. Finally, with regard to cultural embeddedness, Kistruck and Beamish also find that nonprofits were disadvantaged because they were considered to keep alive the dependency in which developing and emerging economies were trapped after centuries of colonialism. In addition, and in contrast to Western settings, nonprofit organizations were not attributed with the characteristic of being altruistic. Working in a nonprofit belongs to the most attractive employment opportunities. Jobs are typically well paid and nonprofit organizations are typically well equipped. People working in nonprofit organizations are thus rather believed to be driven by self-interest rather than altruism.

Overall, Kistruck and Beamish thus conclude that the for-profit origin was more advantageous for venturing into social intrapreneurship as its cognitive, network and cultural embeddedness is less restrictive than for nonprofits. Their findings thus support Pache and Santos' (2012) conclusion that "the institutional freedom that hybrids gain from their exposure to institutional contradictions can only be leveraged by those whose legitimacy is secure in the first place" (p. 995). However, in contrast to Pache and Santos' study, the findings of Kistruck and Beamish suggest that the reasons why they benefitted from this legitimacy advantage is not determined by a central field-level player with gate-keeping power such as the state. Instead, it is a result of differences in the cognitive, network and cultural embeddedness of the commercial and the social welfare logics.

Building on these elaborations, the present study assumes that the logic of origin is a central factor that determines hybrid organizations' ability to hybridize. However, in addition, it seeks to

investigate how organizations manage tensions through hybridization strategies in the context of institutional voids. As mentioned previously, institutional voids have traditionally been argued to be challenges for organizations operating at the BoP. However, institutional researchers have currently suggested that institutional voids may also incentivize organizations to become particularly agentic. Building on this argument, the present study thus proposes to investigate hybridity as one manifestation of agentic behavior of organizations that seek to deal with tensions that reflect higher order institutional voids.

The Study's Focus

In light of these elaborations, it can be summarized that, so far, it remains largely unknown how field-level, and particularly, cross-sector dynamics constrain and/or enable BoP approaches in creating blended value. Further research is needed to explore how hybridization at the interstices of sector logics can allow organizations to pursue their blended value creating objectives at the BoP. The aim of this research is to contribute to filling these research gaps.

In an effort to operationalize the above-mentioned research gaps, the study will investigate organizational level phenomena that reflect field-level dynamics. In particular, tensions in hybrid organizations will be seen as proxies for institutional contradictions at the field level, and hybridization strategies will be investigated to infer field level dynamics that constrain or enable organizations to overcome those tensions. Hence, the present study will investigate the following research questions:

3. *What tensions do hybrid organizations targeting the BoP experience, and why?*
4. *What hybridization strategies do they apply to manage these tensions, and why?*

Given the above mentioned observations, the study will concentrate on two focal concepts in approaching these research questions, namely *the logic of origin* and *institutional voids*. Both are believed to influence the tensions (constraints) and the hybridization strategies (agency) in hybrid organizations at the BoP (see figure 7).

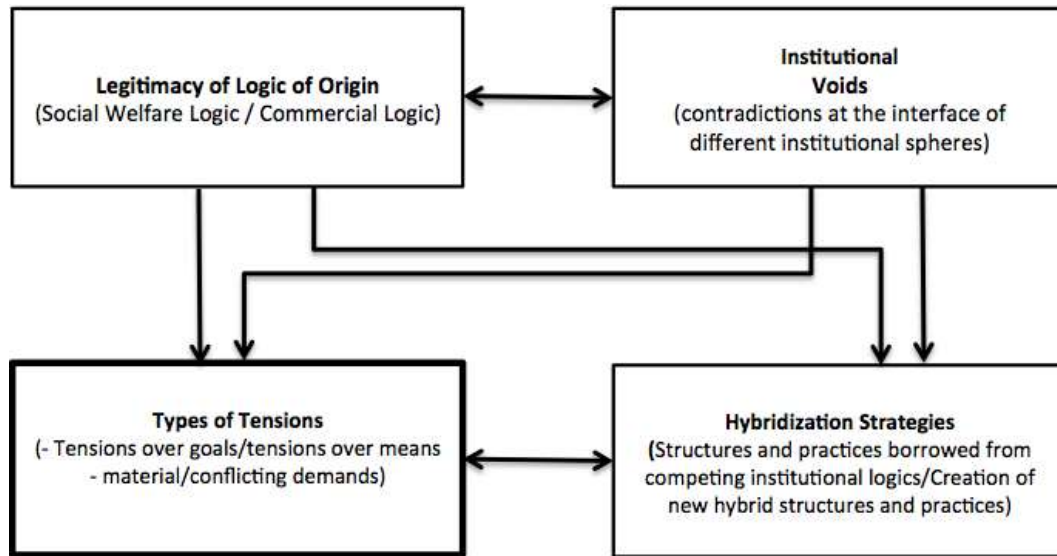


Figure 7: Relationships Between Focal Concepts for Empirical Analysis

The empirical part of this research aims to refine the understanding of the above-mentioned relationships and thus to further develop the emerging theory of hybrid organizations. As will be further elaborated in the next chapter, theory and empirical findings have thus been treated in a reciprocal relationship over the entire research in order to complement and further elaborate the conceptual framework presented above.

4.2 Research Objectives

A better understanding of factors that constrain and enable agency in hybrid organizations is argued to be important for practical as well as theoretical reasons. From a practical point of view, organizational models that are able to cope with institutional complexity and to shape institutional environments are of paramount importance. In developing and emerging economies, it can be observed that BoP approaches are currently being promoted from several ends, however, with little coordination and understanding of their actual potential to alleviate poverty. A focus on cross-sector hybridity is believed to shed light on key constraints and opportunities to perform this task. Given that institutional settings at the BoP are challenging, organizations are needed that are able to deal with those conditions in an effort to provide essential social goods and services to low-income people. Particularly, in countries that are trying to exit donor dependency, the establishment of financially independent markets for the provision of social critical goods is critical. In these countries, policies generally promote economic liberalization, thereby triggering the proliferation of private companies that engage in welfare related sectors such as education or health. However, the public and the third sector also play an important role in these sectors – either because they are necessary players in creating a monetizable demand for the provision of these goods, and/or because they act as providers themselves. As a result, sectors relating to social service provision are highly fragmented and thus complex.

A focus on hybrid organizations is furthermore believed to add to BoP literature by describing innovative ways of managing institutional complexity for organizations with different sector backgrounds. Stemming from strategy research, BoP literature is very practice oriented, providing a range of tools and recommendations for businesses that seek to tap into low-income markets. Yet, these recommendations largely neglect other types of actors that are currently experimenting with the BoP propositions, including social enterprises and other types of hybrid organizations. Altogether these approaches – be it in health care or in other areas – form an eclectic organizational field at the BoP, which keeps growing and continues to raise interest among investors, donors, policy makers and other related actors (Kolk, Rivera-Santos, & Rufin, 2013, p. 16). With focus on the potential capacity to flexibly adapt to institutional complexity and mobilize resources innovatively (Desa & Basu, 2013), the emerging theory of hybrid organizations is a useful and yet rarely applied lense to learn about innovative ways to organize and foster social and economic development at the BoP. In addition, it remains largely unknown how field-level and particularly cross-sector dynamics constrain and/or enable BoP approaches in creating blended value. Leaning on institutional theory as a lense to investigate hybrid organizations will therefore account for the role of field-level factors and their influence on organizational level tensions and strategies at the BoP.

From a theoretical point of view, cross-sector hybridity at the BoP provides a particularly fruitful research setting. Developing and emerging economies are typically not only characterized by institutional complexity, but also by institutional voids, defined as contradictions at the interface of different institutional spheres. By investigating the influence of logics of origin and institutional voids on organizations' ability to hybridize, as well as on the process of turning institutional voids into opportunity spaces, the present study seeks to contribute to the emergent theory on hybrid organizations. In particular, it seeks to contribute to a better understanding on hybridization in settings that don't resolve tensions over goals at the field level.

More generally, the present study is based on the belief that organizations are constrained and enabled by these conditions. Hence, it draws a picture of organizations that are both pressed to comply with institutional prescriptions and free to act strategically. This belief relies on a conception of human beings who have the ability to reflect and act in their own interest, while at the same time being restricted by institutional forces. This reflexivity, as elaborated in 3.1.3, is of particular importance to shed light on the paradox of embedded agency. It helps actors to disembed themselves from the institutions that shape their behavior. In the context of the present study, institutional voids are assumed to be key triggers for reflexivity. They permit actors to perceive alternative ways of interpreting and legitimizing social or organizational behavior. The researcher thus shares Peng's (2003) argument that "institutional transitions throughout emerging economies present a fascinating opportunity to integrate institutional and strategic choice perspectives" (p. 276).

5 RESEARCH SETTING AND METHODOLOGY

This chapter outlines the ontological and epistemological foundation of this study as well as the research design and process through which data was collected and analyzed. It further introduces the research setting, that is, the context in which the study was conducted.

5.1 Research Paradigm

The research paradigm of a study refers to its philosophical underpinning with regard to the way insights are generated and interpreted. In other words, it refers to the “ideas of reality (ontology) and how we can gain knowledge of it (epistemology)” (Maxwell, 2012, p. 42). Generally, at the most abstract level, researchers often differentiate between a quantitative and a qualitative research paradigm. While quantitative research mainly seeks to empirically test theories in large-scale samples, qualitative research is frequently dedicated to investigating less researched areas by focusing on fewer units of analysis and seeking to understand these more in depth.

The theoretical aim of this research is twofold. First, it seeks to further develop the emerging theory on hybrid organizations, which is mainly rooted in institutional theory and paradox research. Second, it aims at adding to literature on blended value creating organizations, in particular, social enterprises and BoP ventures. While those literature streams have so far largely been treated separately, it is believed that linking them is fruitful for both. Research on hybrid organizations remains rather conceptual at this stage, and has so far largely neglected the context of developing and emerging economies, which differs substantially from Western economies and may thus challenge some of the prevailing assumptions. At the same time, the theoretical underpinning of BVC approaches remains to be further developed, particularly with regard to the influence of field-level dynamics. A focus on the concept of hybridity is believed to add significantly in this regard, as it allows investigating how organizations that seek to create blended value at the BoP deal with tensions that reflect higher order institutional voids.

The present study is thus exploratory and explanatory. The exploratory part of the research seeks to investigate what type of tensions hybrid organizations at the BoP experience and what hybridization strategies they apply to overcome the tensions. The explanatory part seeks to contextualize the findings – in particular, to understand the field-level reasons that lie behind those tensions and strategies. As proposed by Smith and Lewis (2011, p. 388f.), tensions can remain latent and unperceived, but still existent, until external events or internal organizational dynamics make them salient. This view is consistent with the philosophical position of critical realism (Lawson, Collier, Bhaskar, Archer, & Norrie, 1998), which combines two perspectives that are usually conceived as antagonistic. On the one hand, critical realism is based on the ontological belief that there is a reality that exists independently from human perceptions and

thinking. On the other hand, it embraces epistemological constructivism, which claims that the way we gain knowledge and perceive reality – or experience tensions – is inevitably linked to our perceptions and thus socially constructed (Maxwell, 2012, p. 43). The study is thus based on the belief that individuals' experience of reality, or more precisely, that the phenomena of interest – tensions in hybrid organizations and hybridization strategies – are socially constructed, as they are experienced through cognitive frames of individuals (Smith & Lewis, 2011, p. 388), which are in turn influenced by field-level logics. At the same time, the study doesn't "reject outright some notion of objectivity" (Baxter & Jack, 2008, p. 545). Although actors may not perceive contradictions between institutional claims, they may still exist (for a more detailed elaboration on a critical realist approach to institutional theory, see Leca & Naccache, 2006).

A qualitative research paradigm was chosen to investigate the research questions, as its descriptive nature allows for deeper insights into social constructions by focusing on the way social experience occurs and is given meaning (Gephart Jr., 2004, p. 455). Furthermore, a qualitative paradigm allowed the researcher to adopt an epistemologically pragmatic approach and a problem-solving focus in her investigation of complex societal challenges (Eisenhardt & Graebner, 2007, p. 26). For data analysis, different literature streams and methods have been mixed and applied according to their contribution to answer the research questions. For instance, as will be further described later, data analysis has been performed inductively and deductively, given that some findings could be subsumed into existing theory, while others couldn't. This doesn't mean that the researcher adopted an "anything goes" principle (Feyerabend, 1993, p. 14f.) but rather that she followed a pragmatist way of doing science. Methods were evaluated in terms of their potential to generate the necessary insights. For instance, and as will be further explained later, theory and empirical results have been treated iteratively along the course of the study in order to constantly contextualize the findings and reflect upon them from different points of views. This iteration motivated the researcher to reach out for additional theoretical input and to adapt her research focus when needed. Furthermore, various measures – including exchange with experts from the field and theory as well as transparent documentation of the research process – were taken to ensure rigor and reliability in data collection and data analysis.

5.2 Research Design and Setting: Comparative Case Studies of Health Care BoP Approaches

Exploratory and explanatory studies often dive deep into social phenomena and seek to understand all related aspects of one or few cases. This is particularly important in research endeavors that seek to investigate under-researched topics by gaining an in-depth understanding on complex social phenomena (Yin, 2008, p. 4). However, instead of focusing on one case study and gaining a deep understanding of one specific context, a comparative approach of multiple case studies was chosen for this study. Using case studies as a research instrument allowed the

researcher to gain information about contemporary real-life events, work closely to the study participants who could share their views of reality, and contextualize the observations through additional insights such as historical explanations. At the same time, choosing a comparative research design also allowed for a replication logic by focusing on four variables (hybrid organizations logic of origin, the exposure to institutional voids, the types of tensions that hybrid organizations experience and the hybridization strategies that they apply) and enable a useful consideration of similarities and differences. In general, replication can occur through literal replication, that is, when the use of multiple case studies is expected to yield similar results, or theoretical replication, when the research design predicts contrasting results, but for anticipated reasons (Yin, 2008, p. 54).

Both types of replication were applied in the sampling approach of this study. Sampling in case study research differs from sampling in quantitative research. Instead of seeking statistical representation, for example through random sampling, cases are rather chosen intentionally based on their appropriateness to answer the research question (Boeije, 2009, p. 35). In order to shed light on the two variables (logic of origin and institutional voids) that are believed to influence the types of tensions that hybrid organizations face and the hybridization behavior of those organizations, the cases – that is, the hybrid organizations – have been selected in different developing and emerging economies. Furthermore, within each country, one for-profit and one nonprofit organization have been selected. The sampling procedure will be further explained in the next sections.

In order to isolate the concepts of interest, the researcher furthermore chose to focus on the health care sector, which is not only one of the sectors in which BoP initiatives have sprouted in the last years, but also a sector that typically depicts characteristics that are conducive for the purpose of this study. First, as repeatedly suggested by prior research conducted in Western economies, health care organizations depict a high centrality concerning the multiplicity of logics, as they seek to provide care and to operate in a financially sustainable way (see e.g. Besharov & Smith, 2013; Scott, 1983). In developing and emerging markets, financial sustainability has been less emphasized in the past, as many health sectors used to rely on external financial support like foreign aid. However, with the rise of market-orientation and blended value creating approaches such as BoP initiatives in developing and emerging economies in recent years (see chapter 2), health care organizations increasingly accommodate multiple logics. Providing affordable high-quality care (a goal that will be attributed to the social welfare logic) and operating in a financially sustainable way (a goal that will be attributed to the commercial logic, see appendix 4) are both central objectives of health care BoP approaches. Tensions between those logics are thus likely to manifest in their core activities (Besharov & Smith, 2013, p. 369). Second, as health care is not only a huge market, but also a human right, it attracts and involves actors as well as resources from the public, the private and the third sector. Health sectors in developing and emerging economies are thus often highly fragmented and characterized by high levels of

institutional complexity, as multiple logics co-exist at the field-level and prescribe competing institutional demands at the organizational level. Third, developing and emerging economies are generally subject to comparably strong institutional change, since players from the public, the private and the third sector continuously seek to improve existing institutions that are related to social welfare delivery. It can thus be inferred that organizations operating in health sectors in developing and emerging markets are strongly exposed to institutional voids, which are one of the focal conditions that are to be investigated in this study. As further elaborated in the section on limitations of the present study, the findings that will be presented are believed to apply to other sectors of social service provision as well. However, in education and housing, for instance, the findings may be less pronounced given that the incompatibility of logics might be less central to organizations. Further, given that the health sectors globally experience a shift towards market-orientation, one could question whether marketized health care can still be classified as a “hybrid field” or rather as a newly institutionalized institutional field. However, as further elaborated later, the researcher argues that providing care and generating revenues remain antagonistic enough in the context of the sample countries where public institutions, for instance, fail to enforce legal norms concerning the appropriate behavior of market-oriented health providers (see p. 7.2).

5.2.1 Country Selection

The present study focuses on the investigation of the tensions that hybrid organizations at the BoP face and the hybridization strategies that they apply. More concretely, the study aims to shed light on the influence that hybrid organization’s logic of origin (social welfare or commercial logic) and their exposure to institutional voids have in this regard. In order to provide more generalizable insights about these relationships, the study sought to compare the institutional context of health markets in different developing and emerging countries. Although health markets vary substantially from one country to another, developing and emerging economies generally depict certain features in common. In particular, they typically cause considerable uncertainty for organizations, given that they often lack functioning formal institutions, are subject to fast institutional change, and generally depict high levels of fragmentation and thus institutional complexity. In other words, they are likely to engender multiple institutional voids. Furthermore, the focus of the study was on economies in which market-oriented development approaches are generally in line with the regime. This is particularly the case in countries that use economic liberalization as a primary engine of growth and delivery of social welfare delivery. In sum, the following characteristics were considered in the search for sample countries:

- Representative for developing or emerging economies that promote economic liberalization in health care
- Adoption of the principle of universal access to health care

- Prevalence of institutional challenges that inhibit the effective implementation of the principle of universal access to health care
- Pluralistic health sector that involve actors from the public, the private and the third sector
- Existence of hybrid organizations with commercial and social welfare origin providing health care at the BoP
- Access to one hybrid organization with commercial origin and one with social welfare origin willing to participate in the study per country

Given these parameters, a convenience sampling approach was chosen in order to overcome the challenge of accessing study objects located in distant places. Being a member of the International Research Network on Social Economic Empowerment (IRENE|SEE) initiated by Zeppelin University and Siemens Stiftung, the researcher benefitted from improved access to four countries: Colombia, Mexico, Kenya and South Africa. These countries provided an interesting sample composition as they can all be classified as developing and emerging economies, albeit with different levels of development when looking at economic and social indicators and important differences in their health markets.

In the first exploratory phase of the research, contrasting features between these countries have been analyzed in order to explore their appropriateness for answering the research questions. This first exploratory phase included desktop research, expert interviews and attempts to contact potential study participants. Desktop research sought to provide a better understanding of the attractiveness of health sectors for the private sector and thus, the extent to which economic liberalization was promoted. Further, it sought to give a first impression of the legitimacy of sector logics in the four sample countries.

Table 9 summarizes some key social and economic indicators on the four sample countries:

Table 9: Key Social and Economic Indicators of Colombia, Mexico, Kenya and South Africa

	Colombia	Mexico	Kenya	South Africa
GDP (2013)³⁸	378.4 billion US\$	1.261 trillion US\$	55.24 billion US\$	366.1 billion US\$
Country classification according to World Bank (2013)³⁹	Upper middle income	Upper middle income	Low income	Upper middle income
GINI Index (income distribution) (different years of reference)⁴⁰	53,5	48,1	47,7	65
Human Development Index (2013)⁴¹	0.711	0.756	0.535	0.658
Country classification according to UNDP⁴²	High human development	Very high human development	Low human development	Medium human development
Multidimensional Poverty Index (MPI) (2013)⁴³	0,032	0,024	0,226	0,041
Contribution of deprivations in health to overall poverty (2013)⁴⁴	24.7%	25.6%	32.4%	61.4%
Multidimensional poverty headcount (2013)⁴⁵	7.6%	6.0%	48.2%	10.3%
Share of population near poverty (2013)⁴⁶	10.2%	10.1%	29.1%	39.6%
Share of population in severe poverty (in%)⁴⁷	1.8%	1.1%	15.7%	1.3%
Share of population living under poverty line of 0.125 USD (2013)⁴⁸	8.2%	0.7%	43.4%	13.8%

³⁸ <http://data.worldbank.org/indicator/NY.GDP.MKTP.CD>

³⁹ <http://data.worldbank.org/country>

⁴⁰ "Gini index measures the extent to which the distribution of income or consumption expenditure among individuals or households within an economy deviates from a perfectly equal distribution. A Lorenz curve plots the cumulative percentages of total income received against the cumulative number of recipients, starting with the poorest individual or household. The Gini index measures the area between the Lorenz curve and a hypothetical line of absolute equality, expressed as a percentage of the maximum area under the line. Thus a Gini index of 0 represents perfect equality, while an index of 100 implies perfect inequality" <http://wdi.worldbank.org/table/2.9>

⁴¹ "The Human Development Index (HDI) is a summary measure of average achievement in key dimensions of human development: a long and healthy life, being knowledgeable and having a decent standard of living. The HDI is the geometric mean of normalized indices for each of the three dimensions" <http://hdr.undp.org/en/content/human-development-index-hdi> Measures have been drawn from the UNDP (2014)

⁴² Ibid

⁴³ The multidimensional poverty index (MPI) identifies multiple deprivations in the same households in education, health and living standards. All of the indicators needed to construct the MPI for a household are taken from the same household survey. The indicators are weighted to create a deprivation score, and the deprivation scores are computed for each household in the survey. A deprivation score of 33.3 percent (one-third of the weighted indicators), is used to distinguish between the poor and nonpoor. If the household deprivation score is 33.3 percent or greater, the household (and everyone in it) is classed as multidimensionally poor. Households with a deprivation score greater than or equal to 20 percent but less than 33.3 percent are near multidimensional poverty. <http://hdr.undp.org/en/content/multidimensional-poverty-index-mpi> Definitions of deprivations in each dimension, as well as methodology of the MPI, are given in Calderon and Kovacevic 2014

⁴⁴ <http://hdr.undp.org/en/content/multidimensional-poverty-index-mpi>

⁴⁵ Ibid

⁴⁶ <http://hdr.undp.org/en/content/multidimensional-poverty-index-mpi>

⁴⁷ Ibid

⁴⁸ Ibid

The analysis of health sectors in Colombia, Mexico, Kenya and South Africa furthermore revealed interesting contrasting features. When looking at health financing, two types of health systems can be distinguished in developing and emerging economies at the most abstract level. First, an increasing number of countries, including Colombia and Mexico, tries to cover their population with health insurance schemes in an effort to reach UHC. In these countries, health care financing is set up as a subsidy of the demand for health care (Ellis & McGuire, 1993, p. 135). Health providers can generally affiliate to the national health insurance system, which then covers the expenses of treating the insured population. Hence, in such health systems, the establishment of organizations that provide health care to low-income people in a financially sustainable way is, in theory, facilitated.

The second type of health system, which encompasses most developing and emerging economies including Kenya and South Africa, lacks any public health insurance scheme for the largest share of its population. In these countries, funds that aim at supporting poor people's access to health care mainly take the form of a subsidization of the supply (ibid). This means that funds are channeled to health providers from the public, the private and/or the third sector in order to allow them to offer their services at affordable prices, or for free. These systems are likely to pose more challenging conditions for health care organizations that seek to establish financially sustainable, and thus durable business models. Funds generally remain subject to donor volatility and budgetary shortages of public bodies.

While the next sections will introduce the main specificities of the health sectors in Colombia, Mexico, Kenya and South Africa and contextualize them with other macroeconomic indicators, Table 10 summarizes some key indicators on the health systems:

Table 10: Breakdown of Health Expenditures in Colombia, Mexico, Kenya and South Africa (World Health Organization, 2013)

	Colombia	Mexico	Kenya	South Africa
Total expenditure on health as % of gross domestic product	6.5	6.3	4.4	8.7
▪ General government expenditure on health as % of total expenditure on health	74.6	49.0	40.2	46.6
○ Social security expenditure on health as % of general government expenditure on health	82.9	55.4	13.0	2.9
▪ Private expenditure on health as % of total expenditure on health	25.4	51.0	59.8	53.4
○ Out-of-pocket expenditure as % of private expenditure on health	67.7	92.2	76.6	13.9
○ Private prepaid plans as % of private expenditure on health	32.3	7.8	9.3	80.3
▪ External resources for health as % of total expenditure on health	0.1	0	37.9	2.2

- (1) **Colombia:** Colombia is Latin America's fourth largest economy, with a GDP of 378.4 billion USD. Since 1990, the Colombian government has actively promoted economic liberalization, thereby increasing the attractiveness of the country for the private sector. Several globally active social investment funds, such as Bamboo Finance and Acumen Fund, have opened regional offices in the country's capital, Bogotá, in recent years, which suggests an increasing attractiveness and prevalence of blended value creating initiatives in Colombia (Hanley, Wachner, & Weiss, 2015, p. 12).

As can be seen in table 10, the World Bank classifies Colombia as an upper middle-income country, and the UNDP categorizes Colombia as a country of high human development (with a HDI of 0.711). However, with a GINI coefficient of 53,5, inequality in income distribution is among the highest in the world. The newly developed Multidimensional Poverty Index (MPI) furthermore reveals that 7,6% of the Colombian population is multidimensionally poor, of which 1.8 percentage points refer to severe poverty. Another 10,2% of the population lives near multidimensional poverty. Multidimensional poverty is a measure that allows measuring multiple deprivations in health, education and living standards within the same households. Deprivations in health contribute to 24.7% to overall poverty in Colombia. This is the lowest value when compared to the other three sample countries. In addition, multidimensional poverty is lower than income poverty in Colombia (8,2%). This suggests that people living below the income poverty line of 1.25 USD per day may still have access to non-income resources. These resources can include public services or other types of social security systems in order to meet their needs in health, education and living standards.⁴⁹

Access to public services is particularly salient in the Colombian health sector. Since 1993, the country has progressively put into place a mandatory National Health Insurance scheme with the aim to reach universal coverage for all Colombians. Through annual household surveys, the Colombian government classifies its population in six different income levels (*estratos*). This system called SISBEN (*Sistema de Identificación y Clasificación de Potenciales Beneficiarios para Programas Sociales*) forms the basis of the health insurance scheme that cross-subsidizes between the different income levels, with "estrato 1" being the poorest segment of the population, and "estrato 6" being the richest.

While the provision of health services and the management of health financing are privatized, funds for the health system originate from publicly collected sources. More specifically, private health care providers – both nonprofit and for-profit – can qualify as *Service Provider Institutions* (IPS) and affiliate to the public health system. IPS thus become eligible for treating patients from all income levels and getting reimbursed by the *Health*

⁴⁹ More research about the relationship between MPI and monetary poverty measures is needed to better understand the specific reasons for discrepancies between those measures. For further information see materials from the Oxford Poverty & Human Development Initiative's workshop 'Dynamic Comparison between Multidimensional Poverty and Monetary Poverty': <http://www.ophi.org.uk/workshop-on-monetary-and-multidimensional-poverty-measures/>

Promotion Entities (EPS), which mobilize financial resources and act as insurers (Bossert et al, 2000, p. 17).

As shown in Table 11, the governmental expenditures on health accounted for 74.6% of the total health expenditures in Colombia in 2010. Of these, 82,9% were attributable to social security expenditures. This well developed social security system and the composition of health financing resembles security levels of social welfare systems of Western economies such as Germany, where affiliation to a health insurance is legally required for every person (Glassman, Escobar, Giuffrida, & Giedion, 2009, p. 12). Covering around 96% of the entire population, and 98% of the poor (Montenegro Torres & Bernal Acevedo, 2013, p. 9), Colombia's health systems has often been described as a best practice example for other developing and emerging economies (De Groote, De Paepe, & Unger, 2005, p. 126f.).

However, as will be further explained later, the Colombian health sector has faced severe problems in the last years. Due to a corruption scandal at the EPS level that surfaced in 2012 (El Tiempo, 2012), a large number of IPS remained unreimbursed for health services that they had already provided, and so fell into a severe financial crisis. Access to health care thus theoretically remains free of charge in Colombia. However, the low quality of these health services and the long waiting times often force people to seek health services that are independent from the public health system, and thus need to be paid out-of-pocket. As reflected in table 11, in 2010, 25% of the health expenses in Colombia were private, of which 67,7% could be referred to out-of-pocket payments.

- (2) **Mexico:** With a GDP of 1,261 trillion USD, Mexico is Latin America's second largest economy. The country has been promoting economic liberalization in most economic sectors for many years, making it one of the largest recipients of Foreign Direct Investments (FDI) among emerging economies. The ecosystem of blended value creating initiatives in Mexico has been strengthened recently through the joint efforts of various actors, including domestic foundations, the Inter-American Development Bank and the social enterprise incubator, New Ventures (Hanley, Wachner, and Weiss, 2015, p. 12).

The World Bank classifies Mexico as an upper middle income country and, based on a HDI of 0.756, the UNDP categorizes Mexico as a very high human development country (see table 10). However, similar to Colombia, inequality in income is very high with a GINI coefficient of 48.1. A look at the MPI reveals that 6% of the population is multidimensionally poor, of which 1.1 percentage points refer to severe poverty. Furthermore, an additional 10% of the population lives in conditions that are near multidimensional poverty. Similar to Colombia, deprivations in health contribute to poverty in Mexico to 25.6% - the rest refers to deprivations in education and living standards. In contrast to Colombia, however, Mexico's MPI exceeds the income poverty level by 5 percentage points. This means that individuals living above the income poverty line of 1.25 USD per day may still suffer deprivations in

education, health, and other living conditions, suggesting that either public services have less positive impact on the reduction of deprivations in health, education and living standards, or that the possibility of transforming input (mainly financial resources) in outputs that reduce deprivations in those areas are limited.⁵⁰

The Mexican health system is highly fragmented and segmented (OECD, 2005, p. 29ff.), with different financing systems for different target groups. Formal salaried workers are covered by an insurance scheme called IMSS, and public sector workers are covered by a scheme called ISSTE. This fragmentation not only reinforces the above-mentioned underfinancing, it also engenders major inefficiencies in the health system (Bonilla-Chacín & Aguilera, 2011, p. 14). While the majority of the Mexican population, namely those living in the so-called informal sector,⁵¹ have long been excluded from any public financing scheme, the national health insurance “Seguro Popular” was introduced in 2004 with the aim to cover exactly that share of the population (Gomez-Dantes, Frenk, & Knaul, 2009). Although official unemployment rates are very low, experts estimate that up to 50% of the population work in the informal sector (Coronado, Kretzecos, & Lu, 2007, p. 6). After its introduction, the Seguro Popular expanded rapidly, particularly after 2010. In that year, 49% of the total health expenditures in Mexico came from governmental sources, of which 55,4% originated from the social security system (see table 10). As a result, the government stated in February 2012 that the target population, about 52 million previously uninsured people, had successfully been enrolled in the program. However, with 51%, private expenditures, mainly out-of-pocket payments (92,2%), still account for the largest share of health expenditures in Mexico, suggesting that enrolment in the health insurance schemes doesn't sufficiently protect the population from out-of-pocket health expenditures. This can be related to the way the Seguro Popular is financed, as it draws from premiums paid by insured families and from government revenues. Premiums, however, are paid progressively, meaning that they are determined in accordance to the income levels of families. The bottom 20% of the population is exempted from paying the premiums. However, given that 96% of the people enrolled in the Seguro Popular belong to the bottom 20%, their premiums only cover about 0,4% of the costs. Underfinancing of the health system is thus a constant issue, as it strongly depends

⁵⁰ More research about the relationship between MPI and monetary poverty measures is needed to better understand the specific reasons for discrepancies between those measures. For further information, see materials from the Oxford Poverty & Human Development Initiative's workshop 'Dynamic Comparison between Multidimensional Poverty and Monetary Poverty': <http://www.ophi.org.uk/workshop-on-monetary-and-multidimensional-poverty-measures/>

⁵¹ “The informal economy comprises half to three-quarters of all non-agricultural employment in developing countries. Although it is hard to generalize concerning the quality of informal employment, it most often means poor employment conditions and is associated with increasing poverty. Some of the characteristic features of informal employment are lack of protection in the event of non-payment of wages, compulsory overtime or extra shifts, lay-offs without notice or compensation, unsafe working conditions and the absence of social benefits such as pensions, sick pay and health insurance. Women, migrants and other vulnerable groups of workers who are excluded from other opportunities have little choice but to take informal low-quality jobs.” <http://www.ilo.org/global/topics/employment-promotion/informal-economy/lang--en/index.htm>

on governmental revenues generated in other areas (Hamermesh, García-Cuellar, & Margulies, 2011, p. 14).

- (3) **Kenya:** With a GDP of 55.24 billion USD, Kenya is the study's smallest economy. However, Kenya looks back on a long history of economic leadership in the East African region. For companies as well as investors interested in the East African region, Kenya is the main entry point (U.S. Department Of State, 2013). The Kenyan government tries to promote this situation through the facilitation of investment opportunities and economic liberalization – the third privatization round since independence in 1963 took place at the end of 2013. Kenya, particularly Nairobi, is also a hub for blended value creating initiatives such as social investing and social enterprises in the East African Community (Hanley, Wachner, & Weiss, 2015, p. 13). This can, among other factors, be related to the country's innovative capacity, which ranks 53rd worldwide and is thus comparably high (Schwab & Sala-i-Martin, 2014, p. 14). Innovative businesses and services, in particular, the mobile money transfer system m-pesaTM,⁵² have received global recognition and created a fundament upon which further socially impactful business models can build (Hanley, Wachner, & Weiss, 2015, p. 13).

The world bank ranks Kenya as a low-income country and according to the UNDP, Kenya is a country with low human development, with a HDI of 0.535 (see table 9). Furthermore, 48,2% of the Kenyan population is multidimensionally poor, of which 16 percentage points live in severe poverty, with an additional 29,1% of the population living near multidimensional poverty. With this, Kenya is the country with the most severe manifestation of poverty. Similar to Mexico, MPI is 5 percentage points higher than income poverty, implying that individuals living above the poverty line of 1.25 USD may still suffer deprivations in education, health and other living conditions.⁵³ With a contribution of 32.4% to overall poverty, health is furthermore a stronger contributor to poverty in Kenya when compared to Colombia and Mexico.

In 1966, Kenya's government introduced a national hospital insurance fund (NHIF), partly tax-paid and partly supported by international development agencies, which is compulsory for employees of the formal sector and voluntary for people working in the informal sector. However, today, due to the large informal sector in Kenya, the NHIF only reaches approximately 20% of the Kenyan population. Furthermore, it only covers inpatient care (Carrin, 2007, p. 130). The plans to roll-out the financing scheme in order to provide for all

⁵² m-pesaTM is an electronic money transfer, financing and microfinancing service, allowing for comparably faster, cheaper and more secure financial transactions. It was launched in 2007 by Vodafone for Safaricom and Vodacom, the largest mobile network operators in Kenya and Tanzania, with financial support from the British development bank DFID (for further information on m-pesa's impact on Kenya's economic and political development, see (Jacob, 2016)).

⁵³ More research about the relationship between MPI and monetary poverty measures is needed to better understand the specific reasons for discrepancies between those measures. For further information see materials from the Oxford Poverty & Human Development Initiative's workshop 'Dynamic Comparison between Multidimensional Poverty and Monetary Poverty': <http://www.ophi.org.uk/workshop-on-monetary-and-multidimensional-poverty-measures/>

Kenyans and include outpatient care through the NHIF remain challenging (ibid). As displayed in table 10, health financing thus largely stems from private sources (59,8%), of which out-of-pocket payments form the most significant share (76,6%). In 2010, 40.2% of the total health expenditures in Kenya originated from the public sector, mainly being used to fund public health facilities that provide free health care services to the Kenyan population. In contrast to the other three sample countries, total health expenditures in Kenya originate to 37.9% from external resources, mainly official development aid, which flows toward public and private health financing and provision. Low-income people thus theoretically have access to free health facilities. Yet, health provision depicts significant deficiencies mainly concerning NHIF's coverage and the public health system's infrastructure (Open Capital, 2012, p. 2).

- (4) **South Africa:** With a GDP of 366.1 billion USD, South Africa is the second largest economy of the African continent and the third largest economy of this study. Since 1994, the post-apartheid regime has liberalized trade and enhanced international competitiveness, among others, through privatization measures and reforms of the regulatory environment. A unique policy directive in South Africa's regulatory framework called BBBEE – standing for 'broad-based black economic empowerment' – aims to improve the conditions of historically disadvantaged South Africans by fostering their participation in the economy (Tangri & Southall, 2008). A so-called "BBBEE scorecard" rates organizations' commitment to economic transformation using seven different dimensions – ownership, management, skills development, employment equity, preferential procurement, enterprise development and socioeconomic development.⁵⁴ Gathering points on the BBBEE scorecard not only allows organizations to visibly improve their social responsibility, it also enable them to participate in public tenders and licensing processes. The existence of the BBBEE scorecard thus has far-reaching implications for the ecosystem of blended value generating organizations in South Africa. In comparison to other countries, private companies are more involved in the support of enterprises owned by marginalized populations. This may partly explain the comparably small amount of social investment funds in South Africa, which contrasts with the well-developed private equity market in the country.

The World Bank classifies South Africa as an upper middle income country, and according to the UNDP, South Africa is a country with medium human development, with an HDI of 0,658 (see table 9). With a GINI coefficient of 65, the country ranks second place in the list of the most unequal countries in the world.⁵⁵ 10,3% of the South African population is multidimensionally poor, of which 1,3 percentage points live in severe poverty. In addition, 39,6% of the population lives near multi-dimensional poverty. Multidimensional poverty is lower than income poverty (4 percentage points), suggesting that people that live below the

⁵⁴ For more information, see https://www.thedti.gov.za/economic_empowerment/bee.jsp

⁵⁵ For an overview of GINI coefficients in all countries see <http://data.worldbank.org/indicator/SI.POV.GINI>

income poverty line have access to non-income resources, including public services or different abilities to convert income into outcomes that reduce deprivations in health, education or living standards. When compared to the other sample countries, South Africa depicts the most alarming health conditions, as health appears to contribute to overall poverty deprivation by 61,4%. As Coovadia and colleagues (Coovadia, Jewkes, Barron, Sanders, & McIntyre, 2009) state: "Poverty-related illnesses (...), such as infectious diseases, maternal death, and malnutrition, remain widespread, and there is a growing burden of non-communicable diseases. (...) Although South Africa is considered a middle-income country in terms of its economy, it has health outcomes that are worse than those in many lower income countries" (p. 1).

South Africa is also the country with the highest share of health expenditures as percent of GDP (8,7%) when compared to the other three sample countries (see table 10). However, the country currently lacks any public financing scheme subsidizing the demand for health care among low-income people (Ataguba & McIntyre, 2012, p. i36). This is reflected in the fact that only 2,9% of governmental health expenditures originate from a social security scheme. Instead, low-income people can refer to public clinics and hospitals, where health services are provided for free based on the principle of universal free access to health care. Similar to the Kenyan context, the South African health system faces considerable challenges to meet the vast health needs of its population. However, despite the severity of health issues in South Africa and the high income inequality, external resources for health account for only 2,2%. Further, in contrast to Kenya, South Africa has a well-established landscape of private prepaid plans, accounting for 80.3% of private health expenditures. Hence, out of pocket payments are much lower (13,9%) in South Africa than in all other sample countries.

In sum, it can be observed that the sample countries are at different stages in their efforts to reach universal health coverage, with Kenya and South Africa being further away from reaching this goal, and Mexico and Colombia being more advanced. However, the first analysis of the health sectors also revealed that institutional challenges prevail in all countries and are thus likely to expose organizations operating in health sectors to significant institutional voids.

As mentioned earlier, the country selection was realized with the aim to have a representative sample of developing and emerging countries, thus allowing for theoretical replication. This means that in the four countries, different results regarding the ability of hybrid organizations to turn institutional voids into opportunity spaces were expected, but for anticipated reasons. More specifically, based on the previously mentioned dynamics within the institutional context of Colombia, Mexico, Kenya and South Africa, hybrid organizations' logics of origin as well as their exposure to institutional voids are likely to have different influences on tensions and hybridization strategies in hybrid organizations providing health care at the BoP. Exploring these influences on

organizations more in depth is one of the objectives of the empirical investigation in the next chapter.

Finally, as further explained in the section on the limitations of the study, the findings derived from the empirical analysis in these four countries are believed to be valid for many other developing and emerging economies that don't resolve tensions over goals at the field level. In developing and emerging countries that do effectively resolve tensions over goals at the field level, tensions and hybridization strategies may look different. However, further research is needed to test, refine and generalize the propositions generated in this study and explore developing and emerging markets with diverging characteristics.

5.2.2 Case Selection

The organizations studied in this research have been identified through desktop research and snowball sampling (Given, 2008, p. 815f.), where an initial number of pertinent players in the field of blended value creation (e.g. social investment funds or incubators) were asked for the names of blended value creating organizations in the field of health care at the BoP. Snowball sampling is particularly useful when studying sensitive or taboo topics, or when target groups are difficult to reach. For this study, the sampling approach has been chosen due to the lack of a countrywide register for blended value creating organizations in all research countries.

Potential participant organizations were subsequently approached and checked against the study's definition of hybrid organizations as organizations that internalize multiple societal-level logics within one organizational construct. More precisely, the process focused on organizations that explicitly pursued the blended value creating aim of providing affordable high-quality health care to low-income people in a financially sustainable or profitable way. Although health markets in the four sample countries had all shifted towards increased market-orientation in the last decades, the combination of the social welfare logic and the commercial logic were still to be seen as competing logics – in particular, as tensions over goals were not resolved at the field level as just described.

The researcher followed the strategy of purposive sampling, meaning that cases have been selected according to the needs of the study (Boeije, 2009, p. 35f.). In each country, one hybrid organization with commercial origins and one organization with a social welfare origin have been sought in order to allow for a systematic comparison. As mentioned in the conceptual framework, the logic of origin of hybrid organizations is believed to be a major influencing factor concerning the tensions that hybrid organizations face and the hybridization strategies that they apply. In the present study, the logic of origin will be understood as the predominant logic that has influenced hybridization patterns at time of founding. In particular, the legal form, the explicit prioritization of social or financial objectives as well as the individual imprinting of founders will be used as

criteria to determine the logic of origin. It is argued that these factors have a particularly important signaling function towards internal and external audiences and thus essentially influence the relationships that are of interest in the present study. However, with regard to the explicit prioritization of objectives, it has to be noted that the distinction wasn't made between organizations that prioritized social objectives or financial objectives, but rather between organizations that prioritized social objective or *didn't prioritize any of both* objectives. This is due to the fact that the study sought to investigate organizations whose central goal is the creation of blended value. As explained in chapter 2, such organizations either adopt an *impact first* approach (prioritization of social objectives) or a *financial first* approach (prioritization of financial objectives). While impact first organizations are likely to explicitly communicate the priority of social goals, the researcher argues based on own observations that financial first organizations are unlikely to communicate a priority of financial goals. Instead, they often refer to the argument that they seek financial returns in order to establish organizations that are more durable, more scalable and thus more able to generate social value. Hence, in the selection of cases, hybrid organizations with commercial origins mainly refer to organizations that use such an argumentation.

In the following, the eight hybrid organizations that have been part of this study will be briefly introduced. Their names have been anonymized, as some organizations expressed concerns to openly discuss the tensions that they face, particularly when related to the claims of influential stakeholders such as funders and public authorities. Any information that would allow readers to trace back the names of study participants have been neutralized in order to protect anonymity. In direct quotes, such changes will be marked with square brackets. At the same time, the researcher always attempted to minimize these changes as well as possible influences that they might have on the interpretation of results. For an overview of the cases, see table 11.

(1) **COL-NP (social welfare origin, Colombia):** COL-NP is a nonprofit hybrid organization providing medical services and education to the Colombian population. Founded in 1965 by a medical specialist, COL-NP was structured in a twofold manner at the time of data collection: COL-NP IPS was the health care providing arm affiliated to the national health insurance scheme. It targets a broad range of the Colombian population, from low-income to middle income levels. COL-NP Social, the second arm of the organization, acquired donations mainly from foreign aid agencies and used the surpluses of COL-NP IPS to finance health care delivery programs for the most vulnerable. Both, COL-NP IPS and COL-NP Social were incorporated as nonprofit organizations, sharing the same infrastructure across all sites. The organization's sites were located across Colombia, both in urban and rural areas. For the study, data collection has taken place at the main site in Bogotá where the central functions of the organization were located. COL-NP was furthermore clearly founded with a priority on social objectives. It thus fulfilled all three requirements mentioned above to qualify as a hybrid organization with social welfare origins.

- (2) **COL-FP (commercial origin, Colombia):** COL-FP is a for-profit hybrid organization that provides access to a network of high-quality private health providers, mainly general practitioners and small clinics, which are willing to offer their services at significantly discounted rates (up to 60%) for low-income people and guarantee them maximum wait times of less than 10 days. People and their families can access the network by acquiring a COL-FP membership card. This membership furthermore entails access to a social assistance service which helps in scheduling appointments at health providers and provides advisory services for medical or health sector related issues. With this approach, COL-FP, at the time of data collection, mainly targeted people from the “*estratos 2-4*”, which are the low to middle-income segments. In the long run, COL-FP sought to also target the poorest income segments (“*estrato 1*”) with its health services. A business administration student and a general practitioner founded COL-FP in 2010 and received support from an incubator specialized on blended value creation in Colombia since the beginning of operations. The official incorporation of the for-profit legal entity, however, only took place in 2012. COL-FP has furthermore received a social investment from a large Colombian company. Revenues were solely generated through direct sales of membership cards to the target population who pays out-of-pocket. COL-FP has started its operations in a Colombian city with almost 400,000 inhabitants, located in one of the poorest departments of the country. This is also where data collection for this study has taken place. Given the legal structure of COL-FP, the initial emphasis on low- to middle-income segments – as opposed to very low-income segments – as well as the business background of one of the founders, COL-FP has been classified as hybrid organization with commercial origin.
- (3) **MEX-NP (social welfare origin, Mexico):** MEX-NP is a nonprofit hybrid organization founded in 2005 by a Mexican philanthropist and managed by two managers with professional background in nonprofit management. The organization focuses on providing comprehensive high-quality health services, which include not only the traditional care of the acutely or chronically ill patient, but also the prevention and early detection of disease and the rehabilitation of the disabled. With its focus on rural and marginalized populations, MEX-NP operated three hospitals at the time of data collection, all located in small towns or rural areas in Mexico. Data collection for this study took place at the main site from which key functions were effectuated. MEX-NP was financed through private and institutional donations as well as an investment from a Mexican social investment fund. At the time of the study, revenues were entirely generated through direct sales of health services to the target population, who paid for the services in cash. However, MEX-NP was also in the process of seeking accreditation to the Seguro Popular. MEX-NP was qualified as a hybrid organization with social welfare origin, as it depicts all three criteria mentioned above complied with the social welfare logic at the time of founding.

- (4) **MEX-FP (commercial origin, Mexico):** MEX-FP is a for-profit hybrid organization providing affordable and high-quality health care services as well as products, with a focus on very low to middle income segments of the Mexican population. Two entrepreneurs with business background founded the company in 2010. Having started with a site in Mexico City, the goal of the company was to expand across the entire country, and in the long run, even to other Latin American countries. In order to do so, the organization pursued an approach that focused on fast scaling and efficiency maximization. Data collection for this study took place at the main site in Mexico City as this is where the core functions of the organization are located. MEX-FP was financed through a loan from a development bank and an equity investment from a Mexican social investment fund. Revenues were initially generated through direct sales of services to the target population, a contract with a large Mexican foundation, which covered a predefined amount of health services per month, and the affiliation to the Seguro Popular. However, during the time of data collection, the affiliation to the Seguro Popular ended, as the government decided to take out the health services provided by MEX-FP from the list of services covered by the Seguro Popular. Given its legal form, the emphasis on scale as well as the imprinting of founders, MEX-FP has been classified as hybrid organization with commercial origin.
- (5) **KEN-NP (social welfare origin, Kenya):** KEN-NP is a nonprofit hybrid organization incorporated in Kenya and founded by a US American foundation in 1997. It has the objective to improve access to medicine and basic healthcare services for low-income people in Kenya. The organization has adapted the commercial franchising model to the problem of distributing essential medicines in remote communities and established a franchise network of for-profit clinics and drug shops. The Kenya-based foundation fulfills various typical franchisor functions of recruiting, training, monitoring, and supporting franchisees. At the time of data collection, KEN-NP outlets were located in three main areas of Kenya: Central Kenya, Western Kenya, and the outskirts of Nairobi. For data collection, the researcher was mainly in touch with representatives of the Nairobi based nonprofit franchisor and a representative clinic in the peri-urban area of Nairobi. KEN-NP was mainly financed through donations. At the franchisee level, revenues were generated through the direct sales of health services to the target population who paid cash. Despite the for-profit legal form of the franchisees, KEN-NP has been classified as an organization with social welfare origins, given that the franchisor, which is the organizational part with the outweighing decision making power, has been founded as a nonprofit organizations by a foundation and had a clear emphasis on social goals over financial goals,.
- (6) **KEN-FP (commercial origin, Kenya):** KEN-FP is a for-profit hybrid organization based in the surroundings of Nairobi and founded in 2011 by three entrepreneurs with a professional background in development aid. The company seeks to provide high-quality primary healthcare services for every Kenyan, independently from their income level. It is the

organization's goal to make access to health care as easy as possible through a fast scaling approach. At the time of the study, patients in need of treatment could just walk into the clinics, which were open 12 hours a day. While KEN-FP generated its revenues mainly through the direct sales of services to its target population, the organization was in the process of entering collaborations with select private health insurance providers. The company has launched a social crowdfunding campaign, which has provided KEN-FP with seed funding. Furthermore it received convertible debt from a global social investment fund. During the period of data collection, KEN-FP has opened its second clinic, however, data collection only focused on the first clinic, as this was more established and thus yielded more insights on the topics of interest for this study. Despite the social welfare background of the founders, and despite their social motivation, KEN-FP has been classified as a hybrid organization with commercial origin, as it was founded as a for-profit and clearly followed a fast scaling approach.

- (7) **SA-NP (social welfare origin, South Africa):** SA-NP is a nonprofit hybrid organization based in a larger South African city, seeking to improve access to affordable health care. Founded in 1976/2005 by a medical specialist,⁵⁶ SA-NP provides health services to low-income people and trains people from low-income communities to become health workers. It furthermore supplies the public and third sector with affordable health products. At the time of data collection, the organization operated in several countries including South Africa. When possible, health services were provided through existing community health care facilities, creating links to other health services and ensuring sustainable health systems. In South Africa, SA-NP operated across several provinces and strongly collaborated with public health entities. Most activities in South Africa took place in the province in which the South African headquarter was located. Data collection therefore mainly took place in the administrative headquarter of the organization and a clinic close to the headquarter from which the organization provided services. In South Africa, SA-NP was financed through donations and revenues through the sales of health products. Given the nonprofit legal form, the clear dominance of social goals and the individual imprinting of the founder, SA-NP was classified as a hybrid organization with social welfare origin.
- (8) **SA-FP (commercial origin, South Africa):** SA-FP is a for-profit hybrid organization, initiated by a South African company (hereafter the "mother company") in 2011. It is designed to provide health care services at an affordable price to under-served communities in South Africa. However, at the same time, it was also launched with the aim to establish a network of clinics that could be used as a distribution channel for goods and services for low-income populations. The fee-based service model enables sustainability and the

⁵⁶ SA-NP looks back on a long history of work in health care. Since 1976 different organizations have been founded, merged and re-divided, each with different emphasis. The organization, as it stands today, has been established in 2005.

empowerment of black women through the use of a franchised business model. The franchisor, which was still the mother company at the time of data collection, supported franchisees for a period of 5 years by providing initial and growth capital, establishing infrastructure with all medical equipment and other furnishings required to operate, and providing business skills training (specifically in financial management and marketing). SA-FP clinics were strongly standardized in an effort to allow for high efficiency and economies of scale. At the time of data collection, SA-FP was financed through an internal budget of the mother company and revenues were generated through the direct sales of health services who paid cash at the health facilities. At the beginning of data collection, SA-FP was not yet incorporated as its own legal entity. However, given that the mother company was a large multinational corporation, that the venture followed a fast scaling approach and was founded by a well established business men, SA-FP has been classified as an organization with commercial origin.

Table 11: Key Features of Cases

Country	Organization	Legal Form	Declared target group	Founding Year	Financing	Revenue streams
Colombia	COL-NP	Nonprofit	<ul style="list-style-type: none"> ▪ Low- to middle income segments ▪ Marginalized populations in urban and rural areas 	1965	<ul style="list-style-type: none"> ▪ No external financing 	<ul style="list-style-type: none"> ▪ National health insurance ▪ Out-of-pocket payments for health services ▪ Donations
	COL-FP	For-profit	<ul style="list-style-type: none"> ▪ Low- to middle income segments, urban and peri-urban settings ▪ Long-term: very low-income segments 	2010	<ul style="list-style-type: none"> ▪ No external financing 	<ul style="list-style-type: none"> ▪ Membership fees
Mexico	MEX-NP	Nonprofit	<ul style="list-style-type: none"> ▪ Low-income segments (rural and marginalized communities) 	2005	<ul style="list-style-type: none"> ▪ Non-repayable investment from Mexican social investment fund 	<ul style="list-style-type: none"> ▪ Out-of-pocket payments for health services ▪ Donations
	MEX-FP	For-profit	<ul style="list-style-type: none"> ▪ Very low to middle income segments, urban and rural areas 	2010	<ul style="list-style-type: none"> ▪ Grant and loan from development bank and Mexican foundation ▪ Equity investment Mexican social investment fund 	<ul style="list-style-type: none"> ▪ Out-of-pocket payments for health services ▪ Donations ▪ (National health insurance)
Kenya	KEN-NP	Nonprofit	<ul style="list-style-type: none"> ▪ Very low- to low-income segments, urban and rural areas 	1997	<ul style="list-style-type: none"> ▪ Donations from foreign and domestic donors 	<ul style="list-style-type: none"> ▪ Franchisor: Donations ▪ Franchisees: out-of-pocket payments for health services
	KEN-FP	For-profit	<ul style="list-style-type: none"> ▪ All income levels, peri-urban areas 	2011	<ul style="list-style-type: none"> ▪ Equity investment from global social investment fund ▪ Social crowdfunding 	<ul style="list-style-type: none"> ▪ Out-of-pocket payments for health services ▪ Private health insurances ▪ Membership fees
South Africa	SA-NP	Nonprofit	<ul style="list-style-type: none"> ▪ Very low- to low-income segments, urban and rural areas 	1976/ 2010	<ul style="list-style-type: none"> ▪ No external financing 	<ul style="list-style-type: none"> ▪ Sales of spectacles to public and third sector ▪ Donations
	SA-FP	Not incorporated at beginning of data collection	<ul style="list-style-type: none"> ▪ Low- to middle income segments, peri-urban areas 	2011	<ul style="list-style-type: none"> ▪ Internal budget of South African company 	<ul style="list-style-type: none"> ▪ Out-of-pocket payments for health services

In sum, the sampling strategy thus involved (1) theoretical replication, that is contrast across cases that vary on two dimensions of theoretical interest (logic of origin and institutional context/countries) and (2) literal replication across organizations from the same industry (health care) to increase the generalizability of theory development.

As can be seen in table 11, the organizations also differ with regard to other factors. For instance, the age of organizations, the type of financing as well as the business models differ substantially across the cases. The influence of these factors will be considered when interpreting the results of this study and discussing counterfactual explanations and limitations of the findings.

5.3 Data Collection

The researcher conducted three distinct data collection phases. During an exploratory stage from January 2012 to April 2012, she conducted desktop research and corresponded with potential study participants, first, to gain a general understanding of the functioning of the field in each country, second, to identify the above-mentioned participant organizations, and, third, to verify whether the selected organizations met the necessary requirements to investigate the research questions.

During the second stage (May 2012 to December 2012), the researcher visited the participant organizations for a period of approximately two weeks each to collect archival data, interview data and field observations. These visits allowed the researcher to gain a deeper understanding of the field as well as of the participant organizations through physical presence. It furthermore established the social capital that was necessary for the third phase of data collection (January 2013 to December 2013), during which already gathered information and first interpretations of the evidence was confirmed or adapted, and complementing information was collected via e-mail. For each of the cases, the researcher gathered available annual reports, press articles, and internal documents, including general presentations, accountability reports, and, if possible, business plans. The researcher conducted semi-structured interviews with internal informants (founders, members of management teams, key employees) as well as external informants (e.g. partners and patients) in each organization. Semi-structured interviews were chosen as the main data collection method, as they allowed following up on interesting cues brought up during the interviews. This flexibility was considered necessary to account for the exploratory nature of this research. At the same time, the rough structure of semi-structured interviews ensured that all relevant topics were covered in the data collection process, and that rigor and reliability were ensured across cases (Yin, 2008, p. 79ff.).

Depending on the internal structure of the organization, 4 to 9 interviews, lasting between 30 and 90 minutes, were conducted for each case. Almost all interviews took place in meeting rooms of the participant organizations. A few interviews took place in restaurants or public areas when no

other option was available. In addition, shorter interviews (approximately 2 to 10 minutes each) were conducted with patients sitting in waiting areas for three cases. Some organizations didn't feel comfortable with the idea of interviewing patients, and in other cases, the interviews didn't yield meaningful insights, as people seemed uncomfortable to openly discuss their perception of health systems or other related topics. This was particularly noticeable in Kenya and South Africa.

Through the multiple sources of evidence, data could be triangulated, thereby enhancing the validity of the data basis. The data collection procedure was standardized through the use of a case study protocol (Yin, 2008, p. 79ff), which contained all the questions that needed to be answered (see appendix 1). In total five different categories of questions were covered in each case study, based on the research questions and the focus of the conceptual framework:

- (1) *Founding circumstances, justification for legal form and normative position of organization* (Legal structure; understanding of blended value creation; mission and vision; approach to health care provision)
- (2) *Market environment and health system* (Competition and collaborations; access to financial and human resources, institutional uncertainties in health system and market environment)
- (3) *Business and financing model* (Key activities; definition of customer groups; revenue model; price setting mechanisms; external financing)
- (4) *Perceived tensions between social and financial value creation* (sources and nature of tensions)
- (5) *Past, present and future strategies to create blended value* (social and financial objectives; reactions to tensions; changes in hybridization patterns)

In order to avoid implicitly directing the respondents into a certain direction, the researcher chose to state the initial assumptions of the study's conceptual framework prior to conducting the interviews. In particular, the assumption that the logic of origin had an influence on organizations' ability to manage tensions was presented as one of the central assumptions underlying the study.

During the second and third data collection phase, additional data about the field of health care and blended value creation at the BoP in the four sample countries was collected to complement the open interviews that were conducted in phase 1. This included archival data such as journal articles, books and professional documents produced by pertinent associations. The researcher also participated in various events that related to blended value creation in the sample countries and conducted open interviews with experts in the field of blended value creation as well as health in the four countries. This allowed for a better understanding of the culture and debates in the field, particularly with regard to the prevailing labor division between the public, the private

and the third sector in providing health care to low-income populations. The researcher documented the open interviews with experts by taking field notes.

In sum, a total of 59 interviews were conducted, audio-recorded and transcribed. Interviews were generally conducted in the official country languages, as the researcher fluently speaks Spanish and English. Although English was not necessarily the native language of all Kenyan and South African interviewees, it is the common language in the work context for both countries. Hence, no effect upon the responses could be made out. Two interviews were conducted in German as the participants were German natives and so is the researcher. For interviews that were conducted in Spanish or German, relevant text passages were translated into English by the researcher.

As mentioned previously, the quotations in this document have been anonymized as to comply with the confidentiality agreements made with the organizations. The original, non-anonymized, data as well as the entire archival data is added to this dissertation on a separate drive. The anonymized text passages in this study are provided with informations in square brackets that indicate to which source on the external drive they refer. An anonymized list of interviews is furthermore displayed in appendix 2.

5.4 Data Analysis

The conceptual framework presented in the last chapter has mainly been developed on the basis of a thorough literature review and a focus on certain concepts that are believed to be of relevance for a better understanding of the way hybrid organizations at the BoP experience and manage tensions. However, in the course of the study, the conceptual framework has been further developed as the researcher iterated between theory (see chapter 2, 3 and 4), experiential knowledge and empirical findings. In contrast to viewing the researcher's identity and experience as bias that needs to be avoided as much as possible, the practice of explicitly incorporating the experiential knowledge of the researcher has gained wide theoretical and philosophical support over the last decades (Maxwell, 2012, p. 44). Given the focus of the study, it is believed that the background and the embeddedness of the researcher has helped to identify tensions in hybrid organizations. Being part of the International Research Network on Social and Economic Empowerment (IRENE | SEE) initiated by Zeppelin University and Siemens Stiftung, the researcher is embedded in a research network with four partner universities in Africa and Latin America: EGADE Business School in Monterrey, Mexico, Universidad de los Andes, in Bogotá, Colombia, Stellenbosch University in Cape Town, South Africa and Adama University in Adama, Ethiopia. This network has not only allowed for an easier access to empirically relevant organizations, people and data, but also for regular discussions about the research progress, and reflections upon research findings and conclusion that were drawn. Alternative cognitive scripts were regularly brought in and complemented interpretations of research findings. Being a member of the IRENE SEE network therefore increased the internal validity of the study, that is

the “establishment of a causal relationship, whereby certain conditions are believed to lead to other conditions, as distinguished from spurious relationships” (Yin, 2008, p. 40). In addition, the former professional experience and the educational background of the researcher have contributed to a better understanding of tensions and strategies at the BoP. Having worked for the Grameen Creative Lab⁵⁷ in the field of social business for nearly two years, the researcher has gained a deep understanding of management in hybrid organizational models. More specifically, the researcher was directly in charge of public relations in Germany and member of a so-called *crisis communication task force* during the legitimacy crisis of microfinance and Muhammad Yunus. Accordingly, the researcher witnessed the crisis from within and gained first-hand insights on legitimacy issues relating to tensions in hybrid organizations. Prior to this, the researcher studied International Culture and Business Studies at the University of Passau. This interdisciplinary program has trained her in analyzing dynamics at the interstices of the public, the private and the third sector.

In an initial phase of the study, experiential knowledge and insights from literature with regard to the research questions and the conceptual framework have furthermore been checked against the views held by people who are embedded in the field of health care and hybrid organizations in the four sample countries. As already mentioned, an exploratory phase of data collection and analysis was conducted to refine the conceptual framework. This was particularly important, first, because only little scholarly attention has so far been dedicated to investigate hybrid organizations in low-income settings, and second, because practitioners do not necessarily understand a research proposal that is only derived from theory and thus framed accordingly. Initially, the study aimed at investigating the accountability mechanisms of social enterprises and the tensions that these accountability mechanisms caused. *Accountability mechanisms* were thus put forth as proxies for institutional demands that create tensions in organizations. However, the notion of accountability was repeatedly misunderstood by potential study participants, who often confounded the term with *reporting mechanisms*, which are only one form of accountability mechanisms (Brown & Troutt, 2007). Despite various attempts to explain the broader concept of accountability as the entirety of mechanisms by which organizations are held accountable for their behavior (Ebrahim, Battilana, & Mair, 2014), potential study participants didn't embrace the concept and were thus less interested in participating. Similarly, the use of the term *social enterprise* – although used by the research in a broad sense, namely referring to organizations that aim at creating blended value – impeded the research progress. Discussions with both scholars and practitioners regularly led to disproportionate attention on defining social enterprises instead of focusing on the blended value creating aspect of these organizations. While some potential study participants explicitly defined themselves as social enterprises, others refused to adopt the term. However, in fact, the organizations depicted strong similarities. Reasons for the

⁵⁷ The Grameen Creative Lab is an organization founded by a German entrepreneur and Peace Nobel Prize Laureate Muhammad Yunus, which seeks to promote the concept of social business. Further information can be accessed here: <http://www.grameencreativelab.com/>

different viewpoints were thus not comprehensible from an external point of view. For instance, most organizations that were approached for the study acknowledged being part of the same ecosystem and were repeatedly encountered at pertinent events about blended value creation, BoP approaches, social enterprises, or social investment. These experiences led the researcher to reframe the research questions and adopt a broader focus on blended value creation at the BoP, which allowed including various types of hybrid organizations into the study.

As mentioned previously, cross-case synthesis was realized in order to analyze the data, link it to the focal concepts presented in the conceptual framework and increase the external validity of this study, defined as the domain to which a study's findings can be generalized (Yin, 2009, p. 40). A mixed-methods approach in which data analysis was conducted deductively and inductively was chosen in order to allow theoretical arguments to emerge. In total, six analytical steps can be distinguished in this study (see table 12):

Table 12: Steps of Data Analysis and Relationship to Conceptual Framework

Analytical Step	Concept of Interest	Concerned Research Questions
1. Validation and refinement of assumption concerning field-level dynamics	Field-level factors enabling and constraining hybrid organizations	RQ1 + 2
2. Inductive coding of tensions in empirical material based on their <i>sources</i>	Type of tensions in hybrid organizations as proxies for higher order institutional voids	RQ1
3. Deductive coding of hybridization strategies	Type of hybridization strategies	RQ2
4. Inductive coding of factors that enable and constrain hybrid organizations to turn institutional voids into opportunity spaces	Organizational and field-level factors enabling and constraining hybrid organizations	RQ1 + 2
5. Creation of narrative accounts tracing chronological trajectory of Critical Tension Points (CTPs) and Response Cycles (RCs)	Link hybridization strategies to tensions in hybrid organizations	RQ1 + 2
6. Cross case comparison between <ul style="list-style-type: none"> ▪ virtuous cycle, fragile equilibrium and vicious cycle cases ▪ hybrid organizations with commercial origins and those with social welfare origins ▪ hybrid organizations in all four countries 	Link ability to hybridize to organizational and field-level factors	RQ1 + 2

First, the researcher sought to validate and refine insights about the institutional contexts, in particular the legitimate labor division between the public, the private and the third sectors in the four sample countries concerning health care provision to low-income populations. Based on the empirical data, inferences could be made concerning the legitimacy of for-profit and nonprofit hybrid organizations in providing health care to people living at the base of the pyramid. Archival data, field notes and case data were analyzed to accomplish this task, confirming that in all four

countries, hybrid organizations providing health care at the BoP operate in fields that are characterized by persisting institutional complexity and institutional voids. As will be further elaborate in the empirical chapter, interviews and field observations suggested that the hybrid organizations in all four countries faced tensions over goals at the organizational level and had to find strategies to deal with them. However, the reasons why they faced these tensions over goals differed. In three sample countries, namely Colombia, Mexico and South Africa, health fields didn't effectively enforce a field-level consensus about how health care should be provided to low-income populations. In South Africa, there was a strong field-level consensus that hybrid organizations should provide health care according to a social welfare logic, however, this field-level consensus was weakly enforced.

Second, with the first research question as a lens, the researcher inductively identified tensions in hybrid organizations by focusing on contradictory elements that were documented in archival data or reportedly experienced by organizational members, forcing or incentivizing them to refer to hybridization strategies. These tensions were classified as tensions over means or tensions over goals, depending on the content of the tension (Pache & Santos, 2010). Furthermore, the researcher identified the audience that imposed demands on the organization. However, as will be explained in the empirical chapter. Based on this, the researcher allocated the tensions to three different sources: institutional voids between the social welfare and the commercial logic, institutional voids between formal and informal strategic action fields and institutional voids between Western and local strategic action fields. The term *logic*, in this context, has been chosen in reference to research on hybrid value creating organizations, in particular social enterprises, that have repeatedly been described as hybrid organizations that operate at the interstices of the commercial and the social welfare logic. The elements of these two logics have thus been worked out by prior research (see 3.3.1), providing guidance for the researcher during the analytical process of allocating contradictory elements to those logics. In particular, the framework proposed by Pache and Santos (2012, p. 984-986) was used as a basis. However, the organizational elements on which logics prescribe conflicting demands were modified and extended to fit the empirical data of the present study. For instance, as just mentioned, given the "publicness" of health care, hybrid organizations repeatedly reported facing institutional claims that could be allocated to a state logic, such as that audiences expected them not to exclude any target populations, but rather to provide affordable high-quality health care to the entire population. However, further exploring the sector logics in the context of the study revealed that acting as a complement to and supporting the government to establish a functioning health system was integrated in the social welfare logic. It thus didn't require an own account of the state logic for the analysis of tensions between sector logics in the hybrid organizations of this study.

As the investigation further revealed, Pache and Santos' framework needed to be adapted, as tensions didn't reflect questions of ownership, site form, site governance, brand, professional

affiliation and profit destination. These categories which had been elements of Pache and Santos' framework were thus removed. Instead, new organizational elements needed to be added to the framework as hybrid organizations either experienced tensions or applied hybridization strategies at that level. Leaning on Jay (2013, p. 143), the category of "normativity / strategic imperatives", which includes the organizational elements "mission and vision" as well as "source of agency", was added. In addition, induction from the empirical data revealed that, among others, the category of "financing", including the organizational elements "external financing" and "revenue model" needed to be added. An overview of the categories and organizational elements that appeared to be relevant in this study can be found in appendix 4.

For the second and third sources of tensions, the concept of *strategic action field* was chosen, as the researcher considered the term to be more appropriate. As posited by Fligstein and McAdams (2011), the term logics implies "too much consensus in the field about what is going on and why" and underestimates dynamic changes in the behavior of actors geared towards improving their situation in a field (p. 4). The concept of strategic action fields, in contrast, encompasses actors' constant adjustment to field conditions and leaves more flexibility concerning shared beliefs and perceptions in a field. Instead, the researcher considered strategic action fields to be a better term to grasp the contradictions between behavior that followed formal institutions and behavior that followed informal institutions, as well as between behavior that followed a Western culture and behavior that followed local cultures. It is argued that referring to illegal practices of price fixing agreements or selling substandard drugs can't be interpreted as pertaining to a *logic of the informal market* given that informal markets are not necessarily the result of a shared higher belief in the appropriateness of informal markets, but rather on the aggregate individual decisions of market participants geared towards improving their situations. Nevertheless, informal markets do have established rules of the game and can thus be seen as distinct institutional meso-level orders in the sense of strategic action fields. Similarly, the behavior of participants in BoP markets can't be traced back to a homogeneous set of beliefs or meanings as suggested by the concept of institutional logics. As argued by Banerjee and Duflo (2011), the *economics of the poor* is a result of a complex set of decisions that people have to make with restricted resources, knowledge and possibilities. Normative or cultural foundations of these decisions differ across regions and even more across countries. Thus, it can't be referred to as a *logic of poor economics* or a *logic of BoP markets*. Nevertheless, for the purpose of the study, namely to identify sources of tensions, the local rationale of BoP market participants can be seen as a distinct strategic action field, as it builds upon shared rules and patterns of collective action. As discussed in the section on the limitations of the present study, the researcher is aware of the simplification that this approach entails. However, it is believed that this simplified approach is sufficient for the purpose of the study, which is to generally investigate the types of tensions that hybrid organizations face when operating in low-income settings in developing and emerging economies.

Third, the researcher screened the empirical data and identified hybridization strategies as deviations from ideal-typical organizational behavior in the sense of the commercial and the social welfare logic. Juxtaposing these strategies to Battilana and Lee's (2014, p. 41) typology of hybridization approaches revealed that all identified strategic actions could be classified into one of the four categories, namely dismissing, separating, cumulative and creative hybridization strategies. Furthermore, relying on Jarzabkowski, Lê, and Van de Ven (2013, p. 255), the researcher tried to classify these strategies as defensive vs. active type of strategy. Defensive strategies, as the authors define them, refer to strategies that try to avoid contradictions – for instance, through splitting, suppressing or opposing (*ibid*), or, with regard to Battilana and Lee's typology, to dismissing, separating, and cumulative hybridization approaches. Active strategies, in contrast, try to accept contradictions and embrace them in the long run through adjusting measures such as confrontation, that is, directly addressing and working through the sources of tensions, or transcendence, meaning moving to a higher plane of understanding in which paradoxical elements are understood as complex interdependencies rather than competing interests (*ibid*, p. 249). In Battilana and Lee's typology, this active type of strategy corresponds to creative hybridization approaches.

Fourth, in light of the second research interest about the factors that enable and constrain hybrid organizations to turn institutional voids into opportunity spaces, the researcher conducted an inductive analysis of the empirical material. First inductive codes and categories were given descriptive labels based on the wording used by interviewees (Miles, Huberman, & Saldana, 2013, p. 71ff.). Subsequently, codes and categories were regrouped and relabeled to allow for a sound clustering into second-order constructs. The fit of these new labels with the coded text passages was checked thoroughly. The process of coding and creation of second-order constructs was accomplished with the software HyperResearch, which helped to keep track of emerging categories and to manage the large amount of data. The codes created based on the inductive analysis were, however, also checked against concepts from prior literature (see appendix 3). If necessary and sensible, codes and categories were adapted to fit existing theories.

Fifth, narrative accounts of each hybrid organization were created. These accounts were designed to trace the chronological trajectories of how tensions surfaced in the sample organizations, and link them to corresponding response patterns. For this purpose, the tensions were clustered in CTPs, defined as points in time in which tensions reached a magnitude that threatened progress and thus required comprehensive organizational measures (Jarzabkowski, Lê, and Van de Ven, 2013, p. 253) in the form of hybridization strategies. Hybridization strategies were clustered in response cycles (RCs), defined as the set of measures combining multiple logics as an answer to the CTPs. As the next chapter shows, the narrative account comprise quotes from interviews and excerpts from archival documents. This analytical step revealed how the logic of origin and institutional voids influence the types of tensions that hybrid organizations

face and the hybridization strategies that they apply. One of the central findings of this study emerged at this stage, revealing that hybridization patterns are not only an answer to conflicting demands between conflicting logics, but also a strategy to prevent or respond to such conflicts, as well as other tensions that do not necessarily relate to conflicting institutional demands between sector logics.

Sixth, cross-case comparison was performed in three steps, reflecting the focus of the study as described in the conceptual framework. In the first step, the cases were classified in virtuous, fragile and vicious cases. *Virtuous cases* refer to cases that are successful in turning institutional voids into opportunity spaces through hybridization strategies. This means that they are able to freely select from competing logics in an effort to achieve a lasting resolution or acceptance of tensions and establish and maintain a new hybrid logic at the core of the organization. *Fragile cases* are defined as cases that are restricted in their ability to hybridize and thus apply strategies that provide short-term relief. However, they remain likely to face the same or related tensions soon again. *Vicious cases* refer to organizations that are paralyzed in selecting from competing logics and thus unable to resolve the tensions. They face a substantially threatening situation, in which the survival of the organization was at risk. It has to be noted that the classification of cases into virtuous, fragile and vicious cases is based on the specific time at which data collection ended. It is absolutely possible that the ability to turn tensions into opportunity spaces changed afterwards. However, as will be further elaborated in the conclusion, this is not considered to be a limit in the validity of the current study, but rather a fact that underlines the argument that the ability to turn institutional voids into opportunity spaces is dependent on field-level changes.

In the second step, virtuous, fragile and vicious cases were compared along the focal concepts presented in the conceptual framework. It was analyzed in which way the logic of origin, as well as the different institutional contexts, were determinant with regard to hybrid organizations' ability to turn institutional voids into opportunity spaces. In order to do so, the type of tensions (nature and sources), the hybridization strategies (dismissing, separating, cumulative, creative), the hybridization patterns, and the enabling and constraining factors were compared across the cases.

6 EMPIRICAL ANALYSIS AND FINDINGS

The aim of this study is to develop a better understanding of hybrid organizations in BoP settings. More specifically, it seeks to analyze the behavior of these actors that combine multiple institutional logics – the social welfare and the commercial logic – to make sense of the complex and challenging environments in developing and emerging economies. Based on the conceptual framework presented in chapter 4, the next sections will outline the findings of the empirical analysis, showing how institutional voids that prevail at the field level trigger tensions in hybrid organizations, and how the logic of origin – the social welfare or the commercial logic – influences how organizations experience and manage tensions. Further, other factors that enable and/or constrain hybrid organizations to turn institutional voids into opportunity spaces will be presented and discussed. In the following, the case narratives of each organization will be presented, tracing the trajectories of tensions (Critical Tension Points – CTPs) and subsequent hybridization strategies (Response Cycles – RCs). Organizations with a commercial origin will be presented first, followed by the analysis of organizations with a social welfare origin. Within those sections, the order of hybrid organizations that will be presented corresponds to their success in turning institutional voids into opportunity spaces. Virtuous cases will be presented first, followed by fragile and finally, vicious cases.

6.1 Hybrid Organizations with Commercial Origins

6.1.1 MEX-FP: Defying the Mexican Health Sector

MEX-FP is a for-profit hybrid organization providing affordable and high-quality health care services and products, with a focus on the eradication of a specific disease among very low to middle income segments of the Mexican population. Two entrepreneurs with international business background (in the following “founder 1” and “founder 2”) founded the company in 2010. Having started to operate with personal investments of the founders, MEX-FP later received a loan from a development bank and an equity investment from a Mexican social investment fund.

Being inspired by Prahalad’s book “The Fortune at the Bottom of the Pyramid”, MEX-FP’s long-term plan was to establish a business model that disrupted the inequitable Mexican health sector, and that achieved the economies of scale that were necessary to drive down costs. In addition, the business model was based on the idea of cross-subsidization between different income segments. Prices were to be adapted to patients’ ability to pay, and profits made through the sales of services to middle-income people were to be used for the subsidization of service provision for people that couldn’t afford to pay. Having opened its first sites in Mexico City, the goal of the company was to expand across the entire country, and in the long run even in other

Latin American countries, in order to bring about a systemic change in the way health care is provided to low-income people.

Data collection for this study took place at the main site in Mexico City, as this is where the core functions of the organization were located. In sum, the case of MEX-FP shows how a hybrid organization with a commercial origin faced two CTPs over a period of three years, and reacted in two RCs (see table 13).

Starting Point

Before incorporating a formal organization, the founders of MEX-FP agreed that they needed to spend a considerable amount of time on getting prepared. They were aware of the fact that their ambitious plan of launching a company that should disrupt the Mexican health market, and that would be based on an **innovative social business model**, needed to be well prepared – especially as both founders lacked professional experience in the health sector. Over a period of four years, the founders – who were still involved in their former business jobs – spent their weekends and vacations developing their business plan. At some point, however, one of the founders quit his job as an investment banker to complete a master's degree in public health in order to deepen his knowledge about health sectors.

As part of this process, the founders **proactively reflected upon potential tensions** that they expected to experience in their BoP venture. Pursuing the goal of providing health care to very low-income people while also establishing a profitable organization could clearly represent a central conflict if MEX-FP didn't succeed in reaching the economies of scale that would be necessary to make a systemic change in a financially sustainable way. Founder 2 explained: *“We knew very clearly that the poor would only be able to afford low-priced products because they have very little purchasing power and many competing demands on disposable income.”* [MEX-FP-3.2]

In addition, having learnt from other social enterprises that ended up shifting their mission due to the pressure of investors, they knew that the right type of funding was key. Founder 1 explained:

“We are planning to seek social investment, but the limit that we face is that we want to make sure that the model is being safeguarded. We don't want to grow in whatever way just to grow it. We want it to grow in the way we want it, in the sense that values are protected and the ethics are maintained, safeguarding the model we are interested in. Honestly, we are not doing this just for money. So it is important to find... If you let other investors come in, they have to be investors who share the vision. This I think is not so easy. There are many people with money. There will be many that want to invest. But people with money who want to protect this, there won't be many.” [MEX-FP-3.1]

MEX-FP was aware of its innovativeness and thus of the difficulty to find funders that shared a similar philosophy. Finally, through their thorough preparations and their education in health studies, the founders became aware of the many perverse incentives that prevailed in health markets:

“Many clinics perform surgeries although they are not needed. Surgeries are made to earn money. There is no quality control with regard to the need of the patient. (...) If we start operating people for economic reasons we move away from being... we loose the respect that we are trying to gain.” [MEX-FP-3.2]

Having thoroughly discussed the various risks and tensions that they expected to face, the founders took a series of measures to set up the hybrid business model. One of these measures was the decision to **incorporate as a for-profit organization**, which reflected the clear emphasis on efficiency as a major ingredient of the commercial logic. Processes were designed in the most efficient way in order to drive down costs and enable the organization to provide their products and services at affordable prices. For instance, the patient journey was systematized in a way that allowed for **standardization, and thus, for maximum efficiency**.

However, the decision to incorporate as a for-profit was also based on the conviction of the founders that they would access the right type of resources more easily, as if they were a nonprofit:

“We are convinced that for Mexico, the for-profit form is not only better from an economical point of view, but also from an impact point of view. A for-profit can grow much faster because there are these incentives that require the organization to focus on fostering its product and service delivery. (...) And there are enough people in Mexico with some disposable income for health services, so we can draw from these earnings to cross-subsidize service provision for people that can't pay anything. And then investors can invest and we can use their money to create more clinics. (...) What we are doing right now is still a pilot. Once we have proven the concept and its scalability, we want to replicate this pilot in a different location. And that's where investors might enter. Private investors, or if we don't find private investors, it could also be an Initial Private Offering.” [MEX-FP-3.2]

And also with regard to human resources, they were convinced that being a for-profit carried more advantages. [Founder 2] furthermore explained:

“I think as a for-profit you can also attract higher quality staff. If someone invested all his money to go to a good university, he will search to get a return on his investment, be it financially or in a different way like personal development and social impact. As a for-profit, you can offer this return much easier than a nonprofit because resources are much more scarce and they come from donations. Donors don't want you to spend all your money on salaries. But as a for-profit it is easier to attract talent.” [MEX-FP-3.2]

In other words, MEX-FP's decision to incorporate as a for-profit was also based on the conviction that the accountability requirements of funding mechanisms that were typical in the social welfare logic were restricting the establishment of a sustainable organization.

In order to attract talent, MEX-FP **emphasized the innovativeness of its business model and the higher goal of “doing something good”**. With this approach, MEX-FP represented an attractive opportunity, particularly for young professionals who gave strong importance to personal development opportunities, intellectual challenge and a noble task. Hence, MEX-FP particularly attracted students from renowned business schools who wanted to contribute to proving the innovative model. **The organization was thus able to hire them as employees or even volunteers for its business administration department.** With regard to health personnel, MEX-FP also tried to recruit young employees who sought the same personal development opportunities. However, the organization **clearly also needed medical specialists with enough experience to perform the surgeries and lead the medical department** – particularly as both founders had no medical background.

Despite the emphasis on the commercial logic from a structural point of view, the founders of MEX-FP were also aware that they would need third sector resources, particularly in the early stages of the venture during which the scalability of the business model was not yet proven. MEX-FP thus sought collaborations with, and support from, third sector actors. Through an agreement with a foundation that committed to cover the expenses of a certain amount of health services per month, MEX-FP succeeded in establishing a steady revenue stream since the beginning of operations. In addition, a grant provided by an international development bank could explicitly be used to develop the business model until it had reached investment readiness. Collaborations with third sector organizations were furthermore crucial for MEX-FP to organize so-called outreach campaigns in which they educated people about the benefits to seek their health care services. Finally, MEX-FP also reached out to collaborate with the public sector. Soon after its incorporation, the organization had successfully acquired the accreditation from the Seguro Popular, which secured profitable revenue streams for serving poor people. It was important for the founders **not to become too dependent on one source of revenue and funding in order to increase the resilience of the organization if one of the sources dried up.**

In sum, it can be observed that MEX-FP had succeeded in establishing itself as a hybrid organization with stronger influence of commercial origins, as the founders had commercial backgrounds, and as the for-profit form was chosen at the structural level. However, with regard to resources, MEX-FP was drawing from sources of the third and public sector mainly.

CTP1: Experiencing Denial from Internal and External Stakeholders

Despite the thorough analysis that the founders of MEX-FP had conducted concerning potential risks and tensions, some unexpected challenges emerged after several months of operation. Within the organization, MEX-FP experienced a high fluctuation, particularly among health personnel, as the job profiles that they had designed in an efficiency-maximizing way deviated from typical jobs in the Mexican health sector. Particularly, some employees with a nonprofit or a health care background didn't accept the efficiency-driven, market-oriented model that MEX-FP was implementing. An internal document provided by the organization described the challenge:

"The majority of [health personnel] was trained in nonprofit clinics and brought preconceptions of their roles and responsibilities to [MEX-FP]. The discrepancy between clinical staff expectations and the initial [MEX-FP] experience led to higher than expected turnover in the first year of operation." [MEX-FP-3.12]

In other words, **the job profiles that MEX-FP offered, as well as the organizational culture and procedures that the organization cultivated, conflicted with the imprinting of some employees. Although, at first sight, manifesting as a tension over means – namely the appropriate way of designing job profiles – the tension can be classified as a tension over goals, given that the job profiles reflected the goals that health personnel sought to pursue with their work. These goals either reflected a social welfare or a commercial logic.**

But also in their relations to external stakeholders, MEX-FP faced some considerable challenges. Private health providers had benefitted from the vast prevalence of unmet health needs and the lack of high-quality health provision for low-income people in Mexico, as it allowed them to generate high profit margins. As one of MEX-FP's founders explained, many commercial health providers had entered price fixing agreements in order to cream off maximum profits. They thus feared that MEX-FP's low-price approach would disrupt the market in a way that would significantly minimize their profits. Being well-organized and well-connected in the health sector, incumbent health providers thus started to threaten the organization by restricting their access to critical resources. Using the argument that MEX-FP's founders lacked a professional background in health care and thus had no right and no competence to enter the health sector in such an offensive way, competitors tried to damage MEX-FP's reputation by portraying MEX-FP's founders as business men that intended to make money on the back of low-income people. Founder 1 explained:

"In [medical] reunions people say: "if you go and work with them you can no longer be part of the committee". Because we're not doctors and we're offering a completely distinct model. That can be a problem, because if they lock the access to doctors, you're in a bad position. They don't have this power formally, but they can exert psychological pressure. For example, there is one doctor that we would like to hire and she is willing to come as well, but she told us that her brother wants to study in one of the three big hospitals here and he is afraid that if she

comes and work with us, he won't get accepted at the hospital. Who knows whether they will do that, but people don't want to take the risk." [MEX-FP-3.1]

In other words, **MEX-FP struggled in gaining the acceptance of competitors for its innovative and disruptive hybrid business model**. This manifested in a tension over means as the organization had to find ways how it could, on the one hand, continue to disrupt the inequitable health market, and, on the other hand, gain the acceptance of competitors who acted as quasi-gatekeepers for human resources. In this case, the institutional voids underlying the tension was not related to conflicts between the commercial and the social logics. It was clear that price-fixing agreements to maximize profits were legally prohibited in Mexico. Yet, the formal institutions that would have enforced the corresponding laws were weak. The institutional void underlying the tension can thus, instead, be related to discrepancies between formal and informal – or even illegal – strategic action fields. Further, the tension didn't emerge as a consequence of conflicting demands but rather as a material tension that was inherently embedded in the organization's business model.

RC1: Emphasizing Systemic Flaws and the Organization's Innovativeness to Attract Young Talent

Regarding the tension that MEX-FP had experienced in its interaction with competitors, the organization emphasized the social welfare logic. Despite the difficulties that it caused, it was the explicit social goal of the organization to disrupt the Mexican health market. As the founders explained, institutions in the Mexican health sector weren't strong enough to prevent illegal or unfair market behavior such as the above-mentioned price-fixing agreements. Particularly, private health providers could basically operate according to their own rules, attending only a well-off minority of the Mexican population and leaving off the poor. As a reaction, MEX-FP started to publicly **emphasize these systemic flaws – or institutional voids between formal and informal strategic action fields – and relate them to the profit-maximization dictum of the commercial logic**. The organization thus positioned itself as an organization with social objectives that explicitly sought to disrupt such illegal practices and emphasized its distinctiveness to existing health care organizations, which, as the founders argued, had failed to develop sustainable models that reached the low-income segments of the Mexican population. In other words, the founders sought to gain legitimacy by **delegitimizing incumbent health players**. However, instead of pursuing its goals as a nonprofit organization, MEX-FP argued that the organization had to defeat the systemic flaws by operating in the same arena, namely the commercial sector. As the founders argued, being largely independent from donor funding was the only possibility to establish an organization that would be able to survive in the long run and make a durable change in the Mexican health sector. Hence, MEX-FP emphasized its commercial face by stressing the need to establish a financially sustainable business model, which required rigorous cost efficiency. This strategy of inspirational leadership **enabled MEX-FP**

to gain the moral legitimacy and hence the acceptance of, predominantly young and idealistic, employees who shared the objective of changing the Mexican health market and agreed on accepting a lower wage when compared to what they would earn in other commercial health providing organizations.

However, knowing that the fast-scaling approach that MEX-FP wanted to implement required many human resources, the organization was aware of the fact that it could not only rely on young and idealistic employees, but needed to increase its attractiveness for a larger share of the labor market. The organization thus started to more offensively stress the advantages to work at MEX-FP. An internal document provided by MEX-FP describes the measures taken:

“In response to the higher than expected turnover, [MEX-FP] implemented a nursing training program, with hopes of eventually establishing training programs for [medical specialists] as well, in a partnership with (...) universities, and [an international NGO dedicated to improve access to health care globally]. Salaries that are lower than expected, even if they are above local market rates, may be offset by the incentives of high-level training and research opportunities.” [MEX-FP-3.12]

In other words, in order to confront the hesitance and rejection of present and future employees, MEX-FP decided to strategically employ **its hybrid identity, by either emphasizing its social face or its commercial face, depending on the argument it wanted to stress** – a strategy that has been labeled impression management by prior research and can be classified as a separation strategy given that it seeks to emphasize either one or the other side of the hybrid identity. Further, the delegitimization of extant players in the health markets, as well as the emphasis on systemic flaws, are part of the sensemaking efforts to which MEX-FP referred in order to position and gain acceptance for a new hybrid logic. These measures can thus both be classified as creative strategies.

CTP2: Arbitrariness and Cultural Obstacles in the Mexican Health Sector

The measures taken in RC1 enabled MEX-FP to gain the support of sufficient actors outside of the organization, and to attract enough employees to continue on its growth path. However, a new set of tensions emerged approximately one year after MEX-FP's incorporation when the **government unexpectedly decided to exclude MEX-FP's main health service from the insurance plan covered by the Seguro Popular**. As founder 1 claimed in an interview, the reasons for this decision were arbitrary. Instead of assessing the need for this health service among low-income people, one of the founders explained that the government had simply underestimated the costs, and now tried to find legitimate reasons to exclude the disease of the list of catastrophic diseases, which were covered by the Seguro Popular:

“They cut [the health service] out of the insurance plan because they realized that [the disease] is too widespread. It simply exceeds their financial abilities. But

officially, what they say is that [the disease] doesn't cause catastrophic expenditures and that's why they're taking it out. They want to focus on catastrophic health expenditures only. That's what they say. But [the disease that we're trying to cure] is one of the main reasons for poverty in Mexico. So they can't tell me that it's not catastrophic" [MEX-FP-3.13]

The loss of this important revenue stream caused significant difficulties within MEX-FP. The Seguro Popular had been a crucial source of income to subsidize service provision for people who couldn't afford to pay. MEX-FP was consequently thrown back in its scaling plans. The founders knew that finding a substitute for the public income stream was difficult and would require time. They were disappointed as they were convinced that working with the government would have been the best way to scale MEX-FP fast across the country. However, given the **resource scarcity** of the Mexican government, and the **arbitrariness of public decision making**, it seemed to factually **conflict with the objective of establishing reliable revenue streams and thus a financially sustainable organization**. The tension that MEX-FP experienced at that time was thus a **tension over means**, as the organization needed reliable income streams but was unable to establish them by serving the public sector. **It was furthermore triggered by contradictions between the Western-style business mindset of the entrepreneurs and a local culture of short-term orientation** within the Mexican Ministry of Health. Given the resource scarcity that the latter faced, decisions at times needed to be made in a spontaneous way. As a result, the public health insurance scheme failed to provide funds on which MEX-FP could rely upon. This tension didn't emerge as a consequence of conflicting demands but rather as a material tension that was inherently embedded in the organization's business model.

Simultaneously to this, MEX-FP started to face another **tension over means** that also negatively affected the organization's revenue generation. Revenue generation through the direct sale of services to customers who paid out of pocket was an important pillar of their business model. However, in contrast to what the entrepreneurs had expected based on their observations of unmet health needs in Mexico, unlocking customer demand proved to be very difficult. As the outreach manager of MEX-FP explained, the culture in Mexican low-income communities didn't promote a preventive or responsible attitude toward health. Particularly, low-income people only sought health services when they already suffered from advanced symptoms:

"There are information barriers. People are afraid of surgeries because they fear staying blind. Others think that you have to take out their eyes for the surgery, so they don't want that. (...) We have to overcome economic barriers and logistical barriers, like who brings them here and back, who accompanies them. Then we also have to overcome their fear and mistrust, which are both huge. There are people that, although they would have the economical means to pay for a surgery and although they would have someone to bring them and accompany them, continue to be afraid and apathetic. Most of our patients are older and for that reason they say: "at my age for what would I get this surgery? It is normal that I

loose my sight, it's gods will." And then there is also the cultural aspect of not taking care of your health. In Mexico, the culture of seeking health services is practically non-existent. People only get treated when they have serious problems. There is no preventive culture to go and check your health regularly, go to the [medical specialist] when you have diabetes. They come when they are already [seriously ill], when it is already very difficult to treat them." [MEX-FP-3.4]

The need to adapt to specific local norms and consumption behavior, and to invest considerable efforts into health education thus additionally conflicted with MEX-FP's ambitious efficiency maximization plans, which were essential for the success of the business plan. **This tension could be traced back to the diverging understandings of health needs among low-income Mexicans and entrepreneurs who were imprinted by a Western culture, which gave more importance to disease prevention and individual responsibility in health care.** However, it didn't emerge as a consequence of conflicting demands but rather as a material tension that was inherently embedded in the organization's business model. **In addition, the tension can also be classified as a contradiction between the social welfare logic, which stresses the need for locally customized approaches and the commercial logic, which stresses standardization as a way to maximize efficiency.**

RC2: From Top-Down to Bottom-Up

Being surprised by the withdrawal of the Seguro Popular, MEX-FP's **was forced to end its close collaboration with the Seguro Popular and to concentrate on revenues generated through the direct sale of health services to people in need and to third parties from the third sector.** Finding a substitute for the revenues that were made through the Seguro Popular was crucial, but difficult – particularly finding a source of revenue with a similar potential of allowing MEX-FP to leverage the operations across the country. However, the organization had, since the beginning tried to avoid a singular dependence on one source of revenue. Cross-subsidization between customers who were able to pay and those who weren't, for instance, had always been a key component of the business model and now needed to be intensified. Given that the **cross-subsidization strategy explicitly separated more commercially and more socially oriented activities within the organization, the researcher classified it as a cumulative strategy.**

However, given the second tension concerning the difficulties to unlock customer demand, MEX-FP also **intensified its collaboration with third sector and public organizations at the community level.** Outreach campaigns with local NGOs and public health entities were crucial to educate low-income communities and thereby increase their demand for MEX-FP's health services. In other words, MEX-FP needed to focus on bottom-up solutions to generate sufficient revenue in order to substitute the top-down income it had received from the national health insurance in the beginning. **Hence, the organization had to emphasize its social face to find local partners with which these health education campaigns could be performed.**

Still hoping for a change of mind among representatives of the Seguro Popular, MEX-FP's founders, however, also continued to **lobby for the reintegration of their major health service into the list of catastrophic diseases covered by the public health plan.**

Outcome: Accessing Long-Term Investment

In sum, MEX-FP had succeeded in overcoming the tensions that it had experienced in CTP1 and CTP2. With regard to CTP1, the organization had, at the time of data collection, succeeded in attracting enough human resources to continue with its short- to mid-term scaling plans although MEX-FP was still not accepted by competitors and they continued to search ways how to harm the organization. However, it was unclear at that time whether the approach would suffice in the long run, given that the organization had ambitious scaling plans to replicate the model across the country, and in the long run even to other Latin American countries. Further, in CTP2, additional tensions emerged and questioned the feasibility of the hybrid business model. Given the loss of the revenue stream from the Seguro Popular and the difficulties to unlock the demand of low-income customers, MEX-FP's future revenue and thus ability to scale was quite unsecure at the time of data collection. Nevertheless, ultimately, the organization succeeded in receiving a grant from an international development bank with the purpose of further developing the business model until investment readiness. The plan of the bank was to then also provide the follow-up funding together with other investment partners in the form of loans and equity investments. Although MEX-FP had just experienced a substantial drawback with regard to its business model, the founders were able to suggest enough credibility to convince the development bank. With this, the organization could win the time and resources that were necessary to pursue the long-term scaling plans underlying the business model. After one year, MEX-FP could then also close its first investment round with financial involvement of the development bank, a Mexican foundation, as well as a Mexican social investment fund. Hence, MEX-FP received long-term investment from funders of diverse backgrounds without having proven the business model and without having had to enact major changes in its hybridization patterns.

Table 13: Trajectory of Tensions, Strategies and Hybridization Patterns in MEX-FP

	T ₀ →	CTP1 →	RC1 →	CTP2 →	RC2 →	Outcome
Objective / Strategy	Disrupt health market, systemic change, prove profitability of business model, scale (<i>hybrid logic</i>)					
Self-Definition / Communication	Social Enterprise, Innovative hybrid organization with commercial emphasis (<i>hybrid logic</i>)					
Structure	For-profit company (<i>commercial logic</i>)					
Financing	Personal equity investment of founders (<i>commercial</i>)					Long-term investment of Mexican social investment fund and foundation as well as development bank to scale business
Revenue generation	Balanced blend of revenue sources from public, private and third sector (<i>hybrid logic</i>)			Provide to public sector vs. establish financially sustainable organization (<i>tension over means/institutional void between Western and local strategic action fields</i>)	Increase focus on cross-subsidization between revenues from sale to higher-income and lower-income populations (<i>Cumulative Strategy, hybrid logic</i>)	No proof of concept, but long-term perspective to break even through economies of scale and increased outreach / marketing campaigns
				Business model based on scale vs. need to adapt to local customer demand (<i>tension over means/institutional void between Western and local strategic action fields</i>)	Search for bottom-up substitutes for loss of top-down revenue stream	
Product and Service Delivery	Emphasis on standardization and maximum efficiency (<i>commercial logic</i>)					

	T ₀ →	CTP1 →	RC1 →	CTP2 →	RC2 →	Outcome
Human Resources	Pay market rate salaries and work with volunteers (<i>hybrid logic</i>)	Nonprofit background of employees vs. gain and maintain acceptance of business oriented model among staff (<i>tension over goals /institutional void between social welfare and commercial logic</i>)	<ul style="list-style-type: none"> ▪ Emphasize hybrid approach with commercial face by stressing the need to establish a financially sustainable business model requiring rigorous cost efficiency (<i>Impression management – Separation strategy - emphasis on commercial logic</i>) ▪ Inspirational leadership 			Enough human resources for short- to mid-term scaling objectives, possibility to pay higher wages through long-term investment
External relations	Compete with commercial players, collaborate with third and public sector (<i>hybrid logic</i>)	Disrupt health markets vs. gain and maintain legitimacy from gatekeepers (<i>tension over means /institutional void between formal and informal strategic action fields</i>)	<ul style="list-style-type: none"> ▪ Emphasize hybrid approach with social face by stressing goal to disrupt Mexican health market (<i>Separation strategy - emphasis on social welfare logic</i>) ▪ Point out institutional voids and delegitimize existing health care providers to gain moral legitimacy of relevant stakeholders (<i>sensemaking – creative strategy, hybrid logic</i>) 		<ul style="list-style-type: none"> ▪ Increase educational marketing campaigns in collaboration with actors from third and public sector to attract customers (<i>Cumulative strategy – emphasis on social welfare logic</i>) ▪ Lobby for reintegration of health service in national health plan (<i>no hybridization strategy</i>) 	Low acceptance of organization among competitors, but sufficient attractiveness in labor market
Summary of outcome						Virtuous cycle <ul style="list-style-type: none"> ▪ Only ceremonial changes in hybridization patterns ▪ Long-term investment in hybrid approach helps overcome tensions

6.1.2 KEN-FP: Just a “Normal” Business

KEN-FP is a for-profit hybrid organization based in the surroundings of Nairobi and founded in 2011 by three entrepreneurs with a professional background in international development – with two of the founders being native US American and one being Kenyan. The company seeks to provide affordable high-quality healthcare services for Kenyans of all income levels – including the poor income segments. Despite its incorporation as a for-profit, the motivation to provide affordable high-quality health care to the poor has been the main driver of the founders to set up KEN-FP. At the time of data collection, the organization generated its revenues mainly through the direct sales of services to its target population, and positioned itself as a competitor to extant health providers. In order to gather seed funding, the company launched a social crowdfunding campaign. Subsequently, it received convertible debt from a global social investment fund. During the period of data collection, KEN-FP has opened its second clinic, however, data collection only focused on the first clinic as this was more established and thus yielded more insights on the topics of interest for this study. In addition, interviews were conducted with the administrative workforce which was mainly located in the first clinic. Over a period of two years, KEN-FP experienced two CTPs, resulting in two response cycles (see table 14).

Starting Point

The creation of social impact was certainly a key driver for KEN-FP's founders to start the business. The idea behind KEN-FP was to **prove and rapidly scale a radically different type of business in the Kenyan health sector and subsequently replicate it in other African countries as to provide high-quality healthcare to Africa's population**. As this presented an innovative and thus risky endeavor the founders of KEN-FP knew that it would be difficult to convince profit-oriented funders to invest in them at this stage where the business model was not yet proven. Furthermore, they knew that they depended on socially oriented funding, as no investor with the objective to maximize its profits would take the risk to fund them. They thus knew that they would require support from socially oriented funders that were interested in supporting the improvement of the state of health in Kenya. The founders thus internally discussed the possibility of creating a nonprofit organization in order to access donations and grants. In an interview, one of the founders explained her perspective on raising funds from foundations and other “socially minded” funders:

“To be honest, there has been a debate about creating a nonprofit. There is a bunch of foundations that are like: “We really love what you are doing, but we can only grant to nonprofits“. So there has been a debate, about opening some kind of nonprofit arm or something like that. (...) Fundraising in the foundation world is very similar to fundraising in venture capital world. It takes just as much time and effort and dedication. You have to get 501© through, you have to go through all the stuff. It takes six months before you get your first loan and everything else to get settled. So I think, we mostly feel like if it's not gonna be our long term heart of

our business, it's probably not worth the effort. Typically for us free money is time. (...) If we get free money and we don't need to pay it back, that just gives us more leeway, without increased pressure to open up more clinics and stuff like that. And what we are doing is really hard. Nobody has done it successfully yet. There is a lot of things that we need to learn. A lot of mistakes we're gonna make. So time is really important to us. So we do need to get some component of free money in the door. Obviously the more the better, obviously the less strings attached the better. Obviously the less effort put in the better, so we can actually focus on building a business. Right? Though we need more time to make mistakes and to learn stuff, so we do actually need to come up with a little bit of free money. [KEN-FP-5.3]

But the founder also agreed that they wanted to focus on building a financially sustainable business model, which, as they felt, would conflict with the “non-profit thinking” as it neither fostered downward accountability nor their ambitious scaling plans. One of the founders explained:

“My biggest motivating factor is that we want our patients to be the decision makers, instead of donors and government. So I wanted our patients to define what the scope of our services were (...) and their dollars to be the voting dollars, instead of donors. So that was really my biggest motivation. And then, beyond that, we just have really ambitious goals for scale. And from what we have seen, and I have raised a lot of money for nonprofit in my life, and for what I have seen, they aren't very good for scaling quickly. Because it's donor money. There is just a ton of reporting, structuring, you know. You have to make sure that these dollars go to this and that project. And they can't just be used for general expansion and for paying market rate salaries. And there are just so many strings attached for nonprofits, that I think we were excited to working in a for-profit field.” [KEN-FP-5.1]

The founders of KEN-FP thus **decided to incorporate as a for-profit organization** only and try to access free money as such. They started to **approach social investment funds by presenting themselves as an innovative hybrid business model**. Looking at their investment criteria raised the founders' hopes. KEN-FP's objective of setting up a scalable business model to provide affordable health care in Kenya – and later in other African countries – seemed to be strongly aligned with the objectives of several new investment funds.

CTP1: Searching for Seed Funding

However, KEN-FP soon realized that although there were funding organizations that had specialized in organizations like KEN-FP, access to funding still remained a challenge. One of the founders explained:

“I went around and I have literally met with 35 different social investors, so everybody that you can think of – acumen, and Grameen, private investors and all those guys. And we were just addressing all of them. We were just too small and we were too early. Although some of them started to tell us that we were too late. That we were like past the idea stage, because we actually had a clinic opened. And so now we were too late and too developed. So it was a very, very frustrating

experience that really you need to deal with. Social investment sphere is a lot of smoke. There is not social investment for early stage companies. There is no element in their definition of early stage. It's just that they are joking. What do you mean early stage? People are talking about two years, and over 1 million dollars of revenue or they won't give money unless they can give at least half a million of dollars. But to flood an early stage startup, like ours, with half a million dollars, would just eat our equity. The evaluation that we would have to justify for that fund is crazy. That is a very, very, very frustrating experience." [KEN-FP-5.4]

Although a flourishing scene of social investing had emerged in the last years, KEN-FP realized that the organization seemed not to meet the criteria of funders that were dedicated to the support of blended value generating organizations. Investors explicitly expressed their desire to support innovative business models, however, at the same time, they factually seemed to be only willing to support organizations with a proof of concept of their business model. In other words, the social investment scene ultimately proved to be very similar to the commercial investment scene. In addition, KEN-FP's concept also conflicted with prevailing conceptions in existing funding mechanisms from the third sector. **In other words, KEN-FP realized that their approach simply didn't fit in any existing funding mechanisms, be it commercial, philanthropic or new hybrid types of funding mechanisms and that they were basically operating in an institutional void. The tension was thus a tension over means that could be traced back to competing demands of potential funders from commercial and social welfare logics.**

RC1: Innovating Financing Through Social Capital and Building up Credibility

Frustrated from their experiences, the founders of KEN-FP started to reflect upon their possibilities and to seek advice from their network. It soon became clear that they had to prove their credibility before becoming eligible for institutional funding. The founders thus invested all of their life savings to launch the first clinic:

"So originally we decided that we were just gonna go out, trying to find like big donor money. And after about two months of trying and writing business plans, financials and putting a lot of information online, one of our buddies was just like, guys, open a clinic. Like, what are you doing? Like, just, how much money does it take? And we were all like, we think about 20,000 dollars. And he was like, oh please guys, how much money do you have (...)? Okay, we were like, okay, put your money in it and then we will see what we can do with other donors. So [Founder 1] and I put in a ton of our money, all of our life savings." [KEN-FP-5.4]

In addition, they started to seek the financial support of people that trusted and believed in them and that were interested in promoting social change in Kenya. **Emphasizing their social goals, KEN-FP's founders thus started to mobilize their personal networks and proposed a new type of financial involvement that synthesized practices from the social welfare and from the commercial logic.** The founder further elaborated:

“And then, what we did, we actually created a structure called social shares. And so we allowed our family and friends to buy for 100 dollars a social share in our first clinic and to become one of our shareholders. And then with that, we would pay them back after two years, with the profit of the clinic. But if the clinic is not profitable in two years, then the individuals will not be paid back. But if it is profitable, they will be paid back and they have a certificate thing, that they helped that and our patients for a two-year period. So they sort of own a piece in the brick and water in the first clinic. We were really excited about that as a model that really helped us scale, going forward if we can have that kind of patient capital. Because we know all of those people are technically, you know, have some sort of investment in getting their money back. They are also incredibly generous. You know all of our friends and family and things like that, so you know we assume they are not gonna send the debt collectors after us, if we do end up as defaulters. But that was a pretty exciting innovation, that we were able to come up with. That really allowed us to get off the ground.” [KEN-FP-5.4]

In sum, KEN-FP initially lacked the legitimacy that would have allowed the business to acquire funding. However, by **suggesting a new type of hybrid funding (creative strategy) and referring to support from their closer network, the founders could set up a first clinic.** In other words, the organization referred to resource bricolage, meaning that it “made do with whatever was at hand”. However, the organization remained in need of a long-term investment to implement its business model which was based on scale.

CTP2: Facing Internal Discrepancies

Having set up the first clinic and started to operate, KEN-FP experienced first tensions internally. The funders were aware of the fact that their business model was based on a central paradox. Establishing a financially sustainable business model vs. providing affordable high-quality health care to the Kenyan population was a trade-off in itself. Their plan was to resolve this latent tensions through scale, as suggested by the BoP proposition. However, in their daily routine, **employees reported that they at times felt unsecure as to whether they should make decisions concerning the delivery of products and services based on a social rationale, or based on a commercial rationale.** Just like most market-oriented health care providers, KEN-FP regularly faced perverse incentives. However, in contrast to conventional for-profit or nonprofit health care providers, the organization lacked a clear prioritization of goals. One of the employees gave an example:

“The most profitable is the sale of drugs. We buy the drugs. The drugs, the price at which you buy them and the price at which you sell them, it gives you sometimes almost a 100% profit on the drugs. But at the same time, the downside of it is, we are focusing on giving quality healthcare so that you don’t just walk into our clinic and come out with a sack of drugs, so that’s the downside of it. And also consultation fee has also been giving us some money, but it is still low. [KEN-FP-5.5]”

The founders of KEN-FP thus soon experienced how the blended value creating approach, or, more specifically, conflicting demands of the social welfare and the commercial logic, could trigger tensions over goals among their employees.

RC2: Positioning as a “Normal Business”

In order to mitigate the normative controversies, the founders decided to **avoid positioning KEN-FP as a socially oriented organization** that aimed at providing health care to the poor (dismissing strategy). Instead, **they emphasized that KEN-FP was a “normal business”** in the health sector that sought to provide affordable – but not free – healthcare “to all Kenyans”. By doing so, the organization deliberately **kept its objectives vague and avoided terms** (e.g. “social enterprise” or “low-income people”) **that would trigger cognitively and normatively institutionalized expectations of what a socially oriented organization should do**, even if KEN-FP was factually more social than most private health care providers in Kenya.

Typically, two types of health care providers could be distinguished in the Kenyan BoP setting, namely for-profit high-quality health care providers that were not affordable for the large majority of Kenyans, and for-profit low-quality health care providers that often didn’t comply with quality regulations. The above-mentioned decoupling of structure and institutional compliance allowed **KEN-FP to gain cognitive legitimacy as the organization positioned itself as a “normal” for-profit organization**. In fact, social value creation nevertheless factually remained a top priority for KEN-FP. Internally and externally, the organization emphasized the need to provide health care of highest quality no matter the income level of customers. While this value proposition wouldn’t surprise audiences in Western settings, the founders explained that low-income Kenyans had practically no access to high-quality health care. One of the founders explained that patients reported to feel privileged that they could be treated in a “high-quality private clinic”, given that these were usually only accessible to higher income levels. In other words, **KEN-FP benefitted from a legitimacy spill over effect from private, high-quality health care providers**.

Even if low-income people would receive treatment, they would rarely be attended by friendly and nonjudgmental staff – be it in organizations from the private, the public or the third sector – and generally had no possibility to raise a claim for high-quality services. On a weblog dedicated to blended value creating ventures, one of KEN-FP’s founders explained:

“At KEN-FP we’ve discovered a way to learn really quickly what women want. How? We sell our (...) services instead of giving them away for free (or highly subsidized prices).

I find that if you give someone free services, they will often take them whether they like them or not. And they definitely won’t feel the right to complain. After all, it’s free.

This changes fast when you ask patients to pay. Suddenly they are transformed into entitled, demanding and shrewd customers that ask questions and speak up (often loudly), when something isn’t going right. And well, they should. (...) Once you ask someone to pay for the services you start getting lots of firm feedback. How firm? They don’t show up.

KEN-FP is a for-profit for this very reason. We like being dependent on our patients for our funding. It FORCES us to listen to them and offer the services exactly how they like them. If not, we go out of business.” [KEN-FP-5.23]

KEN-FP thus emphasized the argument that an emphasis on the commercial logic in service provision was more “social” as it gave more importance to the direct “downward” accountability towards patients.

With this argumentation, KEN-FP – while continuing to present itself as a normal business towards external audiences – already factually qualified as a socially oriented organization. In other words: Being a normal business was already social enough in the Kenyan context, particularly in the eyes of funders who sought to generate blended value. Whenever other stakeholders defined KEN-FP as a social enterprise, the founders thus didn’t actively disagree but rather **benefitted from the vagueness of definitions in the field of blended value creation**, as they were still seeking to get funded by a social investment fund.

In addition, the strategy of lowering expectations allowed KEN-FP to **constantly exceed expectations and thus gain moral legitimacy**. Being defined as a conventional for-profit targetting all Kenyans, audiences couldn’t expect KEN-FP to perform in an extraordinary social way and were thus positively surprised by organizational behavior that fostered social change.

In sum, KEN-FP had referred to the strategy of ceremonially dismissing the social welfare logic and decoupling the organizational structure from the factual behavior of the organization.

Outcome

In sum, it can be observed that, with regard to its hybridization patterns, KEN-FP had factually remained a hybrid. However, towards external audiences, it either emphasized its commercial or its social face. Changes in hybridization patterns were thus merely ceremonial. Further, the organization had taken advantage of the good reputation of commercial health providers in Kenya, which mainly targetted higher income segments of the population with good quality health care. With this approach, KEN-FP was able to resolve the tensions that it had experienced both CTPs. Only a few months later, although the establishment of the first clinic was not yet a proof of concept for KEN-FP's business model, the founders had built up enough credibility to convince an investor. The organization closed its first investment round with funding from an international social investment fund that suited the blended value creating objectives of the organization.

Table 14: Trajectory of Tensions, Strategies and Hybridization Patterns in KEN-FP

	T ₀	→	CTP1	→	RC1	→	CTP2	→	RC2	→	Outcome
Objective / strategy	Establish radically new type of business providing affordable high-quality health care, scale across Kenya and Africa (<i>hybrid logic</i>)										
Self-Definition / communication	Innovative hybrid business that seeks blended value creation with commercial emphasis (<i>hybrid logic</i>)			Emphasize social goal to mobilize financial support from personal networks of founders (<i>Impression management, separating strategy – emphasis on social welfare logic</i>)					<ul style="list-style-type: none"> ▪ Avoid positioning as social organization Position as “normal” business (<i>Dismissing strategy – emphasis on commercial logic</i>) ▪ Take advantage of vague definitions in ecosystem of blended value creation and of positive reputation of commercial health providers in Kenya (<i>sensemaking – creative strategy, emphasis on commercial logic</i>) 		
Structure	Incorporate as a for-profit company (<i>commercial logic</i>)										
Financing	Approaching social investment funds (<i>hybrid logic</i>)		Establish innovative hybrid business model vs. depend on existing funding mechanisms for scale (<i>tension over means/institutional voids between social welfare and commercial logic</i>)		<ul style="list-style-type: none"> ▪ Personal equity investment of funders with hybrid terms (<i>creative strategy - hybrid logic</i>) ▪ Invent new type of hybrid funding (<i>creative strategy - hybrid logic</i>) 						KEN-FP received long-term funding from social investment fund

	T ₀ →	CTP1 →	RC1 →	CTP2 →	RC2 →	Outcome
Revenue generation	Out of pocket payments only <i>(commercial logic)</i>					Tension resolved through investment that allows to achieve necessary economies of scale
Product and service delivery	Provide high-quality health care at lower price than competitors <i>(commercial logic)</i>			Sell services / products based on social rationale vs. based on revenue expectations <i>(tension over goals/institutional void between social welfare and commercial logic)</i>		Tension resolved through clear positioning as commercial organization
Human Resources	Pay market rate salaries <i>(commercial logic)</i>					
External relations	Compete with all health providers <i>(commercial logic)</i>					
Summary of outcome						Virtuous cycle <ul style="list-style-type: none"> ▪ Only ceremonial changes in hybridization patterns ▪ Long-term investment from social investment fund helps to overcome tensions

6.1.3 COL-FP: Navigating Around Obstacles

COL-FP is a for-profit hybrid organization that provides access to a network of high-quality private health providers, mainly general practitioners and small clinics, which are willing to offer their services at significantly discounted rates (up to 60%) for low-income people, and guarantees them maximum waiting times of less than 10 days. With this, COL-FP understands itself as an alternative to the largely publicly organized health system in Colombia, which in theory provides free access to health care for low-income people, however, at very low quality in terms of waiting times, equipping, and attention towards patients.

People and their families can access COL-FP's network by acquiring a membership card. Membership furthermore entails access to a social assistance service, which helps in scheduling appointments at health providers and provides advisory services for medical or health related issues. Being incorporated as a for-profit organization, COL-FP furthermore seeks to **prove a new type of capitalism** based on the mindset of Muhammad Yunus. A Colombian general practitioner and a Colombian business student (hereafter founder 1 and founder 2) founded COL-FP in 2010 and received support from an incubator specialized in blended value creation in Colombia. The official incorporation of the for-profit legal entity took place in 2012.

COL-FP has received a grant from a large Colombian company to get off the ground. Revenues are solely generated through direct sales of membership cards to the target population, which pays out-of-pocket. COL-FP started its operations in a Colombian city with almost 400,000 inhabitants, located in one of the poorest departments of the country. This is also where data collection for this study has taken place. The case of COL-FP shows how the for-profit hybrid organization faced one CTP and responded to the tensions over a period of three years (see table 15).

Starting Point

After having started to operate in 2010, COL-FP's founding team became part of an incubation program for social enterprises in Colombia. At that time, COL-FP was not yet registered as a legal entity. The founders agreed on the goal of creating a **blended value generating organization**, but were not yet decided whether they should incorporate as a for-profit or as a nonprofit organization. Based on discussions with members of the incubation program, the founders reflected upon the advantages and disadvantages of both options. Founder 1 explained:

“There were two forms. First, we could use the form of a foundation, which is a nonprofit entity, being self-sustainable and doing commercial activities like a company. Or use the form of a SAS, which is a legal form for for-profit companies in Colombia (...). What are the advantages? The advantage of a foundation is that there are tax exemptions and also in terms of transparency and the possibility for international funders to invest in us. And for the SAS, the advantage is that it is a little easier to operate, there is less control.” [COL-FP-2.2]

Hence, the founders didn't favor one of the two options from a moral perspective. They rather debated about their factual consequences. Having extensively discussed the advantages and disadvantages of the for-profit and the nonprofit legal form in order to set up a blended value creating organization, the founders of COL-FP decided to **present themselves as a new type of hybrid organization** – a social business according to the definition of Muhammad Yunus. As the founders explained, Yunus' concept of social businesses is based on the argumentation that capitalism has been interpreted too narrowly, as it usually conceptualizes entrepreneurs as one-dimensional beings who only seek to maximize their profit. However, it also emphasizes that the third and public sector have also failed in solving the world's most pressing needs, as they are slow and bureaucratic, and depend on collective decision-making mechanisms, which are likely to be dysfunctional in the context of corruption, self-interest, chronic underfinancing and inconsistency. Social businesses that operate in the commercial market therefore aim at using the efficiency and effectiveness oriented practices of the commercial logic, but still account for the multidimensionality of human beings, particularly their selflessness, given that the priority of social businesses lies on the solution of societal problems.

Following this argumentation, the founders of COL-FP **incorporated their social business as a for-profit legal entity**, but with an explicit prioritization of social objectives over financial objectives in the statutes of the organization. In order to demonstrate the clear social emphasis, COL-FP explicitly communicated its social objectives through various media channels, making sure that the organization's social orientation was well understood.

In addition, the founders of COL-FP also **proposed a new concept with regard to the way a social business should be financed**. Despite the organization's incorporation as a for-profit entity, the founders sought to acquire interest free loans instead of donations. With this, they proposed an alternative for donors that wanted to maximize their social impact. As opposed to donations that could only be used for a social cause once, they argued that interest free loans could be used over and over again. After having received the initial investment, investors could chose to recycle their money and support a new social business. It was part of Yunus' concept that social businesses shouldn't operate in the "tax exempted sector" but rather "within the commercial market" in order to incentivize organizational leaders to find creative solutions to reach financial sustainability and thereby prove that the solution of social problems didn't have to depend on the goodwill of donors. COL-FP thus also fixed in its statutes that any profit that would be generated could only be reinvested in the further pursuit of the social mission, and not be distributed to investors. A representative of the incubator who had been involved since COL-FP had started to operate explained:

"When you invest in a social business like [COL-FP], you invest in an organization that will continue to exist as it seeks to be financially sustainable. So the organization will continue to create social impact with the dollar that you have invested. If you donate the dollar to a traditional nonprofit, the money is used to

realize a project that creates social impact one time only. And also, investors can get their money back and invest it in the next social business. The money is recycled.” [COL-FP-2.4]

From a legal point of view, COL-FP thus made a clear decision for a for-profit incorporation. However, the founders **publicly theorized about the constraints of the for-profit / nonprofit dichotomy to gain moral legitimacy for their new hybrid approach. This delegitimization of traditional health care provision** – be it within the private, the public or the third sector – served as a basis to make sense of their new type of hybrid organization. In other words, **they proactively made a normative case for their existence in order to gain the moral legitimacy of relevant stakeholders.**

CTP1: Experiencing the limits of philanthropic funding

Many influential stakeholders, including potential funders, agreed with COL-FP’s argument that it needed a redefinition of capitalism. However, the organization experienced the limits of its innovative hybrid approach when it started to seek seed financing. Individual representatives of a large Colombian company (hereafter “the Colombian company”) were in theory willing to support the organization. Yet, these individuals were unable to convince their peers, who wanted to avoid potential criticism from audiences that wouldn’t understand why a socially oriented organization should take the form of a for-profit. The representative of the incubation program explained:

“The thing is [the Colombian company] has a social welfare tradition when it comes to their social activities. So, they want to give social projects money without getting it back. That’s also how it is written in their internal guidelines. They only support nonprofits. [COL-FP-2.4]”

The tension of being incorporated as a for-profit versus gaining support from nonprofit funders – or more generally, between establishing an innovative business model vs. depending on institutionalized financing mechanisms was thus **a tension over means rooted in institutional voids between the social welfare and the commercial logic.**

RC1: Navigating Around the Tensions and Sensemaking of a New Approach to Social Impact Creation

Sensing that the reasons why the Colombian company couldn’t support COL-FP were mainly related to cognitive barriers among a few of the company’s representatives who didn’t understand why a socially oriented organization would take the form of a for-profit, the founders continued to solicit the financial support from the Colombian company. They felt that it was a matter of further increasing the moral acceptance within the Colombian company to persuade them and dealing with the internal guidelines at a later stage. The founders thus continued to **emphasize the moral case of COL-FP by stressing the weaknesses of the Colombian health care system**

and emphasizing the innovative commercial approach of COL-FP. This reasoning – or sensemaking (creative strategy) – emphasized the commercial face of the innovative hybrid identity in order to position the organization as an alternative to the dysfunctional publicly organized health system, where institutional voids between the formal and informal strategic action fields prevailed. **The emphasis was thus on being different than any other health player and independent from public – that is – collective decision making, which was susceptible to corruption and other institutional weaknesses.** By doing so, they succeeded in getting the buy in of an increasing amount of representatives within the Colombian company and overcoming the cognitive barriers that had led to the tension in the first instance. COL-FP's founder explained: *“After a while [the Colombian company] found it more and more interesting to give money that helps to create a sustainable model that can go on alone after a while. [COL-FP-2.2]”*

However, due to internal guidelines, the company still wasn't allowed to support a for-profit organization. COL-FP thus sought for ways how it could access the funding that the company was in theory willing to provide. The founders thus started to search for potential solutions to navigate around the internal guidelines. In discussions with the incubator and with supportive representatives of the Colombian company, the founders finally found a detour through which COL-FP could gain more acceptance and how funding could reach the organization without breaking the internal guidelines. **An NGO that had worked with the Colombian company for several years agreed to enter a partnership with COL-FP and to act as an intermediary through which money could flow.** In an interview, the manager of the incubation program explained:

“So we proposed a solution, and the way we did it is as follows: [The incubator] has a contract with [the NGO] and [the company]. [The NGO] is a local organization and [the Colombian company] has the money that we need. [The Colombian company] already had a contract with the [NGO], so there will be no money that will flow in our incubation fund, it goes directly from [the company] to [the NGO]. And then [the NGO] contracts [COL-FP] to provide the services.” [COL-FP-2.4]

In order to convince the NGO, COL-FP had to emphasize the social part of its hybrid identity by stressing that they were pursuing similar goals. COL-FP thus didn't succeed in receiving interest free loans as initially proposed. **COL-FP thus managed to resolve the cognitive barriers that had led to the tension by making a moral case with an emphasis on the commercial logic and to overcome the technical barriers of internal guidelines through collaboration with an NGO, that is, with an emphasis on the social welfare logic.**

Outcome: A Preliminary Funding Solution

In sum, it can be observed that with regard to the experienced tension concerning its financing, COL-FP succeeded in maintaining a **fragile equilibrium**. It received the necessary funding – and thus the legitimacy of resourceful actors – to be able to continue establishing its hybrid approach. Although the Colombian regulations lack a legal entity for a hybrid organization like COL-FP, and although donations aren't usually granted to for-profit organizations, the founders discovered ways to overcome the tensions by making a moral case for their existence and navigating around the technical obstacles that inhibited them from accessing funding. The solution, however, is fragile in the sense that the organization wasn't able to directly access funding, that it was thus not a long-term investment, and that it meant a major deviance from the original hybrid approach of the organization, given that the dependence on donations was one of the main arguments of Muhammad Yunus concerning the reasons why nonprofit organizations were inefficient and ineffective. It remained to be seen whether COL-FP would be able to access funding as a hybrid organization once it had further proven its model.

Table 15: Trajectory of Tensions, Strategies and Hybridization Patterns in COL-FP

	T ₀	→	CTP1	→	RC1	→	Outcome
Objective / Strategy	Provide affordable health care to low-income people, prove new type of capitalism (hybrid)						
Self-Definition / communication	Hybrid innovative business model (hybrid)				Emphasize innovativeness of new commercially oriented hybrid approach (<i>Sensemaking - creative strategy – emphasis on commercial logic</i>)		
Structure	Incorporate as a for-profit business (commercial)						
Financing	Suggest innovative form of financing (hybrid)		Establish innovative business model vs. depend on institutionalized financing mechanisms (<i>tension over means/institutional void between social welfare and commercial logic</i>)		Accept nonprofit funding (<i>Dismissing strategy – emphasis on social welfare logic</i>)		Short-term funding solution, dependence on NGO
Revenue generation	Private revenues only (commercial)						
Product and service delivery	Deliver products and services through existing private health providers (commercial logic)						
External relations	Position as an alternative to the public health system (commercial)				Partner with NGO to channel through donations (<i>Dismissing strategy – emphasis on social welfare logic</i>)		
Summary of outcome							Fragile equilibrium <ul style="list-style-type: none"> ▪ substantial emphasis on social welfare logic ▪ short-term funding in the form of donation

6.1.4 SA-FP: Leaving the Fast Lane

SA-FP is a for-profit hybrid organization, initiated by the CEO of a South African company in 2011 (hereafter the mother company). SA-FP aims at providing health care services at an affordable price to under-served communities and thus to establish an alternative to public and third sector health provision in South Africa. However, at the same time, it was also launched with the aim to establish a network of clinics that could be used as distribution channel for goods and services for low-income populations.

Based on his observations of the domestic health sector, the founder of SA-FP developed the vision to establish a **for-profit company that would operate at a large-scale and iron out the inefficiencies that prevailed in the South African health market**. In an interview, he recalled his motivation:

“One of the things that always amazed me was that you would have this completely inappropriate health seeking behavior through the lack of knowledge, the lack of confidence, the lack of advice or advisory ability and the lack of product availability. And so what would literally happen is, you would work in the casualty, get through the motor vehicle accidents etc, you get to there at 9 o'clock walk back at the waiting area and the place would be packed by the walk-ins. And the people in the room would be young well-dressed couples with a baby. And you bring them in and what you will find is a gastro, or a rhinitis or things that are really marginal. And what had happened to these people is that they had worked all day, they had gotten home, they got to the child minder and she would say: the baby is sick. And they only reaction pattern that they had available to them, was take a pile of money, take a taxi, ride to the nearest hospital, sit there for three hours waiting to see a doctor, to be told: the baby is good. Here is some paracetamol and off you go. The kind of stuff that your mother and my mother would have handled on their own because of societal knowledge, societal experience, because of support structures and confidence and because of availability of product.” [SA-FP-7.1]

In addition, the founder was convinced that it was necessary to redesign the allocation of human resources in the South African health sector. Nurses were able to treat a large part of the diseases, however, the way the system was structured channeled all patients to highly skilled health personnel. The fee-based service model of SA-FP thus sought to enable the generation of financial surpluses and the empowerment of black women through the use of a franchised business model where the franchisor supports franchisees (nurses) for a period of five years. This support included providing seed and growth capital, establishing the infrastructure with the medical equipment and furnishings required to operate, and providing business skills training (specifically financial management and marketing training). SA-FP's clinics were meant to be strongly standardized in an effort to allow for high efficiency and economies of scale.

At the beginning of data collection, SA-FP (as a franchisor) was not yet incorporated as its own legal entity but rather operated as an intrapreneurial initiative. Despite its entrepreneurial

orientation, SA-FP was financed like a CSI (corporate social investment) initiative meaning that an annual budget was defined for the project. In addition, revenues were generated through the direct sales of health services, which were paid cash at the legally incorporated for-profit health facilities. In 2013, the franchisor SA-FP finally also incorporated as a separate legal entity.

Data collection took place at the mother company's headquarter, where the main administrative function were located as well as in three clinics around Johannesburg. As data collection and analysis for SA-FP revealed, the organization faced two major CTPs and reacted in two response cycles over a period of two years (see table 16).

Starting Point

The founder of the mother company knew that the kind of systemic change he wanted to make in the South African healthcare system was difficult to achieve and would require the collaboration with actors that had the resources and the capability to support this endeavor. Particularly in its early stages, SA-FP needed support from actors who shared the goal of improving the state of health in South Africa. Not only was their financial support crucial in order to scale the model, but also their expertise and network in the South African health market. Although determined to launch SA-FP as a for-profit business, the founder knew that supporters were mainly to be found in the public and third sector. Private health care providers in South Africa usually didn't target low-income customers and were thus unlikely to be interested in SA-FP's plans. SA-FP's mother company therefore started to get in touch with relevant actors from the third and public sector.

At the same time, the mother company started to develop the business model based on the principle of **maximum efficiency and fast scaling**. An ambitious scaling plan was developed, foreseeing the launch of 200 clinics within a period of two years. Processes were designed in a highly efficient and pragmatic way, as this was necessary to allow for fast scaling. In order to meet the shortage of human resources in the health market, for instance, the founder deeply believed in the need of "right-skilling medical staff":

"If we are going to wait until we got enough doctors in this country or in this continent, to deal with the health challenges that we have, we are going to see many dead people before we fix it. We have to task shift the services into other professions. Nurses need to do what doctors used to do. Assistant pharmacists need to do what a pharmacist used to do. Community workers need to do what nurse assistants used to do. We need to cascade responsibility down the qualification level in order to ensure that we get enough affordable resource in this space." [SA-FP-7.1]

SA-FP was thus built on a pragmatic reasoning that emphasized the societal benefits of redesigning the way health care was provided in South Africa.

CTP1: Struggling to Find Investment Partners

Intending to set up SA-FP as an initiative that involved all relevant parties, the founder and a designated management team started to reach out for potential partners. However, as an internal document provided by SA-FP describes, finding partners who believed in the business model and who were willing to collaborate was difficult:

“[The founder] describes early attempts to get the project off the ground. He had the idea, supplies, relationships and network to get this going, but he wanted it to be an inclusive process with all the relevant parties (mainly other NGOs) involved in the project. This was a mistake. After a year of meetings, conferences and discussions back and forth, nothing happened. The entire project was at risk of becoming a political football, or getting lost in other organisations’ processes.”
[SA-FP-7.20]

The major bottleneck that SA-FP experienced at that time related to the challenge of mobilizing seed funding for the market-oriented business model. As the same document indicated, the tension between **establishing an innovative business model and referring to conventional sources of funding was a tension over means that mainly related to conflicts between the social welfare and the commercial logic and could be traced back to the demands of potential financial partners:**

“Many NGOs/CSIs and governmental non-profit funding sources (...) have ethical concerns about allowing the recipients of their funding (...) operate in a for-profit manner.” [SA-FP-7.20]

Given these experiences, the mother company internally discussed the possibility of incorporating SA-FP as a nonprofit. Several employees advocated for this solution, as it seemed to better corresponded to the way health care for low-income populations was organized in South Africa. Furthermore it better reflected the strongly institutionalized principle of free access to health care in South Africa and would thus facilitate access to the necessary resources, particularly funding and strategic partnerships with incumbent players in the health market. In contrast, the founder was convinced that SA-FP could only succeed if considerable scale was achieved and he believed this was only possible through a for-profit business model. He explained:

“If it is going to fundamentally alter the secure access to quality health care services in communities across this country, you can't do it with five. You need 2000, 5000, if we're going to move the needle. This is not a feel good project. It has never been. This was about trying to find out if we could come up with a model that you could then rapidly scale in order to fundamentally change the delivery of health products and services. We won't achieve that with donations.”
[SA-FP-7.1]

The internal dilemma between incorporating as a for-profit or as a nonprofit was thus **again a tension over means emerging from institutional voids at the interstices of the social welfare and the commercial logic and related to conflicting claims of members of the management team.**

RC1: Piloting the Project as a Corporate Social Investment

The founder was convinced that the venture had to primarily follow a commercial logic, even if many internal and external stakeholders disagreed with this approach. However, it was also clear for the founder that the initiative couldn't attract any for-profit investor for the time being. The model first had to be proven and incorporating as a separate legal entity hence didn't seem to make sense at that time. Instead, **the mother company decided to avoid the exposure to conflicting external demands and first pilot a test version of SA-FP**, which would operate as a Corporate Social Investment (CSI) initiative under its own organizational umbrella and be entirely financed by the mother company. With this strategy, SA-FP carried the entire financial burden, but it could at least write off the costs as social investment, even if it was clear for the founder that the aim of the venture was to become a for-profit company. The strategy can thus be classified as a separating strategy as SA-FP decoupled the structure from the actual objective of the initiative.

Within this secured space, the mother company could further develop the business model, including the various measures that were believed to ensure the necessary efficiency. Once the business model was proven, the mother company could then spin-off SA-FP as its own company and seek the necessary resources to further scale the project.

CTP2: A Disenchanting Pilot Phase

Given the difficulties in finding suitable partners, the mother company had decided to act as the sole founder of SA-FP in order to avoid controversies that would inhibit the fast growth of the company. Nevertheless, the organization soon realized that collaborations with actors of the health sector were crucial and that even as the sole founder, the organization had to face controversial discussions.

Distributing health products or services in low-income communities, for instance, was difficult if SA-FP appeared as a brand belonging to the mother company. Large companies in South Africa were typically in the hands of white business men and were therefore not very trustworthy in the eyes of low-income – mostly black – communities given the centuries of ethnic oppression that they had suffered during colonialism and apartheid. After the end of apartheid, when the ANC – the political party advocating for the rights of black populations – took over the government, a range of programs had been started to promote the empowerment of black populations.

Economic liberalization had been a key pillar of ANC's political strategy. The private health market in South Africa is therefore well developed. However, it mainly targets the higher income levels. For the low-income populations, the government had thus strongly advocated the principle of free access to health care in order to redress the high inequality between black and white populations.

In order to tap into the market of low-income customers, the mother company had therefore at the beginning of the pilot phase approached informal traders – so-called spazas – and tried to convince them to partner and distribute their medical products. An internal document provided by SA-FP describes:

“The original business model conceptualisation included informal traders (e.g. spazas). This association of micro-entrepreneurs from the informal sector is a major characteristic of almost any inclusive BoP business model and a key feature of the benefits for poor people. However, management had no direct experience with accessing this channel, so they elected to go into partnership with a company that was already supplying this informal network with other products like mobile pre-paid airtime. [The former manager] originally contracted this company to supply the spaza shops with [medical supply in a box]. (...) This component of the pilot was very successful with demand far exceeding supply. (...) However, the company raised an important point: What is the legality of supplying medication without the package insert? And spaza shops owners in [Site 1] and [Site 2] echoed similar sentiments:

1) They were concerned with what impact this would have on their established logistics and distribution partners. Will involving themselves with [SA-FP] anger current supply chain partners? (...)

2) Assuming they accept this box, they have a very limited understanding of health ailments. They would not know where to begin advising people on what to use and purchase. Therefore, they will need additional training.

3) What if customers develop complications as a result of medicinal products that were sold to them (...)? How will the shop owner who sold the medication help? Will this type of event not lead to a negative backlash from the community on them and their stores? Did the box hold a potentially big risk to the store's brand reputation in these stocking products?” [SA-FP-7.20]

Reflecting the concerns of the black low-income population, spaza owners were thus very skeptical about the mother company's proposal to collaborate. SA-FP therefore faced a tension between **gaining the acceptance of extant market players at the BoP and establishing a market-oriented business model as a company with not only commercial but also “white” origins. The tension was thus a tension over goals rooted in contradictions between the social welfare and the commercial logic, which emerged due to the low legitimacy that SA-FP had in low-income communities in South Africa.**

In addition, SA-FP soon faced considerable challenges in implementing the fast-scaling, efficiency-maximizing business model that the founders and the management team had developed. First, for customers, **getting treated by a nurse was not equivalent to getting treated by a doctor**. As the first months of operation had shown, nurses were considered to be inferior to doctors, even if the disease that needed treatment didn't require particularly specialized knowledge. However, employing doctors instead of nurses was not possible at the scale that SA-FP sought to achieve, as this would have overthrown the basic financial projections on which the business model was built. Similarly, the management team of SA-FP realized that practices which functioned at one site could not necessarily be replicated at another site. As an internal document provided by SA-FP revealed, **differences across South Africa forced the organization to adapt its practices**, for instance, with regard to price setting:

“The correct price that the market is willing to pay for [SA-FP]’s services is yet to be determined. The experiences at [Site 1] showed that pricing can vary significantly based on the competition and the degree of price sensitivity of the immediate community. (...) Diverging health outcomes are not only found between healthcare sectors, they are also geographical. This partly reflects differences in burden of disease, infrastructure and lifestyle. Significant differences exist between health outcomes in different regions of South Africa.” [SA-FP-7.20]

The tension between **increasing the efficiency of processes through standardization and scale vs. responding to local customer demand** was thus a tension over means rooted in **institutional voids between Western-style business approaches and local values and beliefs at the BoP – or, in other words, between Western-style and local strategic action fields**. The tension, however, didn't emerge as a consequence of conflicting demands, but rather as a material tension embedded in the business model of SA-FP. In addition, the tension can also be classified as a contradiction between the social welfare logic, which stresses the need for locally customized approaches and the commercial logic, which stresses standardization as a way to maximize efficiency.

Second, SA-FP realized that customers were used to buying their medicine at informal retail channels where drugs were sold over the counter without any quality check or proper diagnosis. Such practices were clearly illegal in South Africa, however, the responsible authorities failed to enforce the regulatory institutions in the health market. One of the nurses explained:

“The challenge is that, especially the black community, they feel more comfortable when they are given some medication. (...) And sometimes it is also the question: do I empower someone or do I just give the medication. I would like to empower people to take charge of their lives and of their health, but I am always caught between: when I give them medication, am I really empowering them? For example in the case of hypertension, it is more important that people live healthy, that would get their hypertension down. But if I don't give them the medicine they just go somewhere else. And then I loose them as customers.” [SA-FP-7.7]

In this context, customer habits incentivized the franchisees to neglect the social rationale and directly meet customer demands for fast access to medication. **Institutional voids between formal and informal strategic action fields therefore resulted in a tension over goals between educating people, that is, providing services based on a social rational vs. adapting to local customer demands, that is, providing services based on a commercial rationale.**

In addition, with regard to price setting, SA-FP also soon realized that the willingness and ability to pay for health services was much lower than expected. An internal document provided by SA-FP described the situation as follows:

“Community employment and willingness to pay is much lower than expected for most clinic locations: Except for the [SA-FP] Clinics in [site 1], most of the clinics were located in communities of huge unemployment and very low willingness to pay. Not only are people in these communities willing to wait in long public queues for healthcare, but they also survive on grants of R280 per month, so paying 150 is out of the question.” [SA-FP-7.19]

In sum, SA-FP faced a tension over goals among the nurses that run the clinics. They reported to feel constantly torn between identifying as a member of SA-FP and feeling as a member of the low-income communities themselves. The institutional void underlying the tension was thus a contradiction between Western-style market approaches and local values, beliefs and habits. **Ultimately, this tension also manifested as a tension over goals between the social welfare and the commercial revenue as nurses were caught in the dilemma between setting prices that generated enough revenue and setting prices that were affordable.**

Given these tensions, the mother company realized that the scaling plans were impossible to achieve in the aspired time frame. In addition, the pilot project had absorbed much more money than initially envisaged and SA-FP started to reach its financial limits. An internal document described the situation:

“After the initial pilot, funding still remains a challenge. According to [the project manager], internal funding still requires changing the mindset of the “hard-core (...)” executives who still perceive [SA-FP] as a CSI side project and not as a viable future business opportunity. Luckily, the core group of executives (and shareholders) do not share the same opinion. Unfortunately, scale is still required to make the project viable and attractive for external funding, but as external funding is required to make the project scalable, a vicious cycle has emerged. Many of the external partners who are willing to fund [SA-FP] towards scale require a minimum of ten self-sufficient clinics. (...). With only one self-sufficient clinic (...), funding remains the pre-eminent challenge for the entire endeavor.” [SA-FP-7.20]

Launching SA-FP as a CSI initiative had, on the one hand, allowed starting to operate with no further delay and without substantial controversies with other founders. On the other hand, it had concentrated the entire risk of the venture on the shoulders of the mother company. Getting other parties on board to share the costs and minimize the reputational risks was thus crucial. **The need to seek funding from collaborators and consequently the tension between incorporating as a for-profit or nonprofit was thus on the table again:**

“Sharing the business risks with partners is another discussion point. Currently, [the mother company] is taking too much risk in expanding and developing [SA-FP] on its own. Hence, [the mother company] urgently needs to diversify its risk pool via strategic funding or participating with partners to help develop and expand [SA-FP] into a national and regional value proposition that can make a meaningful difference to the lives of thousands of South Africans.” [SA-FP-7.20]

„We have to register it. And we are thinking about a PTY, or maybe also to have it as an NPO, cause it is not supposed to make profit. It is supposed to be a vehicle to assist to this.” [SA-FP-7.4]

Once again, these tensions were rooted in institutional voids between the social welfare and the commercial logic as they related to the deeply institutionalized archetypes and routines in the third and private sector.

RC2 – Setting up a Hybrid Structure and Slowing Down Scaling Plans

Having learnt from the pilot phase, SA-FP decided to take measures to alleviate the tensions. The management team realized once more that reaching scale was crucial for the success of the endeavor. Operating under the organizational umbrella of the mother company didn't allow reaching this scale, as it hindered any other investors to get involved and leverage the venture. The management team thus realized that it was time to create its own legal structure. Given the previously mentioned dilemma between incorporating as a for-profit or a nonprofit, SA-FP decided to **establish a hybrid organizational structure** – a for-profit *and* a nonprofit organization – at the franchisor level in order to enable the organization to access both philanthropic and investor funding. This strategy was a cumulative hybridization strategy in that it aimed at balancing the disparate demands of the social welfare and the commercial logics. On the one hand, the nonprofit organization allowed leveraging the incentives provided by the BBBEE framework, which was an influential regulatory framework that required South African companies to invest 3% of their annual profits into projects that empowered the Black South African population. The founder explained:

“You've got the trust, then the operating company, then the franchisees. The trust is the nonprofit. The operating company is for-profit. The trust is the vehicle into which people put their money. That gives them their points for the BBBEE scorecard.” [SA-FP-7.1]

The program manager of SA-FP further added:

So our plan to package this whole thing, so that other companies can invest, cause there is lots of companies that have to do BBBEE. Other companies can put forward their 3%. And with that, if we get our own clients, for example, putting their 3%, then, it's a whole different thing. (...) So for us, the perfect opportunity for us would be to say (...) guys, put in all your money, cause we all have to comply, put all your money towards this project, so that we can actually have the 200 clinics in twelve months. We want to build this whole infrastructure. We would need a much bigger team to make sure we as a franchisor hold the standards consistently across the country. Then we would make a real impact out there and we would have our clients achieve their BBBEE. Some people struggle, they don't know what to do with their 3%. They don't get 15 out of 15 or 20 out of 20 for procurement." [SA-FP-7.4]

On the other hand, the for-profit organization also opened up the possibility to attract investors for the operating company in order to further scale SA-FP. The founder of SA-FP was convinced that this type of funding was necessary, as it was less restricted and could thus be deployed more freely as donations. However, the experiences from the pilot phase also showed that the scaling plan was too ambitious, given the challenging conditions that prevailed in the South African BoP context. Operational procedures such as price setting needed to be **adapted to the local conditions**. An internal document summarized the lesson that the organization had learnt:

"Our initial hypothesis was to charge a uniform set of prices across all clinics in order to standardized prices to facilitate scalability. However, after visiting the clinics and communities, we have concluded each clinic should continue to charge different prices ranging from R100-R150 based on community unemployment and willingness to pay, availability and quality of local public clinics and private GPs, location and proximity to town centers, shopping centers, etc." [SA-FP-7.19]

With regard to the institutionally rooted tensions that SA-FP faced in its interaction with incumbent market players and with the public sector, SA-FP needed to invest significant efforts in gaining moral acceptance for its approach. This required the organization to **prove the sincerity of its social goals by engaging in regular talks and showing presence on the ground**. This was necessary to be able to enter collaborations with local actors that could spread the word for SA-FP's approach and thereby raise the demand of customers for its health care services. However, it also **dramatically slowed down the operations of SA-FP and challenged the ambitious business plan**. The scarcity of human resources, the low willingness and ability to pay for health services as well as the institutional circumstances in the South African health market forced SA-FP to **slow down its scaling ambitions**. As a consequence, SA-FP **needed to put a greater emphasis on the social welfare logic as initially planned**. Having started the initiative with the plan to incorporate SA-FP as a for-profit company only, the founder ultimately decided to opt for a hybrid structure approach meaning that he founded both a for-profit and a nonprofit legal entity at the franchisor level.

In sum, the strong institutionalization of the principle of free access to health care, particularly among representatives of the public and third sector, was a greater obstacle for SA-FP than originally thought. It was, however, also clear that the current health system, which operated under this principle, hadn't been able to manage the severe health issues in the country. The founder therefore also engaged in many discussions with key stakeholders to explain why South Africa was far from reaching free universal health care and **that the country needed more pragmatic solutions** to meet the urgent health needs of its population. An internal document described the situation:

“Universal free access, (...) remains to some extent theoretical, since hidden costs are not taken into account: These include transport, which is one of the factors which the [SA-FP] model tries to address, as well as lost revenue caused by long waits as people queuing at a clinic are unable to be at work. The [SA-FP] model thus offers a wider range of options for people living in poverty, and the calculation is that people are often prepared to pay a fee in exchange for shorter waiting periods or shorter distances covered.” [SA-FP-7.9]

He thus engaged in **lobbying activities** – which can be classified as part of an active strategy – in order to gain moral legitimacy for a pragmatic approach to health care.

Outcome

SA-FP faced considerable challenges in implementing the business model in the pace and with the efficiency that were initially envisaged. Before becoming a self-sustainable or even profitable business that could attract investors, **SA-FP depended on the support of actors from the public and third sector to get off the ground and prove the concept**. Although the founder had been aware of this since the beginning, he didn't expect to face as much skepticism towards his commercially oriented approach.

At the time of data collection, SA-FP was a fragile case in that several of the tensions that the organization had experienced in CTP1 and CTP2 remained substantial. SA-FP still carried the whole financial risk and knew it had to find financial partners for the initiative to survive. Employees and market participants further still remained skeptical. **In the South African context, gaining legitimacy for a market-oriented approach to health care at the BoP had thus proven to be very challenging for SA-FP**. It was therefore essential for the organization to gain the acceptance of actors from the public and third sector who could help SA-FP to become a legitimate player in low-income communities. Only with their support could SA-FP overcome the material trade-offs in the business model.

	T ₀	→	CTP1 →	RC1	→	CTP2	→	RC2	→	Outcome
Product and service delivery	Seek maximum efficiency through standardization of product and service delivery (<i>commercial logic</i>)					Provide services based on social rationale vs. based on commercial rationale (<i>tension over goals /institutional voids between formal and informal strategic action fields</i>) Set prices based on costs vs. set affordable prices (<i>tension over goals/institutional void between social welfare and commercial logic</i>) Increase the efficiency of processes vs. respond to customer demand (<i>tension over means/institutional void between Western and local strategic action fields + between social welfare and commercial logic</i>)		Reduce level of standardization by adapting product and service delivery to local conditions (<i>dismissing strategy - social welfare logic</i>)		Need to slow down scaling ambitions
Human resources	Social franchise model; Right-skilling of health personnel (nurses as franchisees) (<i>hybrid logic</i>)					Identify as member of low-income communities vs. identify as member of market-oriented health provider (<i>tension over goals/institutional voids between Western and local strategic action fields</i>)				Tensions among nurses persist
External relations	Position as an alternative to public and third sector and simultaneously seek collaboration with both sectors (<i>hybrid logic</i>)			Avoid exposure to controversial claims (<i>dismissing strategy</i>)		Establish innovative, market-oriented business vs. Gain acceptance of incumbent health players in health markets (<i>tension over goals/institutional voids between Western-style and local strategic action fields</i>)		<ul style="list-style-type: none"> ▪ Slow down scaling plans and increase presence on the ground to prove sincerity of social goals (<i>dismissing strategy, emphasis on social welfare logic</i>) ▪ Lobby for more pragmatic, market oriented approach to health care in South Africa (<i>creative strategy – hybrid logic</i>) 		Success of initiative dependent on acceptance of actors of the third and public sector
Summary of outcome										Fragile Equilibrium <ul style="list-style-type: none"> ▪ Short term resolution of tensions ▪ Unclear whether organization would be able to gain legitimacy in low-income settings and from other financiers

6.1.5 Comparative Reflections on Hybrid Organizations with Origins in the Commercial Logic

Comparing the four hybrid organizations with origins in the commercial logic revealed that two organizations – **MEX-FP and KEN-FP** – could ultimately establish virtuous cycles, meaning that they were successful in sustainably overcoming the tensions that they faced through hybridization strategies – or, in other words, they were able to **turn institutional voids into opportunity spaces**. In contrast, **COL-FP and SA-FP** were only able to establish fragile equilibriums, meaning that they succeeded in resolving tensions in the short term through hybridization strategies, but remained likely to face the same or new substantial tensions soon. In order to understand the process of turning institutional voids into opportunity spaces, the following sections will summarize the tensions that have manifested, and the hybridization strategies that have been applied by hybrid organizations with a commercial origin. Subsequently, the focus will be laid on the factors that enabled and/or constrained the organizations in referring to hybridization strategies to manage the tensions.

On the Process of Turning Institutional Voids into Opportunity Spaces

Determining the Types of Tensions and Institutional Voids

Taking a deeper look at the tensions in the virtuous and the fragile cases revealed that organizations faced tensions relating to conflicting demands of referent audiences from the commercial and the social welfare logic and to other institutional voids, namely voids between formal and informal strategic action fields (e.g. price-fixing agreements in Mexican health sector) as well as voids between Western and local strategic action fields (e.g. health seeking behavior of low-income populations). These institutional voids manifested in the form of tensions over goals and tensions over means (see table 17 for a detailed account of the tensions and hybridization strategies and appendix 5 and 6 for the corresponding empirical material). Further, they surfaced as a consequence of conflicting demands of adherents of conflicting logics or as material tensions that were embedded in the business models of the organizations and that became salient through external events or institutional voids.

Identifying the Hybridization Strategies and Hybridization Patterns

At first glance, both virtuous cases seemed to differ substantially with regard to their hybridization strategies. While MEX-FP kept positioning itself as a new type of hybrid organization, and thus explicitly emphasized its innovativeness in RC1 and RC2 (towards present and future employees as well as external partners), KEN-FP decided to take a step back when a tension over goals between the social welfare and the commercial logic surfaced within the organization and risked to cause substantial uncertainty among employees. The founders ultimately decided to shift their

communication (towards employees and potential funders) and position KEN-FP as a normal commercial business instead of defining themselves as some kind of socially oriented organization.

However, comparing the hybridization strategies of MEX-FP and KEN-FP in more detail revealed important similarities. Although overall, MEX-FP positioned itself as a new type of hybrid organization, it kept emphasizing that it was a for-profit when facing a tension that related to institutional voids between the social welfare and the commercial logic. This tension over goals emerged in MEX-FP's interaction with employees, as the job profiles that strongly reflected the efficiency maximizing approach of MEX-FP conflicted with the imprinting of health personnel in particular. As a response, the organization pursued a strategy of inspirational leadership stressing the **innovativeness** of the organization as a for-profit – but not profit maximizing – organization operating in the market. MEX-FP emphasized that it was distinct from extant health players of the commercial sector, which sought profit maximization but also distinct from third sector organizations that were dependent on donations and thus restricted in their decision-making and financial sustainability. In other words, the organization explicitly adopted an offensive approach of sensemaking in which it pointed to the prevalence of institutional voids between the social welfare and the commercial logic, namely that both “pure logics” failed to provide affordable high-quality health care to low-income people, in order to gain moral legitimacy for its innovative hybrid approach (creative strategy). However, as the organization explained, the **hybrid approach needed to have a commercial emphasis given that it enabled the organization to change the system from within** by defeating health providers with their own arguments, namely competition. Hence, the commercial emphasis was argued to be a means to a higher end. Aware of the tensions that this hybrid approach could engender, MEX-FP sought to be very transparent about its commercial orientation and the need to ensure rigorous cost efficiency in order to prove the model was feasible. By doing so, the organization could, on the one hand, anticipate criticism from stakeholders arguing that MEX-FP was not social enough. On the other hand, this approach allowed MEX-FP to attract – particularly young – employees who wanted to contribute to the idealistic objective of making a systemic change in the Mexican health market and were attracted by the intellectual challenge of proving a new type of business model.

However, when MEX-FP faced tensions that related to other types of institutional voids, the organization proposed a hybrid approach with an emphasis on its social objectives and positioned the commercial logic as a means to a higher end. For instance, when facing a tension in its interaction with competitors (based on the institutional voids between formal vs. informal strategic action fields), MEX-FP emphasized its higher social goal and, again, positioned the founders as inspirational leaders that wanted to bring about systemic change in the Mexican health system.

Table 17: Overview of Tensions and Hybridization Strategies in Hybrid Organizations with Commercial Origins

CTP/RC	Tension	Nature of Tension	Audiences Imposing Claims on Organization	Institutional Void Underlying Tension	Strategic Reponse	Changes in Hybridization Pattern	Type of Hybridization Strategy
VIRTUOUS CASES							
<i>MEX-FP</i>							
CTP1 / RC1	<i>Nonprofit background of employees vs. gain and maintain acceptance of business oriented model among staff</i>	Tension over goals	Employees	Social welfare / commercial logic	<i>Impression management and inspirational leadership: Emphasize hybrid approach with commercial face by stressing the need to establish a new type of financially sustainable business model requiring rigorous cost efficiency</i>	Ceremonial emphasis on commercial logic	Separation strategy
					<i>Sensemaking and inspirational leadership:</i>	-	Creative strategy
	<i>Disrupt health markets vs. gain acceptance from competitors with quasi-gatekeeping power concerning human resources</i>	Tension over means	Competitors	Formal / informal strategic action fields	<i>Impression management: Emphasize hybrid approach with social face by stressing goal to disrupt Mexican health market</i>	Ceremonial emphasis on social welfare logic	Separation strategy
					<i>Sensemaking</i>	-	Creative strategy
CTP2 / RC2	<i>Provide to public sector vs. establish financially sustainable organization</i>	Tension over means	None (material tension embedded in business model)	Western / local strategic action fields	<i>Increase focus on cross-subsidization between revenues from sale to higher-income and lower-income populations</i>	-	Creative strategy

	<i>Business model based on scale vs. need to adapt to local customer demand</i>	Tension over means	None (material tension embedded in business model)	Western / local strategic action fields + social welfare / commercial logic	<i>Increase educational marketing campaigns in collaboration with actors from third and public sector to attract customers</i>	Ceremonial emphasis on social welfare logic	Cumulative strategy
KEN-FP							
CTP1 / RC1	<i>Establish innovative hybrid business model vs. depend on existing funding mechanisms for scale</i>	Tension over means	Potential funders	Social welfare / commercial logic	<i>Bricolage:</i> <ul style="list-style-type: none"> ▪ <i>Personal equity investment of funders (hybrid logic)</i> ▪ <i>Invent new type of hybrid funding (hybrid logic)</i> 	-	Creative strategy
					<i>Emphasize social goal to mobilize financial support from personal networks of founders</i>	Ceremonial emphasis on social welfare logic	Separation strategy
CTP2 / RC2	<i>Sell services / products based on social rationale vs. based on revenue expectations</i>	Tension over goals	Employees	Social welfare / commercial logic	<i>Emphasize goal of establishing financially sustainable organization with high quality standards</i>	Ceremonial emphasis on commercial logic	Dismissing strategy
	<i>Establish innovative hybrid business model vs. depend on existing funding mechanisms for scale</i>	Tension over means	Potential funders	Social welfare / commercial logic	<i>Reverse decoupling:</i> <ul style="list-style-type: none"> ▪ <i>Position as a “normal” business</i> ▪ <i>Take advantage of positive reputation of commercial health providers and emphasize “direct” downward accountability of commercial logic</i> 	Ceremonial emphasis on commercial logic	Dismissing strategy
FRAGILE CASES							
COL-FP							
CTP1 / RC1	<i>Establish innovative business model vs. depend on institutionalized financing mechanisms</i>	Tension over means	Potential funders	Social welfare / commercial logic	<i>Sensemaking: Emphasize innovativeness of new commercially oriented hybrid approach and delegitimize extant health players to gain moral legitimacy</i>	Ceremonial emphasis on commercial logic	Creative strategy
					<i>Accept nonprofit funding and partner with NGO to channel through donations</i>	Substantial shift towards social welfare logic	Dismissing strategy

SA-FP							
CTP1 / RC1	<i>Incorporate as a for-profit vs. as a nonprofit</i>	Tension over means	Management team	Social welfare / commercial logic	<i>Decoupling: Pilot project as a Corporate Social Investment of mother company</i>	Ceremonial shift towards social welfare logic	Dismissing strategy
	<i>Establish innovative business model vs. convince nonprofit funders</i>	Tension over means	Potential financial partners	Social welfare / commercial logic			
CTP2 / RC2	<i>Establish innovative, market-oriented business vs. Gain acceptance of incumbent players in health markets</i>	Tension over goals	Incumbent players in health market	Social welfare / commercial logic	<i>Sensemaking: Lobby for more pragmatic, market-oriented approach to health care in South Africa</i>	-	Creative strategy
	<i>Increase the efficiency of processes vs. respond to customer demand</i>	Tension over means	Potential customers	Western / local strategic action fields + Social welfare / commercial logic	<i>Prove sincerity of social goals by</i> <ul style="list-style-type: none"> ▪ <i>showing more presence on the ground</i> ▪ <i>reducing level of standardization</i> ▪ <i>slowing down scaling plans</i> 	Substantial shift towards social welfare logic	Dismissing strategy
	<i>Provide services based on social rationale vs. based on commercial rationale</i>	Tension over goals	Employees	Formal / informal strategic action fields			
	<i>Identify as member of low-income communities vs. identify as member of market-oriented health provider</i>	Tension over goals	Employees (franchisees)	Western / local strategic action fields			
	<i>Set prices based on costs vs. set affordable prices</i>	Tension over goals	Employees (franchisees)	Social welfare / commercial logic			
	<i>Incorporate as a for-profit vs. incorporate as a nonprofit organization</i>	Tension over means	Management team	Social welfare / commercial logic			
	<i>Establish innovative business model vs. convince nonprofit funders</i>	Tension over means	Potential financial partners	Social welfare / commercial logic	<i>Incorporate a hybrid structure (nonprofit and for-profit organization)</i>	Substantial shift towards social welfare logic	Cumulative strategy

In addition, when facing a tension in the delivery of products to the public sector and to end consumers (based on institutional voids between Western vs. local strategic action fields and on institutional voids between the social welfare and the commercial logic), MEX-FP emphasized its adherence to the social welfare logic to gain acceptance and support from actors in the third and public sector, particularly local organizations that could help raise the demand of low-income people for MEX-FP's products and services. Hence, MEX-FP repeatedly explained that it needed to overcome the institutional voids that it faced with a commercial emphasis but needed support of third and public sector actors to be able to do so. **In other words, the organization made sense of the institutional voids it had faced to gain moral legitimacy for its innovative hybrid approach.**

KEN-FP also **actively made sense of the institutional voids between the social welfare and the commercial logic** when facing the challenge of not being able to convince funders. By suggesting a new type of funding that blended sector logics and thus fit the goal of the organization to establish financially sustainable health care facilities, the organization was able to mobilize its personal network and access enough financial resources to build the first clinic and prove the business concept. Yet, when experiencing another tension between the social welfare and the commercial logic, KEN-FP decided to strongly side with the commercial logic by positioning the organization as a "normal business" in order to gain cognitive and moral legitimacy. In contrast to MEX-FP which decided to keep defeating extant players in the health system in Mexico and thus "building upon" the prevalence of institutional voids, KEN-FP ultimately decided to circumvent institutional voids and capitalize on cognitively established organizational categories. With this approach, KEN-FP succeeded in acquiring long-term investment and providing clear guidance for its employees.

In sum, it can be noted that MEX-FP and KEN-FP both succeeded in turning institutional voids into opportunity spaces by referring to impression management, that is, the emphasis of their social or their commercial face depending on the audience from which they sought acceptance and the argument that they wanted to emphasize. However, the oscillation between logics only took place at a ceremonial level of impression management. In fact, neither MEX-FP nor KEN-FP made substantial changes in their hybridization patterns. Besides this impression management, the organizations pursued different strategies. While **MEX-FP referred to more active resistance and continued to explicitly position the organization as a hybrid organization that challenged the inequitable health system, KEN-FP referred to a more defensive strategy of decoupling its structure and communication from its actual behavior.** These strategies allowed both organizations to gain the legitimacy of essential stakeholders, in particular hybrid funders, and manage their expectations.

The fragile cases revealed different hybridization strategies. COL-FP initially applied a similar strategy of decoupling its structure from its actual objectives. The organization incorporated as a for-profit although it clearly prioritized social objectives. However, when facing a tension between

the social welfare and the commercial logic, COL-FP ultimately had to depart from its initial hybrid approach in the area of financing towards a stronger emphasis on the social welfare logic. While the organization initially sought to convince funders to provide them with funding that suited their hybrid nature, it ultimately had to accept donations to be able to continue its operations. However, these donations were not long-term oriented and tied to restrictive accountability requirements.

The analysis of the second fragile case, SA-FP, depicts similar patterns. After trying to avoid tensions between the social welfare and the commercial logic in RC1, SA-FP ultimately faced a series of tensions in CTP2 that were rooted in institutional voids between sector logics and other contradictions between Western and local strategic action fields. In contrast to the virtuous cases, and similarly to COL-FP, SA-FP had to substantially emphasize its adherence to the social welfare logic in order to avoid that the tensions intensified. This was particularly necessary to overcome the skepticism from external audiences, particularly in low-income communities as well as in the public and third sector, about the organization's sincerity towards social goals.

In sum, it can be noted that **the virtuous cases mainly managed to limit the oscillation between logics at a ceremonial level** (impression management), while **the fragile cases had to refer to substantial changes in their hybridization patterns** (accepting traditional nonprofit funding in COL-FP, creating nonprofit organization and slowing down scaling plans in SA-FP).

On the Ability to Hybridize

The present study seeks to understand how field-level factors influence organizations' ability to maintain or implement hybridization strategies in an effort to turn institutional voids into opportunity spaces. The ability to hybridize is thus defined as an organization's ability to freely select structures and practices from competing logics in an effort to create a new hybrid arrangement and overcome substantial tensions. As the last section has outlined, two cases with commercial origins showed the ability to do so and turn institutional voids into opportunity spaces through hybridization strategies. Prior research has suggested that the type of tension might determine an organizations' ability to overcome tensions. In particular, tensions over goals have been argued to be more difficult to resolve than tensions over means. Looking at organizations with commercial origins revealed no significant relationship between the type of tensions that organizations faced and the type of hybridization strategies that they implemented. The different types of tensions (tensions over goals/tensions over means; tensions emerging from conflicting institutional demands/material tensions) as well as the different types of antecedents (institutional contradictions between the social welfare logics and the commercial logics; between formal and informal strategic action fields; between Western and local strategic action fields) could be found in both virtuous and fragile cases.

However, as the comparative analysis suggests, **the success of both virtuous cases is closely related to the support that they received and the time in which they were founded**. Hybrid

organizations with commercial origins were all relatively young and could thus draw from experiences that other organizations with similar hybridization patterns had made. Further, they could benefit from the existence of new support mechanisms that embraced the idea of blended value creation. MEX-FP and KEN-FP had ultimately succeeded in gathering financial resources that fit their hybrid nature. MEX-FP started with a larger private investment of the founders and later succeeded in closing a first investment round with “hybrid funding”, meaning funding that was dedicated to the support of blended value creating organizations. This was also the case in KEN-FP. In addition to the private investments of founders, the organization had mobilized “hybrid funding” through their social network and ultimately succeeded in receiving an investment from an international social investment fund. COL-FP and SA-FP hadn’t been successful in raising such funds. Hence, they had to make a compromise and deviate from their initial hybrid approach by emphasizing the social welfare logic. This seemed to be the only option for them to continue their operations. However, they were still able to draw from the experience of previous hybrid approaches, and, in the case of COL-FP, of support from an incubator that focused on blended value creation and thus trained the paradoxical cognition of the organization.

Reflecting on the reasons why MEX-FP and KEN-FP were able to mobilize hybrid funding while COL-FP and SA-FP weren’t, two observations appeared to be striking. First, although neither MEX-FP nor KEN-FP had proven the financial feasibility of their business model at the time of data collection, they both succeeded in convincing social investors. It can thus be assumed that the decision criteria of funders were not based on rationality, but rather on other factors that suggested investment worthiness. As insights from prior research, field observations and talks of the researcher with members of the BVC scene revealed during the field trips, social investment funds in developing and emerging economies seemed to emphasize values, practices, routines and hiring practices from Western commercial capital markets. It is thus assumed that the personal backgrounds of the entrepreneurs played a major role in enabling MEX-FP and KEN-FP to access hybrid funding. The founders all depicted a strong Western imprinting, either due to their nationality (KEN-FP) or due to their educational background (MEX-FP).

Having said that, it is not believed that the personal background of COL-FP’s and SA-FP’s founders – who also had commercial backgrounds but were Colombians and, respectively, South African – was per se inhibiting. However, it also didn’t allow the organizations to compensate for their low investment worthiness at the time of data collection.

Reflections on the influence of the institutional context on hybrid organizations’ ability to hybridize will be presented in 6.3 to include the analysis of hybrid organizations with social welfare origins.

6.2 Hybrid Organizations with Social Welfare Origins

6.2.1 MEX-NP: Exiting the Nonprofit World

MEX-NP is a nonprofit hybrid organization founded in 2005 by a Mexican philanthropist and managed by two Mexican managers with professional backgrounds in nonprofit management. The organization focuses on providing comprehensive high-quality health services, including not only the traditional care of the acutely or chronically ill patient, but also the prevention and early detection of disease and the rehabilitation of the disabled. At the time of data collection, MEX-NP sought to achieve financial sustainability by generating revenues through out-of-pocket payments. However, a large portion of funding came through private and institutional donations and later through a grant from a Mexican social investment fund, in which MEX-NP's founder was also involved as a limited partner. Further, MEX-NP had received a significant grant from the Mexican government for building a health facility in 2005.

With its focus on rural and marginalized populations, MEX-NP operated three hospitals at the time of data collection, all located in small towns or rural areas in Mexico. Data collection for this study took place at the main site from which key functions were effectuated. As the next sections show, the organization faced two CTPs over a period of eight years, leading to two response cycles (see table 18).

Starting Point

MEX-NP had, since the beginning, operated on a fee for service basis, with all products and services being provided at their own hospital facilities. However, the organization showed a stronger emphasis on the social welfare logic given that donations had always been necessary to compensate for the losses that MEX-NP was making. Further, the organization was mainly composed of health personnel and administration personnel with a nonprofit background. Finally, having chosen locations in which populations lacked nearby health provision, and having received a large grant from the Mexican government to build a hospital, MEX-NP had, since inception, understood itself as a complement to the public health system.

However, a few years after MEX-NP had started its operations, the institutional context, and, more specifically, the resource environment started to change and began questioning the organization's approach.

CTP1: Losing the Main Revenue Source

When MEX-NP started its operations, the organization could still refer to private and institutional donations dedicated to improve the situation of the health sector in Mexico. The Seguro Popular

– the Mexican health insurance for people lacking a formal job – had just been introduced, but was still far from being rolled out. Consequently, demand for MEX-NP's services was high since they were cheaper than services from other private health providers and, at that time, depicted a much higher quality than public health services. However, with the introduction and rapid expansion of the Seguro Popular, particularly after 2010, demand for MEX-NP's products and services changed, and donors started to withdraw their support, given that the government had made substantial improvements in providing access to health care care for low-income people. The general manager of MEX-NP explained:

“Initially, when this hospital started to operate, there was no Seguro Popular and health coverage was not at 100%. So obviously we served this population that had no access to any public health facility, so we attended these people, but today nearly all of them are covered, so they prefer to go to the next city instead of paying a fee. That's their preference, and that has hit us in the sense that we are not experiencing the demand that we have planned for”. [MEX-NP-4.1]

MEX-NP thus faced the material tension that **the achievement of its social goal**, namely the improvement of the health sector in Mexico, **had just gotten much closer, but at the same time, this societal progress suddenly threatened the financial fundament of the organization**. Many of the health services that MEX-NP provided at low rates were now covered by the Seguro Popular. People thus decided to go to the next larger city in order to get services for free rather than buying them in MEX-NP's clinic. In addition, donations were decreasingly available. The organization thus faced a severe dilemma. While the social welfare logic, in theory, suggested that the organization had achieved its social goals and should therefore close, the commercial logic suggested endless organizational growth and exploitation of financial opportunities. **The tension was thus a tension over goals rooted in institutional void between the social welfare and the commercial logic.**

Given these institutional changes and the stragic dilemma, MEX-NP had to rethink its social orientation and, as part of it, its relationship with the government. Internal discussions about the role of MEX-NP emerged. Through the implementation of the Seguro Popular, the need for MEX-NP's services had changed. Access to health care was now available at public health facilities almost free of charges. While the government had been a key supporter in the past, the introduction of the Seguro Popular suddenly had made him the main competitor. Consequently, following the original normative foundation of MEX-NP to act as a complement of the public health system, one part of the management team argued that the organization should now seek the affiliation of the Seguro Popular and become practically embedded in the public health system. However, others argued that an overly strong dependence on the public sector was dangerous for MEX-NP, as it would risk becoming the “political football” of a health system that was not yet well established. They therefore proposed to set MEX-NP up as a competitor to the public health system and to seek new forms of revenue, for example, in collaboration with private

companies. Positioning MEX-NP as a competitor to the government, however, meant a major strategic shift, particularly with regard to the original normative foundation of the organization. **The tension between collaborating versus competing with the government was thus a tension over goals that was rooted in contradictions between the social welfare and the commercial logics and emerged among members of the management team.**

RC1: Making the Business Case

In order to secure the organization's *raison d'être* on both ends, the social and the financial, MEX-NP decided to seek affiliation with the Seguro Popular and, therefore, to stick with its original collaborative attitude towards the government. The public health insurance scheme presented an attractive possibility for generating revenues while continuing to serve the low-income population in Mexico. MEX-NP's general manager put it in simple words:

“And that's why we said: if you can't cope with the enemy then go with the enemy, that's why we try to work with the Seguro Popular now.” [MEX-NP-4.1]

However, the management team knew that the Seguro Popular was newly implemented. Experiences concerning its reliability were thus lacking. In addition, the process of getting affiliated could last several months or even longer. Not only did it come along with significant bureaucratic efforts, it also most likely required modifications in the hospital facilities. However, MEX-NP was already in a difficult financial situation, particularly as donors increasingly started to withdraw their support for health care organizations in Mexico. The organization thus couldn't afford to wait until the affiliation was granted without any other income streams. **The management team thus simultaneously sought ways to generate other types of revenue through the direct sale of health services.** In other words, simultaneous to emphasizing the collaborative attitude of the organization, MEX-NP also explored ways to establish the organization as a direct competitor to the government. **This strategy can be classified as a cumulative strategy as it sought to balance disparate demands of the social welfare and the commercial logics.**

In addition, they had realized that with the perspective of affiliating to the Seguro Popular, MEX-NP had the potential to become a lucrative organization in the future. The general manager and the founder of MEX-NP therefore started to reflect upon the possibility to apply for support from the social investment fund in which the founder was involved as a limited partner. Legally, MEX-NP was currently unable to receive an investment that required profit distribution at some point. However, MEX-NP's founder signaled his willingness to adapt the organizational structure in a way that made profit distribution possible in the future: *“Who knows, maybe in the future we will be able to generate enough profits to scale this program significantly and to pay returns to investors who have supported us” [MEX-NP-4.1].* In other words, **MEX-NP started to consider converting into a for-profit in order to access funding from a social investment fund and**

respond to the new resource environment in which donations for health care organizations in Mexico were decreasingly availability. **This strong emphasis on the commercial logic can be classified as a dismissing hybridization strategy.**

However, to become attractive for the social investment fund, MEX-NP knew that it had only a few months left to improve its financial performance and to minimize its costs. In addition, MEX-NP's organizational culture had been strongly influenced by the social welfare logic in the past. Transitioning to a for-profit, or even increasing the market-orientation of the organization, meant a substantial shift that needed to be performed cautiously. Employees had, for instance, accepted the low wages that MEX-NP paid them because of the social goals of the organization. However, with the improvements in the public health system, the organization's *raison d'être* was challenged from a social point of view. And even if MEX-NP was now planning to convert into a for-profit, the organization was not able to raise the wages until it had moved out of the financial squeeze. Towards employees, the management team of MEX-NP thus **needed to redefine its blended value creating goals in the new context of the Mexican health system in order to justify the low wages that they were only able to pay.** In order to do so, the organization had to justify why it still needed an organization like MEX-NP from a social point of view. The founder and the management team therefore argued that although the Seguro Popular had been introduced and had thereby dramatically improved the Mexican health care system, a large portion of the Mexican population remained without access to affordable, high-quality health care. In an interview, one of the Program Managers explained:

"It's not like the Seguro Popular will drastically improve the situation in the health care market from one day to the other. I mean, it's a huge improvement, really. But there are many issues left. It takes very long for people to become enrolled in the Seguro Popular. Sometimes several months of paperwork. And then there is also the problem of the public clinics' capacities. They are overwhelmed by the high demand. So, quality is often bad. It's going to take many more years until we can say that we have a well functioning public health system for the poor and rural population. And then, it's also not for free. I know the government says that the Seguro Popular brings access to health care for low-income people free of charge. But the way to go to the public clinics and hospitals costs. Waiting time costs. For many of them, it is cheaper to go to a private health care provider and pay for getting treated soon instead of spending entire days to wait for a doctor's appointment. [MEX-NP-4.2]"

In sum, it can be noted that MEX-NP's founder and management team chose to juggle the commercial and the social welfare logic at several levels to bridge the time until the organization had converted into a for-profit.

Outcome - Unstable Funding and Narrow Strategic Leeway

At the time of data collection, it was still not sure whether MEX-NP would be able to establish itself as a sustainable hybrid organization in the long run. The measures that the organization had taken only provided short-term relief to the tensions that it had faced. The founders and the management team thus agreed that a stronger commercialization was necessary to secure the survival of the organization. Towards the social investment fund, MEX-NP therefore expressed the **willingness to convert into a for-profit in order to increase MEX-NP's attractiveness for a long-term investment**. With this perspective, MEX-NP succeeded to negotiate a deal in which the social investment fund provided the organization with transitional funding. If the organization succeeded in getting the accreditation within one year, the social investment fund would support the organization in its conversion to a for-profit by covering its losses. However, it was also clear that MEX-NP had to meet the investment fund's requirements in order to become eligible for follow-up funding. The general manager of MEX-NP explained:

"Since we started the hospital it had to raise donations to compensate for the losses. But we are convinced that this can change with the Seguro Popular. That's why we have the relationship with [the social investor]. All the deficits that we will have during the two thousand and twelve [the social investor] will donate. Logically this donation they're giving us this year is conditioned that eh in June we have to present the request to the direction of Seguro Popular for the accreditation. Then, in June we have to show that the federal government will come to accredit us, and then in September we already have to show the evidence that the hospital has accreditation or that they went to do the evaluation and have approved it. Only then we'll get the donations until December. If we don't deliver on that, [the social investor] is going to say: you know you're not fulfilling your part, this is an agreement. It was specified that we have to go to fulfill certain conditions or certain things they told us with the aim to get this accreditation and be able to offer the services to everyone who has the Seguro Popular." [MEX-NP-4.1]

MEX-NP thus continued to face severe financial shortages that threatened its existence:

"If the fund tells us that they're not supporting us anymore and if we don't succeed in acquiring other donations to compensate the losses that we have, then we can't survive anymore. We would have to close the hospital, but we hope this is not going to happen." [MEX-NP-4.1]

Seeking to **minimize MEX-NP's expenses**, the social investment fund therefore requested a close management relationship in which it could, for instance, make sure that operational costs in MEX-NP were kept as low as possible. Given the decrease in donor funding for health care organizations in Mexico, MEX-NP therefore became highly dependent on the social investment fund as the sole funding source and strongly restricted in its strategic latitude.

Table 18: Trajectory of Tensions, Strategies and Hybridization Patterns in MEX-NP

	T ₀	→	CTP1	→	RC1	→	Outcome
Objective / Strategy	Improve access to health care for low-income Mexicans in a financially sustainable way (<i>hybrid logic</i>)		Improve Mexican health system vs. secure financial and organizational survival (<i>tension over goals /institutional void between social welfare and commercial logic</i>)		Redefine blended value creating goals in the new context of the Mexican health system in order to justify low wages (<i>Sensemaking, creative strategy - hybrid logic</i>)		Organizational survival dependent on success in converting into for-profit
Self-Definition / communication	Position as a revenue generating nonprofit (<i>hybrid logic</i>)						
Structure	Incorporate as a nonprofit organization (<i>social welfare logic</i>)				Plan to convert into for-profit (<i>commercial logic – dismissing strategy</i>)		
Financing	Fund organization with donations (<i>social welfare logic</i>)						Dependency on one funding source / High pressure to achieve public contract in order to become a profitable organization
Revenue generation	Generate revenue through out of pocket payments and donations (<i>hybrid logic</i>)						
Product and service delivery	Provide products and services at affordable prices, compensate for losses through donations (<i>hybrid logic</i>)				Increase cost efficiency (<i>commercial logic – dismissing strategy</i>)		
Human resources	Hire employees with social welfare and health care background (<i>social welfare logic</i>)						

	T ₀	→	CTP1	→	RC1	→	Outcome
External relations	Position as a complement to the public sector (<i>social welfare logic</i>)		Collaborate vs. compete (<i>tension over goals/institutional void between social welfare and commercial logic</i>)		Impression management: Position as collaborator and competitor to the government: <ul style="list-style-type: none"> ▪ Seek affiliation to public health insurance (social welfare) ▪ Seek other revenue streams in parallel (commercial) ▪ (<i>Hybrid logic – separation strategy</i>) 		Tension remained at time of data collection
Summary of outcome							Fragile Equilibrium <ul style="list-style-type: none"> ▪ Plan to overcome tensions through conversion into for-profit ▪ Success of conversion dependent on one funding source

6.2.2 KEN-NP: Juggling with Logics

KEN-NP is a nonprofit hybrid organization incorporated in Kenya and founded by a US American foundation in 1997. It has the objective to **improve access to medicine and basic healthcare services for poor populations in developing and emerging economies**. Since its inception, KEN-NP had been set up as a nonprofit organization. However, the founder of the foundation sought to implement a financially sustainable, business-oriented franchise approach with a social purpose. At the time of the study, KEN-NP was **mainly financed through donations**. At the franchisee level, revenues were **generated by selling health services to the target population which paid out of pocket**. KEN-NP outlets were run by nurses that had retired from their former jobs in the public health sector. They were located in three areas of Kenya: Central Kenya, Western Kenya, and the outskirts of Nairobi. For data collection, the researcher was mainly in touch with representatives of the Nairobi based nonprofit franchisor and a representative clinic in the peri-urban area of Nairobi. As data collection revealed, the tensions that KEN-NP experienced can be clustered in two CTPs and two response cycles. The sketched trajectory of tensions in KEN-NP stretched over a period of thirteen years (see table 19).

Starting Point

Given the dysfunctionalities in the Kenyan health system, particularly the prevalence of perverse incentives and the low quality of health care and medicine as the main reason of health issues, the founder of KEN-NP was convinced that a **nonprofit organization with social ends but operating like a commercial franchise model could provide a promising solution**. In the commercial sector, several examples had shown that maintaining quality standards at scale was possible through franchising. Standardization, in particular, would furthermore allow this to happen in a cost efficient way. He therefore decided to try and apply the franchising concept in the social sector to tackle the issue of access to high-quality health care in Kenya. As recorded in an internal document, one of the founders explained:

“The intellectual thunderbolt that gave birth to the [KEN-NP] franchise model was the realization that the dysfunction of Africa’s healthcare delivery system resulted from perverse incentives that make delivering substandard care, or no care, more profitable than expanding access to care, and delivering at the quality standard necessary for effective treatment. Counterfeit drugs, for example, are more profitable to sell. This is partly because quality regulations are generally not enforced but also because positive incentives generally do not exist to reward the behaviors necessary to improved standards. I realized that in the same way incentives induce franchisees to open restaurants and hotels, and to comply with the brand standards necessary to maintain high quality, they can be used to induce health workers to open medical clinics and run them with high-quality standards. [KEN-NP-6.6]”

The organization had thus adapted the commercial franchising model to the problem of access to health care in remote communities and established a **franchise network of for-profit clinics and drug shops**. The **umbrella organization, however, remained a nonprofit** – a Kenya-based foundation – which not only needed to secure the social orientation of the entire venture, but also fulfill various functions including recruiting, training, monitoring, and supporting franchisees financially if they were unable to cover their costs. Donations were thus often needed to subsidize unprofitable activities.

KEN-NP furthermore **worked closely with the government**. This was not only important because the organization needed the government's legitimization to operate, but also, because it occasionally provided subsidized products to KEN-NP and, more importantly, regularly referred patients to the organization's clinics when public facilities didn't have the resources or the capacity to treat them.

CTP1: Experiencing the Challenges of Operating at the BoP

Various tensions surfaced under CTP1, as the organization started to experience the consequences of operating in the Kenyan BoP setting. Rolling out a business plan based on linear calculations and financial projections proved to be difficult in the context of low-income markets. For instance, as part of its just-mentioned collaborative attitude towards the government, KEN-NP had entered an agreement with the government concerning its recruiting practices. In order not to skim off human resources that the public health system needed, KEN-NP committed to only recruiting retired nurses. However, after the government had increased the retirement age for medical staff, scarcity in human resources resulted in a dilemma for KEN-NP. When confronted with the need to recruit appropriate and sufficient personnel in order to establish a financially sustainable business model, KEN-NP realized that the agreement with the government came along with considerable limitations. The Field Services Manager explained:

"We use the local administration, churches, and other health providers within the area, we use many channels to vouch for the nurses and clinical officers. (...) But it's a major challenge for us because since about 2-3 years ago the retirement age has been raised to about 60 so it means the nurses are in public service for longer. So the nurses who we would have got when they are a bit younger (...) now we are getting them when they are a bit older. And at times when we weigh the risks and benefits it's a challenge. The majority of them at that age don't want to go and start a business. At 55 a majority of them would think about doing that. That's a major challenge and also because of the brain drain. A lot of nurses moving out of the country to go to the Western countries, Southern Africa and so on. That has really affected the country's human resource in terms of healthcare.

(...) In terms of say for example where we are and maintaining the network as it is, is a huge challenge. Because we are working with people who are a bit older so maybe within 5-10 years somebody wants to retire completely so you have to

try and find somebody to replace them or to take up the facilities they've been running. So if you have nobody you can imagine you have to close and move on."
[KEN-NP-6.4]

Institutional change in the form of political reforms concerning the retirement age of nurses therefore engendered a major obstacle for KEN-NP. In order to reach the scale that KEN-NP needed to operate in a financially sustainable way, the organization needed human resources. **The tension between collaborating and competing with the government was thus a tension over means among KEN-NP's management team, triggered by institutional change but rooted in contradictions between the social welfare and the commercial logics.** The Kenyan government effectively needed the scarce human resources and so did KEN-NP to scale and become the financially sustainable organization it intended to be. The organization thus needed to rethink its collaborative approach with the government. On the one hand, breaking the agreement to only recruit nurses would trouble the good relationship that KEN-NP had with the government. This was dangerous, as KEN-NP benefitted from this relationship in terms of patient referrals as well as general support in the form of subsidized supplies or word of mouth. On the other hand, KEN-NP needed appropriate and sufficient human resources if it wanted to reach the scale that was necessary to become financially sustainable.

Regarding its relations with franchisees, the high level of unpredictability in BoP markets furthermore challenged KEN-NP's approach based on maximum efficiency and scale. The founder explained:

"One might assume, and we did assume, that if you own a clinic and you're serving a community where people are literally dying for lack of these particular products like malaria medicine. And suddenly this clinic where you have assured supply of high-quality malaria medicine, you will keep your clinic in stock and be able to operate it profitably and you'll succeed. Well sort of yes, many of our franchisees do that, but many don't maintain adequate inventory. Things intervene in this picture to prevent adequate inventory from being in the outlet. So for example (...) some of our franchisees mingle their personal and business income, they'll have school fees come up, some others just pay them from malaria medicine, instead of buying more malaria medicine, they take it out of the business, they pay school fees, suddenly they have less money than they need to restock, (...) there's no stock to sell, less money to restock, and it's the sort of a downward spiral." [KEN-NP-6.7]

The tension between **establishing an innovative business model based on scale and reacting to unpredictable events at the BoP was thus a material tension over means rooted in the contradictions between a Western business mindset that stressed efficiency and calculability and a local mindset that was more focused on living in the present.** Although the franchisees theoretically wanted to maximize standardization and efficiency to conform with KEN-NP's business model, they were rather used to the circumstances of the BoP, which factually forced them to deviate from the business plan. **In addition, the tension can also**

be classified as a contradiction between the social welfare logic, which stresses the need for locally customized approaches and the commercial logic, which stresses standardization as a way to maximize efficiency.

Another tension furthermore relates to what the founder of KEN-NP referred to as an “apple to orange competition”. Although rules and laws to ensure high-quality healthcare existed, several of the players with which the organization competed in the Kenyan health market didn’t comply with them. The founder of KEN-NP gave an example how institutions failed to enforce the rules and laws regarding the sale of medical products and services:

“It’s worth pointing out that the prevailing price for a particular drug in a particular community reflects the price or the cost of distributing something of dubious quality and so you know someone like a franchise could say “well I could buy amoxicillin for two dollars less than you’ll sell it to me or than your approved vendor sells it to me” and we say “yeah and do you have any idea if it’s actually amoxicillin, if it has the right amount of ingredients and all these other problems”. Again, scientific lab studies of drug quality over over over over over again show high percentages, different percentages, but high percentages of drugs as sub-standard in these markets. (...)

In an ideal situation there would be laws and you could depend on them and you know the people who are breaking laws have been forced and laws would make sense for rural areas and so on. The reality is that, for example, many chemists, drug sellers and others in Kenya operate laboratories illegally, uh... they operate laboratories that are themselves illegal and that are being operated illegally. So they’re not configured legally and they are not registered. And they avoid lots of costs by doing that. If we set up a legal lab, we have to operate legally because we have this whole branded network. If we set up a legal lab next to one of these illegal labs, we have to more than double the cost of opening a clinic it’s like seventy five hundred dollars worth of equipment for the lowest tier of lab in Kenya, then you need to pay lab tech, then you need to have a refrigerator, then you do have reagents and that complicates the whole inventory management problem that we just talked about so uh... in a sense who cares, but the reality is patients are used to, again back to patient perception, patients are used to walking up and getting a lab tests and so they say “well [KEN-NP] clinics, it’s a high-quality brand, you don’t have a lab, that doesn’t make sense to them.” [KEN-NP-6.7]

In other words, the high quality standards that KEN-NP wanted to reach engendered costs that needed to be covered. However, **institutional voids between formal and informal strategic action fields** (operating and competing in settings where formal institutional don’t work effectively) **as well as between Western and local strategic action fields** (patients were used to sub-standard quality) **engendered the material tension over means between setting prices that cover costs and setting competitive prices.** In addition, this tension also evolved to a **tension over goals based on a contradiction between the social welfare and the commercial logic among members of the management team.** Covering its costs through the sales of products and services would have been possible if KEN-NP would have started to

increase its prices and thus its profit margins. However, this conflicted with the organization's goal to **provide health products and services that were affordable for the poor**. The founder of KEN-NP explains:

"I think there are parts of the value chain and the retail business with regard to drugs and medicines and health-related goods and services that can be run profitably. I think that the reality is... there are serious constraints in terms of road conditions and other things, so, just a simple example: if you're driving fifty km on a dirt road rather than one, you're gonna burn a lot more gas and if you have to drive that distance to deliver drugs or other things to a facility, then the question becomes "can people at the end of the chain afford to bear those full costs?" And the answer seems to be that although there's a market for private health care, people don't bear those costs very well." [KEN-NP-6.8]

In addition, the habits of local customers also engendered a **tension over goals** at the franchisee level. Given that **customers didn't necessarily value the quality standards that KEN-NP sought to maintain, franchisees were incentivized to adapt their product and service portfolio to the local customer demand and to increase their revenues**. However, as the founder explained, **this conflicted with the social rationale of KEN-NP**:

"Another thing is patient perceptions. It's one thing to say all these people are dying for lack of high-quality malaria medicine, why don't they just get tested for malaria and then take these drugs. Well, yes many patients feel like that, but also patients are used to other things. They're used to walking down the street to a chemist and buying a drug for say twenty-five us cents equivalent. Try to convince them to buy a drug for more expensive or to take a diagnostic test is difficult. As an example, these are some children looking at a malaria diagnostic test of the kind that we can legally use and promote in the global health community. They're very accurate, so scientifically they're really great. We had some issues, for example, some patients when taking such a test – as it looks like an HIV test – they didn't want people know their HIV status. So things like that can certainly be worked through the web of trust that our clinicians and nurses have established in their communities. But nevertheless it's an example of the kind of obstacle that comes up with regards to patient perception. (...)

And you see some of the things that would now make the clients go to a competitor are, we have standards that we keep. We follow the clinical protocol to the letter but I can't say the same about the other providers, especially the private ones. If you walked into a [KEN-NP], nobody will give you anti-malarias over the counter. You have to be tested, have a consultation with the clinician; it has to be positive for you to get it. But you see, and we have complained about that to the Ministry of Health enough times, what other providers do, once a client comes in and asks for anti-malarial over the counter, they easily give them. We are trying to undo that but somebody else is also trying to undo our good work I would say that we are doing. So because of such things, some clients would prefer to go to a private practitioner where they can just get over the counter without being asked so many questions, they don't have to pay consultation, they don't have to pay for a test." [KEN-NP-6.7]

RC1: A Series of Measures to Mitigate Tensions

Facing the various above-mentioned tensions, KEN-NP took a range of actions to mitigate them. With regard to the challenges that the organization faced due to the new regulatory restrictions on employing nurses, the organization engaged in the cumulative strategy of trying to **negotiate with the government and trying to convince it to relax the pertinent regulations**. As the Field Services Manager explained, the efforts had some success:

"We have now a few nurses who would still do another 20 years or so but they are not many because if you look at the public service, it normally absorbs the majority of those who are coming from training. Then there's a huge private sector as well so the remaining are obviously taken by the private sector. Then we've been having sort of a to-and-fro with the regulatory bodies. They have advocated for nurses and clinical officers who have at least 5-10 years of experience. Actually now they have reduced to 5, but before they were saying 10 years of experience to run a facility like a [KEN-NP] clinic like Catherine is doing." [KEN-NP-6.4]

In order to attenuate perverse incentives, KEN-NP **increased the subsidies for their franchisees** to make sure they were incentivized and able to provide high-quality products and services at prices that were affordable for KEN-NP's social target group. Any losses that the franchisees made were compensated through donations. In addition, the organization invested in **training for the franchisees to improve medical quality as well as their business skills and thus their ability to turn the franchises into financially sustainable entities**.

Overall, KEN-NP thus **sought to iron out the many tensions that they faced mainly by substantially shifting towards an increased emphasis on the social welfare logic**.

CTP2 - Resistance from Stakeholders adhering to the Social Welfare Logic

After some years of operations and interaction mainly with stakeholders that adopted a social welfare logic (particularly donors), KEN-NP's management team started to gain the conviction that the nonprofit structure inhibited the organization in pursuing its hybrid goals. At that time, the organization continued to mainly rely on donations for its financial survival. Revenues were insufficient to allow for a rapid scaling and thus for the economies of scale that would have allowed for the necessary cost efficiency. The type of funding that KEN-NP had so far primarily received as a nonprofit, namely donations and grants, was perceived as a limiting factor for the establishment of a financially sustainable organization. This was, on the one hand, due to the inconsistency of donor funding and the related inability to plan business processes, expenses and investments. The financial manager explained:

"Finally, and most importantly, even though some of the individual stores are profitable, they are only so because of the value added by [KEN-NP]. [KEN-NP], overall, is a nonprofit and its services are not profitable (...). [KEN-NP] is still

dependent on the NGO community for donor funding. [The founder] regrets having become so dependent on this inconsistent source of funding (...)]. [KEN-NP-6.3]

The tension between receiving donor funding and establishing a consistent income stream was thus a tension over means rooted in the contradiction between the social welfare and the commercial logic. Donations were per se more or less inconsistent, as donors usually provided financial support whenever they had money left over or whenever they became aware of a social problem and considered it appropriate to support its alleviation – that is, mostly on an irregular basis. The tension was thus based on the conflicting demands of the majority of funders that didn't find it appropriate to provide continuous financial support and KEN-FP which required continuous revenue streams.

On the other hand, the management team felt that **donor funding also inhibited the establishment of the business discipline** that they believed was necessary for the success of KEN-NP's business model. This manifested, among others, in the organization's relationships with franchisees. Initially, franchise agreements stipulated that franchisees had to pay fees and royalties on sales. In return, KEN-NP provided franchisees with access to cheap medical supply, training, a strong brand and other benefits. Although income through royalties was an important element of KEN-NP's business plan, the organization realized that franchisees often defaulted on paying them while continuing to receive the support of the franchisees. The general manager of KEN-NP explained:

"We found that many franchisees did not save enough cash from sales to pay royalties, so we added royalties to the wholesale price of drugs sold by [KEN-NP] to franchisees. After a while, royalties were dropped entirely. This was a mistake because royalties motivate franchisors to do their utmost to expand the network and maximize individual franchisee performance. Instead, the organization veered toward the standard NGO model depending upon top-down grants to fund [KEN-NP]'s growth and franchisee support activities. (...) Because the original franchises were established to serve unserved communities mainly with humanitarian ends in mind, rural communities were selected and it was enough that a franchisee could generate enough profit to stay in business and comply with [KEN-NP] quality standards. Even a money losing franchise served the mission by sparing the poor from needless suffering and death." [KEN-NP-6.6]

The tension between being donation funded and establishing a business discipline was thus a tension over means rooted in contradictions between the social welfare and the commercial logic, as it touched upon the incentive structure of the social welfare logic that didn't motivate both SA-NP's employees and franchisees to seek maximum efficiency. **This tension, however, was not based on conflicting demands, but rather on diverging incentive mechanisms and can thus be categorized as a material tension.**

As a result, KEN-NP ultimately found itself constantly torn between expecting the franchisees to operate in a financially sustainable way, which was necessary for the franchisor's financial success, and subsidizing the franchisees' operations in order to enable them to survive in the Kenyan health market, which was one of KEN-NP's key social goals. The organization thus realized that this tension over goals between the social welfare and the commercial logic was a result of having failed to align the objectives and incentives at the franchisee level with those at the franchisor level. An internal document summarized the assessment of an external consultant:

"The greatest weakness identified was that the model did not build an inherent relationship between the financial success of the for-profit franchisees and the financial success of the non-profit franchisor [KEN-NP]. (...) Franchisor staff sought franchisee success as an aspirational goal instead of as a fundamental financial necessity of staying in business." [KEN-NP-6.6]

Overall, the founder of KEN-NP thus started to realize that there seemed to be a general mismatch between what KEN-NP intended to establish and the way the "nonprofit world" functioned. The founder of KEN-NP summarized the situation as follows:

"Despite the increase in donations, much of the money we were able to raise was in the form of restricted grants from global health agencies, who were not interested in funding the expansion of the [KEN-NP] network or general overhead. So we were not always able to cover operating costs and expenses. (...) I now understand that problems associated with donor funding, the politics of NGOs, and the lack of accountability to investors result in organizational dynamics that are incompatible with [KEN-NP]'s mission and vision above the franchisee level." [KEN-NP-6.6]

The reporting and the milestones that donors expected from KEN-NP generally referred to concrete measures and social outcomes – such as the number of patients seen – and less to organizational progress.

Diverging understandings about how social impact should be created furthermore manifested at the level of human resources. In the beginning of its operations, KEN-NP had mainly hired employees with a professional background in the third sector. As a consequence, the **business oriented culture that the organization intended to implement conflicted with the normative imprinting of employees**, as the business practices differed from what employees considered as morally legitimate. This **tension over goals between the social welfare and the commercial logic** organization experienced obstacles in implementing its business-oriented model, for instance, when hiring its first fundraiser. An internal document provided by KEN-NP stated:

"The fundraiser (...) resigned as tensions over management, mission, and business methods surfaced. My failure to institutionalize the ideas and methods upon which I launched the organization, combined with a management style not

well suited to the needs of a charitable organization, led to conflicts in our leadership as new players entered the game.” [KEN-NP-6.6]

Finally, a **tension over means between the social welfare and the commercial logic also manifested in KEN-NP’s interaction with partner that provided them with medical supply.** As a nonprofit organization, KEN-NP regularly received subsidized products from other socially oriented organizations, including from the third and public sector. Accessing these subsidized products, particularly medical equipment and drugs, was highly beneficial for KEN-NP’s social objective. However, as the founder explained, channeling these products through to the end consumer in a financially sustainable way was difficult:

“There are products that are very beneficial that we want to distribute. And that are subject of intentional distortions by other agencies that we have to abide by and it’s difficult. So for example, [there is this large NGO] with half a billion dollar budget per year (...). So here’s a simple example. Long-lasting insecticide mosquito nets are very important to prevent malaria. They can last five years, you don’t have to dip them in insecticide once in a while. (...) So the NGO has subsidized long-lasting nets that we can access. So in a sense this is wonderful. Again on behalf of all the franchisees we can set up this sort of vendor relationship with [the NGO]. So [the NGO] charges our franchisees forty five Kenya Shillings, they mandate that our franchisees sell the nets for fifty shillings because they want the subsidy that’s been given by sort of a global community towards malaria efforts to be passed on to the patient. They don’t want the franchisee to get the lower costs and just keep the profit. And yet we have calculated that for us in our particular locations, the cost of distributing one net is approximately thirteen shillings. It’s an instant problem. The franchisees, are they going to consider this a loss leader, or are they just going to quit selling nets, or what?” [KEN-NP-6.7]

NGOs that provided organizations like KEN-NP with those subsidized products were thus not used to foster and were also not willing to support the establishment of a financially sustainable organization.

RC2: Preparing Structural Adaptations

Based on these experiences, KEN-NP’s founder and the management team realized that the dependence on donations caused dynamics in the organization that inhibited its growth and pursuit of social and financial goals. They were aware of the fact that the organization would continue to depend on donations to a certain extent as long as KEN-NP would continue to target the poorest income levels. However, reflecting about strategic measures to improve the dynamics within the organization, the general manager came up with a creative strategy that could possibly improve those dynamics. By **innovating the way financial subsidies were used**, he argued, it was possible to establish and maintain a business discipline, while at the same time continuing to

pursue the social objective of providing affordable health care to BoP populations. However, he was also aware of the challenges that this would entail:

“The average transaction, just in case you’re curious, is something like a dollar or a dollar and fifteen cents in our clinics, so it’s really inexpensive in some other clinics, in other areas like the average is three dollars. I mean some of our clinics in other areas depending on where they are what the services are about uh... there are some people that don’t come in because of that and we don’t know how many there are, this is one reason why we want to do this test of routing subsidies is sort of an easy and interesting, hopefully interesting theoretical topic. But the nuts-and-bolts of that require for some granular decisions about who is being subsidized, who they are, how do you make it, I mean you can’t, it’s not, even an asset survey is not expensive but you need to make the transaction costs of administering subsidies so low when the subsidies might be ten cents or fifty cents. You know you can’t go, trying to scale down sort of stuff from the quote on quote insurance industry, usually operating way up high in the pyramid in a place like Kenya where there is virtually no insurance for anybody except for rich people or formally employed workers”. [KEN-NP-6.7]

In other words, routing subsidies through the customers again engendered costs that KEN-NP would need to cover.

Other representatives of the management team argued that it needed a stronger shift within KEN-NP to change the internal dynamics and finally become more independent from donations, and, more importantly, from donors. They were convinced that the organization’s emphasis on the social welfare logic seemed to be the very reasons why KEN-NP couldn’t achieve its social and financial goals. Some of them thus started to **deeply question the conduciveness of the nonprofit structure for the organization’s hybrid goals, and to reflect upon the possibility of converting into a for-profit organization (dismissing strategy)**. As an internal document provided by KEN-NP state, their financial projections showed that *“with \$2.5 million invested over a seven year period, the franchisor would break even and show profitability from there on”* [KEN-NP-6.6].

The management team of KEN-NP therefore started an intensive process of **anticipating the potential tensions that it could face if the restructuring plans were realized and working through those challenges in internal discussions (creative strategy)**. They were aware of the trade-offs that a stronger focus on profitability would imply. For instance, with regard to setting up new clinics that could improve KEN-NP’s financial performance, the Financial Manager explained how this affected the decision about where to locate clinics:

“Locality is key. Franchises that are financially sustainable are in localities that are a bit more financially stable in terms of the economic activities around. (...) Even though it’s periodically, at least those people are empowered economically. So that means that the clinic around there, as much as they provide good services, they have good customer care, their customers are also able to pay, meaning that clinics will not do a lot of subsidies in terms of it does not have much of a

percentage of patients unable to pay. (...) For-profit, you can't do it at the same level than nonprofit. You can't go rural-rural and do for-profit. I don't think so, very few instances. You have to position yourself a bit higher and offer a bit more services for you to make a bit more money." [KEN-NP-6.4]

KEN-NP was thus in a situation in which its hybrid approach was hitting walls. On the one hand, the adherence to the social welfare logic limited the organization's possibilities to access adequate financing and establishing a business culture that emphasized accountability towards the customer and not the donor. On the other hand, the difficulties of operating in the Kenyan BoP setting seemed to make profitability without subsidies from the third or public sector nearly impossible.

Outcome: External and Internal Discrepancies

In sum, it can be noted that at the end of data collection, it was still not sure whether KEN-NP would be able to durably overcome the tensions that it faced. Discussions about the option to convert into a for-profit were initiated with key decision-makers and stakeholders (particularly funders). As an internal document provided by KEN-NP reveals, not all relevant parties believed in the optimistic financial projections of the managers who had proposed to convert into a for-profit. The opposing view – mainly held by employees and managers who interacted with donors – was that the organization should remain a non-profit and seek a continuous flow of donations. An internal document provided by KEN-NP explained:

"(...) the concept of the restructuring seemed to divide the handful of individual donors whose contributions had historically constituted a large percentage of KEN-NP revenue. Several major donors found the restructuring concept exciting, while several others conveyed significant unease. One key donor especially, was vehemently opposed to the idea, concerned that offering investors an opportunity to invest, while at the same time asking others to donate, would confuse regular fundraising efforts. (...)

Although [KEN-NP] planned to have the for-profit organization operate with the same mission as the non-profit had, there was skepticism on the ground in Kenya as to why an organization focused on providing the poor access to medicines and health care would want to structure itself as a for-profit." [KEN-NP-6.6]

Critics of the restructuring concept particularly emphasized the need to keep a good relationship with the Kenyan government and remain eligible to funding from development agencies. They thus argued that this would require remaining a nonprofit. In sum, it can be observed that KEN-NP was in a situation in which **substantial discrepancies between stakeholders who advocated for a social welfare logic and those who supported the stronger emphasis on the commercial logic prevailed internally and externally**. Instead of entirely converting into a for-profit, the organization decided to pilot a for-profit approach in parallel to its nonprofit entity.

This allowed mitigating the concerns of doubtful stakeholders and to test the new approach without losing access to its main source of funding, namely the donations and grants that had held the organization alive in the past. In sum, KEN-NP had found a series of measures to mitigate the tensions in the short term. However, it was unclear at the time of data collection whether the organization would be able to overcome its donor dependency and incentivize franchisees to establish the business discipline that was necessary to make KEN-FP a viable blended value creating business model in the long run. In particular, it was unclear whether the current supporters of KEN-FP would support the transition towards increased market-orientation, or whether new supporters in the field of blended value creation would grant the organization the support that it needed.

Table 19: Trajectory of Tensions, Strategies and Hybridization Patterns in KEN-NP

	T ₀	→	CTP1	→	RC1	→	CTP2	→	RC2	→	Outcome
Objective / Strategy	Provide access to affordable health care for low-income people through scalable and financially sustainable social franchise model (<i>hybrid logic</i>)										
Self-Definition / communication	Position as an innovative hybrid business model (<i>hybrid logic</i>)										
Structure	Incorporate as a nonprofit organization with for-profit subsidiaries (<i>hybrid logic</i>)								Prepare transition to for-profit legal form (<i>dismissing strategy – emphasis on commercial logic</i>)		Pilot for-profit approach for testing
Financing	Donations (<i>social welfare logic</i>)						Establish financially sustainable organization vs. mainly depend on inconsistent source of funding (grants & donations) (<i>tension over means/institutional void between social welfare and commercial logic</i>)				Organization still dependent on donations
							Receive donor funding vs. establish and maintain business discipline (<i>tension over means/institutional void between social welfare and commercial logic</i>)				Innovate the way financial subsidies were used (creative strategy – <i>hybrid logic</i>)

	T ₀	→	CTP1	→	RC1	→	CTP2	→	RC2	→	Outcome
Revenue generation	Out-of-pocket payments and donations (<i>hybrid logic</i>)				Compensate for losses with donations (<i>cumulative strategy – emphasis on social welfare logic</i>)		Subsidize franchisees with donations vs. expect them to operate in a financially sustainable way (<i>tension over goals/institutional void between social welfare and commercial logic</i>)				Franchisees still financially dependent on KEN-NP at end of data collection
Product and service delivery	Maximum standardization and efficiency through franchise network (<i>commercial logic</i>)		Establish innovative business model based on scale vs. need to react to unpredictable events (<i>tension over means/institutional void between Western and local strategic action fields + social welfare and commercial logic</i>)								KEN-NP still hadn't found a way to deliver products and services in a financially sustainable way
			Provide products and services based on social rationale vs. on commercial rationale (<i>tension over goals / institutional void between social welfare and commercial logic</i>)								
			Set prices based on costs vs. set affordable prices (<i>tension over goals/institutional void between social welfare and commercial logic</i>)				Receive subsidized products vs. ability to deliver them in financially sustainable way (<i>tension over means/institutional void between social welfare and commercial logic</i>)				

	T ₀	→	CTP1	→	RC1	→	CTP2	→	RC2	→	Outcome
			Set prices based on costs vs. set competitive prices (<i>tension over means/institutional void between formal and informal strategic action fields</i>)								
Human resources	Hire employees with social welfare background mainly, hire retired nurses only (<i>social welfare logic</i>)						Hire employees with social welfare background vs. gain acceptance for market-oriented approach (<i>tension over goals/institutional void between social welfare and commercial logic</i>)		Try to gain acceptance of employees through internal discussions and anticipating tensions		Concerns among leading employees about plans to convert into for-profit but acceptance of pilot project to test shift towards commercial logic
	Contract micro-entrepreneurs as franchisees (<i>commercial logic</i>)			Train franchisees to improve business skills and medical quality (<i>cumulative strategy – emphasis on social welfare logic</i>)							
External relations	Close collaboration with the Kenyan government (<i>social welfare logic</i>)		Collaborate vs. compete (<i>tension over means/institutional void between social welfare and commercial logic</i>)		Try to lobby for improvement of regulations in health market (<i>cumulative strategy – emphasis on social welfare logic</i>)						Concerns among key external stakeholders about plans to convert into for-profit

	T ₀	→	CTP1	→	RC1	→	CTP2	→	RC2	→	Outcome
Summary of outcome											Fragile equilibrium <ul style="list-style-type: none">▪ Not sure at end of data collection whether conversion into for-profit would help KEN-NP to establish sustainable hybrid organization

6.2.3 SA-NP: Cautiously Approaching Social Enterprise

SA-NP is a nonprofit hybrid organization seeking to **globally improve access to health care for low-income people**. Founded in 1976 by a medical specialist, SA-NP provides health services to low-income people and trains people from low-income communities to become health workers. It furthermore supplies the public and third sector with affordable medical supply. The organization operates in several countries including South Africa, where the headquarter is located. In South Africa, SA-NP operates across several provinces. Since 2005, SA-NP follows a social enterprise strategy with two components. First, the organization has started to launch its own clinics that seek to operate in a financially sustainable way. Second, a social enterprise has been founded to source and distribute affordable medical supplies to purchasers of the public, the third and the private sector. In South Africa, only the medical supply social enterprise was successfully established at the time of data collection. SA-NP is thus **financed through donations and revenues through the sales of medical supply**.

Most activities in South Africa take place in the province in which the South African headquarter is located. Data collection therefore focused on the administrative headquarter of the organization and a clinic close to the headquarter from which the organization provides services. Based on the data collection and analysis for SA-NP, two CTPs and two response cycles could be identified over a period of three years (see table 20).

Starting Point

SA-NP looks back to several decades of operations as a rather traditional nonprofit organization, which depended on donor funding and worked closely with the South African Ministry of Health. When possible, health services were provided through existing public health care facilities as the **organization aims to create linkages to other health providers and ensure sustainable health systems that are available on an ongoing basis**. The organization therefore rather understood itself as a complement to the public health system which sought to fill gaps in public health provision.

In the last years before data collection, however, the organization started to experience a significant decrease in philanthropic funding. Although the situation in the South African health market hadn't improved and the public health system had proven unable to resolve the problems in the last decades, donors had reduced their support for health care in South Africa. An internal document summarized the situation:

“The global recession has impacted negatively on philanthropic giving in general. And donors also focus on other countries now, like Mozambique or Zimbabwe. South Africa is better off when compared to them. So they attract more sympathy. And donors feel like they get a larger social return on their investment there. So a

challenge has been meeting growth targets within the environment of decreased donor funding.” [SA-NP-8.8]

Given the changes in the resource environment, SA-NP started to experience challenges in its collaboration with the public sector. As mentioned previously, SA-NP generally sought to **collaborate with incumbent players in health markets, particularly with the government**. This was based on SA-NP’s conviction that health services for the poor should be provided by the government. In addition, this collaborative strategy sought to secure the long-term existence of projects, as one of the program managers explained:

“It’s more of a public private partnership, so we do invest some money into the department of health by supporting them with the training of the health personnel, and providing them with basic equipment for refraction, but we don’t expect anything in return in terms of finances. (...) But when we say we have this much that we want to invest in this, then they also have to contribute. We don’t do 100%, because that is when you end up with the problem of a project that is solely NGO owned or run. So we always have had a partnership whereby the government contributes a substantial amount, and we also bring in a substantial amount. The ownership is theirs from the beginning, as opposed to when we go with our money and say this is what we want to do. We shall give you all the money. (...) Because it is their responsibility to deliver [health] care, so they should own this responsibility. We only come in to support and improve the services. (...) we help them to kickstart the process. (...) At the end of our support, the only thing that we want is that [health] services are being delivered, and the only way to make sure that happens is that the department of health takes ownership.” [SA-NP-8.5]

However, the downside of this approach was that SA-NP always depended on the financial ability and willingness of the government before being able to implement a project – even if the need for health care was obvious or even urgent. One of SA-NP’s Program Managers explained:

“The challenge is that if the government does not have a budget for that, they will call and say no, we can’t, and the reason for that is that they are looking after the risk of after those three years, what is going to happen? Whereas if they know that they had some money, there is more confidence that they can continue when we go out. For example, right now, the problem right now, [the child health project] that we are planning in [the region], we had wanted to start 2 months ago, but it has delayed because the department of health was saying, they are not ready, is not in their budget, and they are worried that, what happens after 4 years? Instead of just receiving money from us. So they first want to secure that they will have the money for the future.” [SA-NP-8.5]

Although SA-NP in principle shared the philosophy that projects needed to be designed in a way that allowed for long-term sustainability within the public health system, the founder started to perceive that the exclusive alliance with the public sector as a strategic partner was restricting. In particular, now that the organizations had to make sure it generated enough income to compensate the loss of donations, providing to the government seemed to be insufficient.

Having heard of social enterprise as a way to solve social issues in a financially sustainable way, he started to explore possibilities how SA-NP could increase its financial independence. By venturing into social enterprise, he had two hopes, namely *“to lessen [SA-NP]’s dependence on donor funding and to attract new investments to diversify [SA-NP]’s investment base and income stream.”* [SA-NP-8.8]

Lacking personnel with the necessary background to implement the social enterprise strategy, SA-NP hired two social enterprise program managers with professional backgrounds in the private sector. Their concrete task was to develop, implement and promote social enterprise projects for SA-NP’s global activities. However, more generally, this task also entailed promoting a cultural change towards market-orientation within an organization that had operated as a rather typical nonprofit for many years.

CTP1: Internal Skepticism

The social progress as well as the global recession that had triggered the changes in South Africa resource environment for health organizations had exposed SA-NP to substantial financial challenges. Increasing the market orientation of the organization seemed to be a promising path to go. However, after the first internal meetings with its management team, the founder and the social enterprise managers realized that shifting towards market-orientation would mean a substantial strategic change within SA-NP. Further, employees – who mainly had a nonprofit background – feared that the new approach would upset existing partners. One of the social enterprise managers explained:

“Social enterprise gets lots of criticism, because they are not profit driven, so you could go into a market where there are existing service providers, (...) and if you go in with a social enterprise and you cut down margins, you could actually kill those businesses. So you might resolve one social problem, but you may create another one with unemployment. (...) It’s a very tricky situation. Because you don’t want existing providers to see us as competition and then there is a resistance and criticism of you coming into the markets. For example in South Africa, this was before my time, in the early days, apparently, there was lots of criticism coming from the private sector, because they were saying we were stealing their customers.” [SA-NP-8.1]

In other words, SA-NP faced the **tension over goals between establishing a market-oriented hybrid business model vs. gaining the acceptance of nonprofit employees**. This tension can be traced back to **institutional voids between the social welfare and the commercial logic**.

RC1: Trying to Convince Partners

Given these internal discrepancies, the founder realized that he couldn't change the core identity of SA-NP from one day to the other. He felt that particularly the collaborative attitude towards incumbent health players should remain, as he otherwise feared to receive substantial criticism. SA-NP thus decided to refer to a cumulative strategy, namely to **try and convince collaborators in South Africa to jointly implement social enterprise projects by emphasizing the benefits of a stronger market-orientation**. Given the magnitude of health issues in South Africa and the decrease of donation, SA-NP argued that social enterprise projects that operated in a financially sustainable way could be a promising solution. After few discussions with representatives of the ministry of health, a social enterprise pilot project with a focus on eye care was launched in collaboration with a public hospital. Within this project, SA-NP committed to providing the medical equipment to diagnose and treat a range of visual impairments. The government was in charge of providing the human resources, which would receive a prior training by employees of SA-NP. Patients would receive the check-ups for free, but needed to pay a small price for glasses if needed. Revenues would be used to cover the costs and, if possible, to invest in the further expansion of the project.

CTP2: Further Normative Controversies Regarding Social Enterprise

However, after few weeks already, the project was cancelled when SA-NP realized that the social enterprise approach was incompatible with the way the public hospital worked. First, the employees of the hospital had no incentive to implement the project, as they only perceived it as an additional burden in their daily work for which they receive no additional compensation. Second, some of the administrative personnel of the department of health didn't accept the market-oriented approach, as it conflicted with their values and beliefs. As the social enterprise manager explained in an interview, the principle of free access to health care was strongly institutionalized in South Africa:

“The big problem with the pilot was that a public hospital simply doesn't fit with a dynamic entrepreneurial initiative. That means for the nurse, when more urgent things popped up, she just stopped checking eyes. And also not enough patients came. That was the biggest challenge. And then many other smaller problems from the department of health like “there are people who are not employed by us and they sell glasses to make money” and these kind of thoughts.” [SA-NP-8.3]

The tension between implementing an innovative, market-oriented approach and gaining acceptance of partners from the public sector was thus a tension over goals rooted in the contradiction between the social welfare and the commercial logic. In addition, depending on revenue from the public sector impeded the establishment of a financially sustainable organization for cash flow reasons:

“When the government has money, or when its budgets come close to the end of the financial year, they buy a huge amount and just keep it in stock, and so it’s very erratic, so if you run it as a business dependent only on that, you could have some serious cash flow issues.” [SA-NP-8.1]

SA-NP therefore also faced a tension over means between providing to the government and trying to establish a financially sustainable organization, which was rooted in the discrepancy between the Western style business mindset of establishing a business model based on calculability, and a local culture of short-term orientation resulting from resource scarcity in the South African Health Ministry.

Given these tensions related to the collaboration of SA-NP with governmental entities, a general normative discussion about the organization’s right attitude about its relationship with the government emerged among members of the management team. **SA-NP started to internally face a tension over goals between the social welfare and the commercial logic.** The organization could either **continue its close collaboration with the government, as this reflected its general approach to social impact creation, or it could seek other ways of implementing projects, which would require building structures that competed with the public health system.**

In addition, internal discrepancies arose concerning the way products and services should be delivered to the low-income South African population. While the majority of SA-NP’s employees argued that medical products should only be distributed with prescriptions, the social enterprise managers adopted a more liberal approach. Taking the example of the eye care project again, the social enterprise manager explained:

“Here we will have to make an internal decision. Do we want that people who don’t have a health care background sell reading glasses, without making sure that the patient has been consulted by a medical professional or not? Currently we say: we don’t want to give anyone reading glasses who hasn’t been checked by a medical professional. But I mean, in Germany you can also just go and buy reading glasses. The problem with that is that... The glasses themselves can do no harm, but in the age in which you start to need glasses you also become more vulnerable for diseases like cataract and glaucoma. And the danger is that if someone simply buys reading glasses and thinks he is fine, but at the same time there is cataract or glaucoma emerging, that’s the danger.” [SA-NP-8.3]

Another point of tension in this regard concerned the prices that SA-NP could charge for its health care products and services. Vulnerable populations had received those products and services free of charge for many years. Being aware of the fact that many low-income people wouldn’t be able to pay for services, the social enterprise strategy foresaw that new profitable activities would cross-subsidize the unprofitable. For instance, people that were able to pay should be charged while those that weren’t should continue to receive products and services for free. However, drawing a line between different income levels was a challenge and the amount of

people that were able to pay also seemed to be insufficient for SA-NP to reach financial sustainability. An internal document described the situation:

“The small profits made on the sale of [product 1] are used to cross-subsidize other aspects of care and the setting up of new clinics. Even so, most of the clinic’s costs are covered by donations. The organization is committed to providing care even to the destitute; children from low-income families generally receive free [products], as do adults who cannot afford to pay. The clinics’ mission is to provide [health services] to all who need it, regardless of income. While they do try to collect payment from all patients able to pay, providing free [products] on occasion makes financial sustainability a challenge.” [SA-NP-8.8]

The tension between adopting a social rationale versus adopting a commercial rationale for the delivery of products and services was thus again a tension over goals rooted in contradictions between the social welfare and the commercial logics, as it referred to divergent values and beliefs or moral evaluations about the appropriate goal of SA-NP among the employees of SA-NP.

The social welfare logic was thus strongly institutionalized in SA-NP, making the introduction of the social enterprise strategy a challenge. It conflicted with practices that employees of SA-NP considered as appropriate and to which they were used to. One of the social enterprise program managers expressed that he felt he constantly had to fight for acceptance within the organization:

“So they think of me: you’re not an optometrist, you don’t understand that we need to check the eyes and things like that. Maybe they don’t say it explicitly, but that’s how it feels. The health care sector is tricky. It is different from other sectors. I mean we deal with people’s health and lives. So it’s not like giving microcredits or doing mobile phoning. But I am deeply convinced that there is a middle course. Nobody wants to turn doctors into machines. That’s not what this is about. (...)

I think the biggest argument is that here decision are not made in an entrepreneurial way. Instead I think its more an NGO mindset that says: ok we have trained these people, we can’t just release them, even if they don’t perform. (...)There is a general internal conflict and we regularly have discussions about what the best way is at the end, and that’s also a challenge for me because I am always dependent on getting the buy-in of the country offices. For example, it is very difficult for me, in the South African projects, to do something entrepreneurial, cause there the project managers generally don’t really believe in entrepreneurial strategies. They generally only see the risks. I mean of course there is the risk that the profit making one day takes over the social mission, no doubt. But they emphasize it much more than the opportunities that also exist.” [SA-NP-8.3]

Being a small minority of business professionals within the organization, the two social enterprise managers still struggled to gain legitimacy for the aspired cultural change towards market-orientation. Launching social enterprise projects indeed required the organization to take certain risks, and risk-taking was not considered to be appropriate for a socially oriented organization

that operated with money it had raised from donors who wanted to make sure their financial support created maximum social impact. Ultimately, SA-NP again faced the **tension between increasing the market-orientation of SA-NP and gaining the acceptance of employees. This tension was a tension over goals as it related to problems of identification with values and meanings adhering to the social welfare and the commercial logics.**

RC2: Adapting the Organization's Structure to Avoid Tensions

Experiencing how first attempts to implement social enterprise projects in collaboration with incumbent players in the South African health market triggered considerable controversies, the founder of SA-NP knew that he had to proceed with caution. However, given the changes in the availability of donor funding, he was still convinced that the shift towards market-orientation was necessary in order to secure SA-NP's survival in the long-term. Together with the social enterprise program managers, he decided to choose the strategy that was considered to be the "safest". SA-NP **structurally separated** the risk-taking social enterprise activities from SA-NP and created a new for-profit sister organization. The social enterprise program manager explained:

"There are expansion plans for [social enterprise program 1] that are currently in the infancy stage. The team is currently conducting feasibility studies to launch the [social enterprise program 1] as a separate legal entity. All revenues from the separate legal entity will then be donated to [SA-NP] to create a new source of revenue for [SA-NP]. The objective of this approach is to allow [SA-NP] to target the private sector market as well, without the limitations imposed on it as an activity of a not for profit organization in South Africa. [SA-NP-8.1]"

However, SA-NP **continued to involve other players** in the South African health market for this purpose in order to share the financial and reputational risk, and acquire the necessary financial resources for the social enterprise strategy. In other words, **it remained SA-NP's official goal to be a complementary actor in the South African health sector.** The organization continued to see its role in filling the gaps that existing public and private health provision left empty. For its activities in South Africa, the organization therefore decided to **only implement parts of its social enterprise strategy** for the time being – an approach that can be classified as a cumulative strategy. However, SA-NP also started to seek opportunities to collaborate with other players to allow for a full implementation of the social enterprise strategy. One of the Program Managers explained:

"That's why in South Africa we only implement certain parts of the social enterprise strategy. If a social enterprise program is not implementable in certain countries, because the government has this, then we will not implement it. Like in South Africa, we don't do social enterprise clinics, but we have this [social enterprise program] that we are doing. (...) So here in South Africa we asked ourselves: how can we implement social enterprise, given that we will be unable

technically to do the pure clinics. But, we can go into partnerships with different people and we can open up other channels. So for example the [medical] supply, (...) we are looking at producing the [products] locally, instead of sourcing them from China. [SA-NP-8.6]

Similarly, her colleague added:

(...) So when you ask what the future is, so it may not be entirely public sector, we are now also (...) getting partner together to set up a social enterprise clinic. (...) It could be individuals, just a [health worker] or a business person and set up a clinic. So, with the department of health, that's a different model, which we will see. (...) Social enterprise is the way to go, because [SA-NP] is a social enterprise organization and as I said, South Africa's economy is vibrant enough and they are encouraging a lot the growth of small and medium enterprises, so we see opportunities there. [SA-NP-8.5]

In other words, **SA-NP continued on its path toward increased market-orientation in a slow and cautious manner that avoided upsetting their strategic partners.**

The founder was moreover aware that he needed to further promote the shift toward market-orientation internally. As the previous experience had shown, the two social enterprise managers were struggling to gain the acceptance of their colleagues for the social enterprise strategy. The social welfare logic was strongly institutionalized in the minds of the vast majority of SA-NP's employees who had been serving the organization for many years. They were thus not only not used to pursuing commercial objectives, they also often considered it as inappropriate and incompatible with social objectives. The founder thus realized that he needed to change the culture of his workforce and decided to do so by exposing them to more people that were more open to mixing commercial and social objectives. Having two social enterprise advocates in the organization was simply not enough. Over time, SA-NP thus started to refer to a creative strategy geared towards embracing the hybrid goals of social and financial value creation in the long run, namely to **increasingly hire younger employees with weaker preconceptions** about how the organization should work and instead more flexibility to accept new – hybrid – approaches to tackling health issues. By doing so, he intended to change the cognitively institutionalized preconception about the role and workmode of a nonprofit organization.

Outcome

In sum, SA-NP continued on its path towards becoming a more market-oriented organization. However, it did so in a discrete way in order not to upset its partners and its workforce. Both strongly adhered to the social welfare logic and were normatively opposed to commercial approaches in health care. But in order to secure its long-term existence in the context of decreasing donor funding, SA-NP's founder knew he had to tap into new revenue generating opportunities. As a result, SA-NP started to adopt a double identity. At the time of data collection, social enterprise activities still accounted for a small portion of SA-NP's operations. However, more and more attention was dedicated to the future of SA-NP as a social enterprise organization. This shift continued to cause tensions within the organization, particularly among employees who had served the organization for many years and strongly believed in the principle of free access to health care. For the founder and the social enterprise program managers it was a delicate task of innovating the organization without running into an internal fight about the fundamental role of SA-NP that could significantly destabilize the organization. Further, the question about the right attitude towards the government was still unanswered at the time of data collection, thereby remaining a substantial source of tensions.

Table 20: Trajectory of Tensions, Strategies and Hybridization Patterns in SA-NP

	T ₀	CTP1	Hybridization Strategies in RC1	CTP2	Hybridization Strategies in RC2	Outcome
Objective / Strategy	Fill gaps in health system; support public health system to improve (<i>social welfare logic</i>)					Slow and discrete conversion into more market-oriented organization (hybrid)
Self-Definition / communication	Position as a nonprofit social enterprise (<i>hybrid logic</i>)					
Structure	Incorporate as a nonprofit (<i>social welfare logic</i>)				Incorporate additional for-profit organization (<i>separating strategy – hybrid logic</i>)	
Financing	Donations and grants (<i>social welfare logic</i>)					
Revenue generation	Provide to public sector and private donors (<i>social welfare logic</i>)					
Product and service delivery	Provide in collaboration and, if possible, through existing health facilities			Provide services and products based on social rationale vs. based on revenue expectations (<i>tension over goals/institutional void between social welfare and commercial logic</i>)		No sustainable earned income strategy at time of data collection
				Establish financially sustainable organization vs. provide to government (<i>tension over means/institutional void between Western and local strategic action fields</i>)		

	To	CTP1	Hybridization Strategies in RC1	CTP2	Hybridization Strategies in RC2	Outcome
Human resources	Large majority of employees with social welfare background; two social enterprise managers with business background (<i>social welfare logic</i>)	Establish a market-oriented hybrid business model vs. gain acceptance of nonprofit employees and key partners (<i>tension over goals/institutional void between social welfare and commercial logic</i>)			Hire young employees with more openness to hybrid approaches (<i>creative strategy – hybrid logic</i>)	Persisting skepticism among employees
External relations	Seek collaborations with incumbent health care players (<i>social welfare logic</i>)		Try and convince collaborators in South Africa to jointly implement social enterprise projects by emphasizing the benefits of a stronger market-orientation (<i>cumulative strategy – emphasis on social welfare logic</i>)	Collaborate vs. compete with government (<i>tension over goals/institutional void between social welfare and commercial logic</i>)	Implement only parts of the social enterprise strategy to avoid upsetting partners (<i>cumulative strategy – social welfare logic</i>)	No clear attitude towards government at time of data collection
				Implement innovative market-oriented approach vs. gain acceptance of partners from public sector (<i>tension over goals/institutional void between social welfare and commercial logic</i>)		
Summary of outcome					-	Fragile equilibrium <ul style="list-style-type: none"> ▪ skepticism among key internal and external stakeholders concerning increasing market-orientation of organization ▪ no clear earned income strategy to improve financial situation of organization

6.2.4 COL-NP: Pushed Towards Mission Shift

COL-NP is a nonprofit hybrid organization providing medical services and education to the Colombian population through an own network of clinics. Founded in 1965 by a medical specialist, COL-NP's mission has a clear social emphasis. As reported by the founder of COL-NP, it was always the organization's goal to support the establishment of a well functioning public health system, and to render itself superfluous: *"Our goal is that we achieve what more developed countries have achieved. That an organization like ours is not needed anymore"* [COL-NP-1.4]. COL-NP has never stopped to depend on donations and grants. However, COL-NP has, since its inception, sought to operate in a business manner, meaning that the organization has always generated revenue by selling its services to the government and directly to patients. The case of COL-NP illustrates how the nonprofit hybrid organization faced two CTPs and responded to them over a period of almost fifty years (see table 21).

Starting Point

In 1965, COL-NP's founder – a popular and well-established medical specialist in Bogotá – started to dedicate one afternoon per week to the treatment of low-income patients. During the remaining time he continued to operate as a medical specialist for higher income populations. This allowed him to subsidize the health services that he provided for people in need for symbolic costs. At that time, demand for his services was very high as the Colombian low-income population lacked access to affordable high-quality health care. In its first year of operation, the founder had already attended almost 7000 patients. He could thus soon attract the attention of domestic and foreign donors who started to support him with the creation of a formal organization that would expand the reach of his health services. The founder therefore decided to dedicate all his time to the creation and fast growth of COL-NP in order to meet the vast demand. In 1968, the organization already operated twenty clinics all over COL-NP and had become a highly recognized brand in the Colombian health care sector. COL-NP's workforce was furthermore composed of a majority of employees with nonprofit or health background and a minority of employees with commercial background.

CTP 1 – Hit by Social Progress

The first critical tension in the case of COL-NP occurred when the Colombian government implemented the national health insurance based on the "law 100" in 1993. With this significant change in the regulations of the Colombian health sector, the government sought to reach universal health care (UHC) through a model of publicly managed competition of private health providers and insurers where the government buys health insurance for the poor.

COL-NP had worked closely with the government for many years in order to make sure that certain health products and services be included into the public health system. On the one hand, particularly employees who had fought for the improvement of the public health system thus interpreted the introduction of the national health insurance as a success for COL-NP. However, on the other hand, COL-NP had been financially independent from the government and operated as a hybrid organization that predominantly combined the social welfare and the commercial logic. Due to the extent of unmet health needs at that time, COL-NP had grown to a very large health provider that generated the biggest share of its revenues through the direct sales of health products and services to patients who paid out-of-pocket. The introduction of the NHI now fostered competition in the Colombian health market. Many new health providers emerged and created a financial threat for COL-NP, as described in an archival document provided to the researcher:

"[In 1993], the Colombian health sector has experienced a radical transformation. With the "Law 100" it transitioned to a system of free competition in health insuring and health provision. With this law [COL-NP] lost the monopolistic position it had at that time." [COL-NP-1.10]

In other words, the tension between **maintaining the organization's raison d'être and fostering social progress** was a tension over goals rooted in a strategic paradox between the social welfare and the commercial logic. Through its activities, the organization fostered social change, but at the same time, incrementally destroyed its raison d'être. It was thus not a tension that manifested due to conflicting demands but a material tension embedded in the business model of COL-NP.

RC 1 – Adapting the Structure to the New Resource Environment:

As a reaction to the institutional change that COL-NP had contributed to achieve, the organization entered into a process of deep **restructuring and cultural change**. It created the nonprofit organization "COL-NP IPS", which became accredited to the public health system and was meant to operate in a financially sustainable way through payments from the publicly managed health system. In addition, a second nonprofit organization, "COL-NP Social", was created to enable the organization to further realize social programs and attend people that were not affiliated to the NHI, particularly displaced people who form a large group in Colombia until today due to the lasting internal conflicts in the country. COL-NP Social was mainly funded through donations and grants. In addition, surpluses generated by COL-NP IPS **cross-subsidized** the operations of COL-NP Social when possible and necessary. This dual structure was necessary as health providers who were affiliated to the public health system were legally required to operate in a financially sustainable way. The Public Relations Manager of COL-NP explained:

“Well, actually, [COL-NP IPS] does everything that the health system prescribes. So, it’s for all the people who belong to the contributory or subsidized system, which would be the SISBEN. In [COL-NP Social] we provide to people what the system does not guarantee. For example, a more integral approach for youth, such as life projects, unwanted pregnancies, (...). Another thing that COL-NP Social does is to work with people who are in emergency situations. People that have been displaced, either by the armed conflict or by natural catastrophes. COL-NP searches these spaces that the system does not necessarily serve. Or that are needed because they are cyclical. So many times, clients of COL-NP Social are people who are displaced by the winter and who require health care but are currently only identified as displaced people.” [COL-NP-1.5]

From that moment on, the largest share of COL-NP’s operations was funded through the public system. Services that were provided for low-income people who couldn’t afford to pay were reimbursed by the public health insurance. Nevertheless, out-of-pocket payments remained an important share of COL-NP’s revenues (approximately 30%) as COL-NP IPS continued to privately offer services that were not covered by the public health insurance plan. These services thus had to be paid out-of-pocket and/or cross-subsidized with surpluses that COL-NP had generated by selling its services to the government. In addition, COL-NP Social also continued to rely on donations for projects that targetted people who were not covered by the public health insurance. In sum, COL-NP thus referred to the strategy of separating a more commercially and a more socially oriented organization and a cumulative strategy of creating synergies between the different activities and respective revenue streams. In comparison to COL-NP’s initial structure, this represented a shift towards the commercial logic although COL-NP IPS was incorporated as a nonprofit. As the legal regulations in the Colombian law stated, IPS’s were legally required to be financially sustainable and thus couldn’t operate at a loss.

CTP 2 – Experiencing the Instability of Public and Third Sector Funding:

Having established the structure to receive funding from the publicly managed health system as well as donors and to sell private services, COL-NP achieved financial sustainability for many years and could dedicate profits as well as donations to the provision of health services for marginalized populations that were not affiliated to the public health system. In particular, large grant programs funded through USAID kept COL-NP Social in a financially comfortable situation. However, in 2009, USAID decided to end its engagement in the Colombian health sector, which hit COL-NP unexpectedly. The Financial Manager described the situation:

“Being a nonprofit and having had large contracts with organizations from the US and elsewhere, [COL-NP] has never been a commercial company. It has never sought the best way to do business, to sell better, it has never asked itself: what is the highest efficiency that I can reach? This is one of the big problems that we had. This organization has always been social, and it has done many social things, but thanks to these large contracts, it has always had a good cash flow

and good returns, but it never thought that these flows, these contracts could end. [COL-NP-1.1]”

The rationale for USAID’s decision to exit Colombia’s health sector was based on the fact that the improvements in the Colombian health sector signaled that donor support was less needed, particularly in comparison to other developing and emerging economies. In 2009, a very high percentage of the Colombian population (approximately 93% according to COL-NP) was enrolled in the NHI. Furthermore, the country depicted a relatively high-ranking Human Development Index.⁵⁸ As the Public Relations Manager explained, these figures left a comparably good impression in the eyes of foreign aid organizations, which felt that they could now focus on other countries that needed their support more urgently:

“It is precisely that Colombia isn’t part of the countries that are currently prioritized by international assistance. We are experiencing a change in focus towards countries like Ecuador, Bolivia, and Paraguay. That’s why we are being sidelined in the focus of these international organizations” [COL-NP-1.6].

However, as a program director of COL-NP Social explained, these macroeconomic figures failed to reflect the real situation of health care in the country. The high degree of inequality in Colombia, for instance, was not taken into account according to COL-NP’s Public Relations Manager:

“Inequality is another variable that is not used in development cooperation, because they say that it depends on the determination of the government. That means that the distribution of wealth is a governmental decision. If you have few rich people and many poor people, you could, from a political perspective, apply fiscal or redistributive mechanisms to achieve a better distribution of wealth. So donors say that from that moment on they are not needed anymore, because the country can manage it alone.” [COL-NP-1.6]

In addition, as the Financial Manager claimed, the Colombian health system was simultaneously struck by a large corruption scandal that started to surface and paralyzed the flow of funds from health insurers to health providers:

“The Law 100 is one of the largest problems that this country has ever had. The corruption that has taken place with the law 100 can not even be analyzed, especially in the last 10 years. When the law 100 started to be implemented, so-called EPS were created and they have evolved into the biggest corruption centers where billions of pesos have been misappropriated. We had contracts since the end of the 1990. But the EPS haven’t paid us consistently, they have huge debts with us. I don’t even know how many millions they owe us.” [COL-NP-1.1]

⁵⁸ <http://hdr.undp.org/en/countries/profiles/COL>

Being exposed to these two external events, COL-NP started to face considerable financial challenges. For the first time since its inception, the organization experienced severe financial losses for several years. In addition, the situation also couldn't be interpreted as a success from a social point of view given the substantial problems that prevailed in the public health system.

In sum, data analysis revealed that COL-NP experienced three concrete tensions in CTP 2. First, relying on **donor funding had deteriorated the business discipline that COL-NP sought to cultivate since its inception**. This tension can be classified as a **tension over means between the social welfare and the commercial logic**, as it refers to the institutional rigidity that resulted from COL-NP's long-term reliance on donor funding. As this tension related to the lack of incentives to increase efficiency in a situation where COL-NP was well funded through donations, it can be classified as a material tension.

Second, COL-NP faced another **tension over means between the social welfare and the commercial logic in that large contracts with donors had been a reliable source of funding for some years, but ultimately ended surprisingly as other countries became more attractive support targets compared to Colombia**. Due to the general progress that Colombia made, particularly with regard to economic development, donors started to shift their focus away from the country. Less developed countries attracted their compassion more easily and were thus a better target for their social investments. Hence, COL-NP realized that it had neglected its goal of establishing a secure revenue base. Third, **providing to the public sector also didn't allow generating steady revenues due to the corruption scandal that occurred in the health system**. This tension can be classified as a **tension over means rooted in the contradictions between formal and informal strategic action fields** in the Colombian health system. It was classified as a material tension as it didn't relate to conflicting institutional demands but rather represented a material tension that surfaced as a consequence of the corruption scandal.

RC2 – Increasing the Organization's Market-Orientation:

In order to overcome these tensions, COL-NP once again started to redefine its strategic orientation and to adapt its hybridization pattern. Facing severe financial shortages, the organization felt forced to intensify its market-orientation by putting a **stronger emphasis on privately sold health services (dismissing strategy)**. The Financial Manager explained the new approach:

“And we're trying to encourage cash income, which is income not through the EPS, but users who come here and want to have this or another procedure. (...) COL-NP has never been a commercial organization. And right now it is changing tremendously to being commercial. (...) So we're sketching for new products, giving them greater impetus so that we can really add products that are stable and will increase our product sales. (...) So, cash payments are what we want to increase. It is one of the great advantages of [COL-NP IPS], because we have this

part of cash generating activities. Users come here and pay cash. These users have always been a fairly high percentage of the revenue. When the EPS were still strong, our health care sales were 70% of EPS and 30% in cash. But with the EPS cutting services etc ... we're now at 50/50. It may be a little more cash than EPS. So we are trying to strengthen this part because besides the fact that we receive the cash directly, also the margins are higher than when it goes through the EPS.” [COL-NP-1.1]

Part of the increased market-orientation was also a **stronger focus on target groups with sufficient ability to pay**:

“As we are a social institution, we have always made the lobby for [health services] to be included in the POS.⁵⁹ But with the current situation in which the system is, the EPS are in a very very very very difficult situation, so they are beginning to restrict our services. They fixed quotas, for example for the [product x], which is quite expensive, a little over 150 dollars. They fixed quotas, like this month you have 200 no more. And then they begin to restrict. Then a woman can wait 5 or 6 months for getting the approval for the [product x]. So we're offering the [product x] as a private service. Some people may afford it, others won't.” [COL-NP-1.1]

Given the new situation with regard to available financial resources, COL-NP thus shifted towards a stronger emphasis on the commercial logic. At the same time, however, the organization also sought to continue delivering on its social mission, which required **trying to raise funds from donors to implement complementary social programs and continuing to lobby for improvements in the public health system** (cumulative strategy). In order to remain eligible for donor funding in the context of the above-mentioned changes in development agencies' focus, however, COL-NP Social needed to adapt its programs in order to fit the new lines of action. In an interview, the Public Relations Manager explained:

“USAID is currently defining their lines of action in Colombia. The information that I have is that they are going to focus on democracy and security. Our task and challenge will be to see how our social projects in reproductive health can fit in these lines of action.” [COL-NP-1.6]

In other words, COL-NP had to take a series of measures to make sure it could survive in the new resource environment. However, this impacted negatively on the achievement of its mission.

⁵⁹ The “Plan Obligatorio de Salud” is the public health insurance plan in Colombia.

Outcome

Emphasizing the commercial logic and simultaneously maintaining adherence to the social welfare logic caused significant internal discrepancies within COL-NP. Employees and managers started to question the ultimate goal of the organization. On the one hand, some advocated for prioritizing the social mission, which was to provide affordable, or free, access to health care for people in need. On the other hand, several organizational members emphasized the need to first secure the survival of the organization as a prerequisite to be able to continue delivering on the social mission. Tensions thus manifested in discussions about price setting, for instance. While one part of the workforce advocated for raising prices and thereby increasing the profit margins, others made clear that this jeopardized COL-NP's social mission. The organization's initial target group was not able to afford higher prices. Hence, for COL-NP, the hybrid orientation had reached a level that led to significant internal confusion. A Program Manager explained her point of view:

"There has always been a tension between the objectives of [COL-NP] as an enterprise and the social objectives. But the recent changes have intensified this tension. The social role of [COL-NP] can not be impaired. This is the founder's argument and I agree with that. In the moment in which [COL-NP] impairs its social role, we will end up doing neither one thing nor the other." [COL-NP-1.2]

In the eyes of its organizational members, the organization was neither delivering on its social mission, nor was it operating in a financially sustainable way. The tensions that COL-NP had faced over the last years had thus turned into a vicious cycle at the end of data collection, as the organization faced substantial tensions, which paralyzed it to further implement its hybridization approach with an emphasis on the commercial logic.

Table 21: Trajectory of Tensions, Strategies and Hybridization Patterns in COL-NP

	To	CTP1	Hybridization Strategies in RC1	CTP2	Hybridization Strategies in RC2	Outcome
Objective / Strategy	Provide affordable high-quality health care to low-income people; fight for better public health system (<i>social welfare logic</i>)	Foster social progress vs. maintain reason for existence (<i>tension over goals / institutional void between social welfare and commercial logic</i>)			<ul style="list-style-type: none"> Stronger focus on target groups with sufficient ability to pay (<i>Dismissing strategy - emphasis on commercial logic</i>) Adapt strategic focus to fit new lines of action of donors (<i>Cumulative strategy – social welfare logic</i>) 	Trying to balance social welfare and commercial logic under one roof
Self-Definition / communication	Social organization with business practices (<i>hybrid logic</i>)					
Structure	Nonprofit organization (<i>social welfare logic</i>)		Restructure organization to allow for affiliation to public health system and philanthropic activities (<i>separating strategy - hybrid logic</i>)			
Financing	Donations and grants (<i>social welfare logic</i>)			Rely mainly on donor funding vs. establish secure funding base (<i>tension over means/institutional void between social welfare and commercial logic</i>)		
Revenue generation	Donations and revenue from private health services to patients (<i>hybrid logic</i>)		Cross subsidize between profitable and unprofitable operations (<i>cumulative strategy - hybrid logic</i>)	Sell to public sector mainly vs. establish reliable revenue stream (<i>tension over means/institutional void between formal and informal strategic action fields</i>)	Put stronger emphasis on privately sold health services and target groups with sufficient ability to pay (<i>dismissing strategy – emphasis on commercial logic</i>)	Tension remained substantial at end of data collection

	T ₀	CTP1	Hybridization Strategies in RC1	CTP2	Hybridization Strategies in RC2	Outcome
Product and service delivery	Network of own clinics (<i>commercial logic</i>)					
Human resources	Hire employees with nonprofit and commercial background (<i>hybrid logic</i>)			Rely mainly on donor funding vs. establish business discipline (<i>tension over means/institutional void between social welfare and commercial origin</i>)		Substantial internal controversies about ultimate goal of the organization
External relations	Seek collaborations with public sector (<i>social welfare logic</i>)					
Summary of outcome			-			Vicious cycles <ul style="list-style-type: none"> ▪ Substantial internal controversies about ultimate goal of the organization ▪ Internal resistance to further increase market orientation

6.2.5 Comparative Reflections on Hybrid Organizations with Origins in the Social Welfare Logic

Comparing the four hybrid organizations with social welfare origins revealed that none of them could turn institutional voids into opportunity spaces as to establish virtuous cycles. However, three organizations (MEX-NP, KEN-NP, SA-NP) could establish fragile equilibriums by applying hybridization strategies that provided short-term relief. For one organization (COL-NP) tensions ultimately ended in a vicious cycle, meaning that it was paralyzed and thus unable to freely select structures or practices from the commercial and the social welfare logic and ultimately faced substantial tensions. In analogy to the approach taken in 6.1.5, the following sections will summarize the findings for those cases by concentrating on the types of tensions that hybrid organizations face as proxies for higher order institutional voids as well as the hybridization patterns and strategies to which the organizations referred in order to manage those tensions. Subsequently, the factors that enabled and/or constrained the organizations in referring to hybridization strategies to manage the tensions will be discussed.

On the Process of Turning Institutional Voids into Opportunity Spaces

Determining the Types of Tensions and Institutional Voids

Just as for hybrid organizations with commercial origins, the analysis of hybrid organizations with social welfare origin revealed that they faced both tensions over goals and tensions over means. The sources of tensions referred to institutional voids between the social welfare and the commercial logic, between formal and informal strategic action fields, and between Western and local strategic action fields (see table 22 for a detailed account of the tensions and hybridization strategies and appendix 5 and 6 for the corresponding empirical material). Further, they surfaced as a consequence of conflicting demands of adherents of conflicting logics or as material tensions that became salient through external events or institutional voids.

Identifying the Hybridization Strategies

A major difference between the three organizations that could establish a fragile equilibrium and COL-NP relates to the type of strategic answers that they chose to react to the tensions. MEX-NP, KEN-NP, and SA-NP all either converted to a for-profit (MEX-NP) or created parallel for-profit structures (KEN-NP, SA-NP). In other words, **the organizations that could maintain a fragile equilibrium proved structural compliance with the commercial logic**. When facing the massive reduction of customer demand after the introduction of the Seguro Popular, MEX-NP decided to transition to a for-profit in order to become eligible for funding from a social investment fund – particularly as donor money also decreased simultaneously. Similarly, SA-NP reacted to the decrease of donor money with the creation of an additional for-profit entity dedicated to the pursuit of a social enterprise strategy.

Table 22: Overview of Tensions and Hybridization Strategies in Hybrid Organizations with Social Welfare Origins

CTP/RC	Tension	Type of Tension	Audiences Imposing Demands on Organization	Institutional Void Anteceding Tension	Strategic Reponse	Changes in Hybridization Pattern	Type of Hybridization Strategy
FRAGILE CASES							
<i>MEX-NP</i>							
CTP1 / RC1	<i>Improve Mexican health system vs. secure financial and organizational survival</i>	Tension over goals	None (material tension embedded in business model)	Social welfare / commercial logic	<i>Consider conversion into for-profit in order to access funding from social investment fund</i>	Substantial shift towards commercial logic	Dismissing strategy
					<i>Increase cost efficiency</i>	Substantial shift towards commercial logic	Dismissing strategy
					<i>Redefine blended value creating goals in the new context of the Mexican health system in order to justify low wages</i>	-	Creative strategy
	<i>Collaborate vs. compete with the government</i>	Tension over goals	Management team	Social welfare / commercial logic	<i>Position as collaborator and competitor to the government:</i> <ul style="list-style-type: none"> ▪ <i>Seek affiliation to public health insurance (social welfare)</i> ▪ <i>Seek other revenue streams in parallel (commercial)</i> 	Substantial shift towards commercial logic	Separating strategy
<i>KEN-NP</i>							
CTP1 / RC1	<i>Collaborate vs. compete with the government</i>	Tension over means	Management team	Social welfare / commercial logic	<i>Try to lobby for improvement of regulations in health market</i>	-	Cumulative strategy
	<i>Establish innovative business model based on scale vs. need to react to unpredictable events</i>	Tension over means	None (material tension embedded in business model)	Western / local strategic action fields + Social welfare / commercial logic	<ul style="list-style-type: none"> ▪ <i>Compensate for losses with donations</i> ▪ <i>Train franchisees to improve business skills and medical quality</i> 	Substantial shift towards social welfare logic	Cumulative strategy

	<i>Set prices based on costs vs. set competitive prices</i>	Tension over means	None (material tension embedded in business model)	Formal / Informal + Western / local strategic action fields			
	<i>Set prices based on costs vs. set affordable prices</i>	Tension over goals	Management team	Social welfare / commercial logic			
	<i>Provide products / services based on social rationale vs. based on commercial rationale</i>	Tension over goals	Franchisees	Social welfare / commercial logic			
CTP2 / RC2	<i>Establish financially sustainable organization vs. mainly depend on inconsistent source of funding (grants & donations)</i>	Tension over means	Funders	Social welfare / commercial logic	<i>Prepare transition to for-profit legal form</i>	Substantial shift towards commercial logic	Dismissing strategy
	<i>Receive donor funding vs. establish and maintain business discipline</i>	Tension over means	None	Social welfare / commercial logic	<i>Innovate the way financial subsidies were used to change incentive structure</i>	Substantial shift towards commercial logic	Creative strategy
	<i>Subsidize franchisees with donations vs. expect them to operate in a financially sustainable way</i>	Tension over goals	Management team	Social welfare / commercial logic			
	<i>Hire employees with social welfare background vs. gain acceptance for market-oriented approach</i>	Tension over goals	Employees	Social welfare / commercial logic	<i>Try to gain acceptance of employees through internal discussions and anticipating tensions</i>	-	Creative strategy
	<i>Receive subsidized products vs. ability to deliver them in financially sustainable way</i>	Tension over means	Business partners / suppliers	Social welfare / commercial logic	<i>Prepare transition to for-profit legal form</i>	Substantial shift towards commercial logic	Dismissing strategy

SA-NP							
CTP1 / RC1	<i>Establish a market-oriented hybrid business model vs. gain acceptance of nonprofit employees and key partners</i>	Tension over goals	Employees	Social welfare / commercial logic	<i>Try and convince collaborators in South Africa to jointly implement social enterprise projects by emphasizing the benefits of a stronger market-orientation</i>	-	Cumulative strategy
CTP2 / RC2	<i>Implement innovative market-oriented approach vs. gain acceptance of project partners from public sector</i>	Tension over goals	Partners from public sector	Social welfare / commercial logic		Substantial shift towards commercial logic	Separation strategy
	<i>Establish financially sustainable organization vs. provide to government</i>	Tension over means	Partners from public sector	Western / local strategic action fields			
	<i>Provide services and products based on social rationale vs. based on revenue expectations</i>	Tension over goals	Employees	Social welfare / commercial logic			
	<i>Collaborate vs. compete with government</i>	Tension over goals	Management team	Social welfare / commercial logic	<i>- Remain a complement to public health system - Implement only parts of the social enterprise strategy to avoid upsetting partners</i>	-	Cumulative strategy
	<i>Establish a market-oriented hybrid business model vs. gain acceptance of nonprofit employees</i>	Tension over goals	Employees	Social welfare / commercial logic	<i>Hire young employees with more openness to hybrid approaches</i>	-	Creative strategy

VICIOUS CASE							
COL-NP							
CTP1 / RC1	<i>Foster social progress vs. maintain reason for existence</i>	Tension over goals	None (material tension embedded in business model)	Social welfare / commercial logic	<i>Process of restructuring and cultural change</i>	Substantial shift towards commercial logic	Separating strategy
					<i>Cross subsidize between profitable and unprofitable operations</i>	-	Cumulative strategy
CTP2 / RC2	<i>Rely mainly on donor funding vs. establish business discipline</i>	Tension over means	None	Social welfare / commercial logic	<ul style="list-style-type: none"> ▪ <i>Put stronger emphasis on privately sold health services to target groups with sufficient ability to pay (commercial logic)</i> ▪ <i>Continue to seek funds from donors to implement complementary social programs and continue to lobby for improvements in the public health system (social welfare logic)</i> 	Substantial shift towards commercial logic	Dismissing / Cumulative strategy
	<i>Rely mainly on donor funding vs. establish secure funding base</i>	Tension over means	Funders	Social welfare / commercial logic			
	<i>Sell to public sector mainly vs. establish reliable revenue stream</i>	Tension over means	None (material tension embedded in business model)	Formal / informal strategic action fields			

KEN-NP didn't react to changes in the resource environment, but rather decided to create an additional for-profit organization as a response to the perceived incompatibility of the dynamics in the third sector and the organization's goal to become financially sustainable. COL-NP, in contrast, remained a nonprofit entity and only increased its adherence to the commercial logic through internal changes. These differences suggest that structural compliance with the commercial logic could substantially improve the situation of hybrid organizations with a social welfare origin.

Overall, hybrid organizations with origins in the social welfare logic all moved towards an increase of their market orientation over time, based on the need or the desire to improve access to (adequate) funding. For two hybrid organizations (MEX-NP, COL-NP) this **increase of emphasis of the commercial logic was an answer to a central strategic paradox, namely the tension between achieving social progress and maintaining the organization's raison d'être**. For SA-NP, this paradox didn't manifest as a tension that the organization experienced, however, it was reflected in the very reason why SA-NP had started to venture into social enterprise. In all three cases, the countries slowly moved out of the focus of donors due to the apparent improvements in their social development. While for MEX-NP and COL-NP these improvements related to the establishment of a public health system, for SA-NP they related to apparent improvements in the country's health systems or economic development. All three organizations were thus pushed towards a major strategic redefinition due to substantial changes in their resource environment.

The case of KEN-NP was an exception in this regard, as Kenya depicts a comparably weaker progress in its social development, meaning that donors still continued to focus on the support of Kenya's health system. Here, the organization mainly increased its market orientation in order to improve its access to adequate, that is, organizational growth oriented funding, which was necessary to realize the business model based on maximum efficiency and scale. However, KEN-NP's decision to move towards more market orientation was still based on the realization that the logic of the third sector (that is, ideal-typically the social welfare logic) inhibited the organization in achieving its financial, and therefore, also its social goals. **In other words, referring to or increasing the emphasis on practices of the commercial logics was mainly an exit strategy for hybrid organizations with a social welfare origin.**

However, the increased implementation of practices and structures from the commercial logic led to tensions over goals for all organizations with a social welfare origin. These tensions either **directly manifested or evolved to becoming tensions that questioned the core of the organization**. For instance, for three of the cases, the tension between collaborating and competing with the government was a major tension over goals, as the support of the public health system was part of their key objectives (MEX-NP, SA-NP, COL-NP). For KEN-NP, collaborating with the government was rather a pragmatic measure as it provided the

organization with important benefits (referrals of patients, access to subsidized supply). It had never been a strategic objective to act as a complement to the Kenyan public health system. However, KEN-NP's increased emphasis of the commercial logic still led to substantial normative discrepancies as key stakeholders disagreed with the organization's plans.

Hence, in sum, it can be noted that **the strategies that could be identified in the analysis of hybrid organizations with social welfare origins were mainly aimed at avoiding tensions over goals at the core of the organization**. Separating and cumulative strategies were particularly prevalent.

On the Ability to Hybridize

As the last section has outlined, none of the cases with social welfare origin have been able to turn the tensions that they faced into a virtuous cycle. Three cases have been able to establish fragile equilibriums. One organization ultimately faced a vicious cycle. Looking at the factors that enabled and constrained the studied organizations to freely draw from competing logics revealed no significant relationship between the type of tensions that organizations faced and the type of hybridization strategies that they implemented. The different types of tensions (tensions over goals / tensions over means; tensions emerging from conflicting institutional demands / material tensions) as well as the different types of sources (institutional contradictions between the social welfare logics and the commercial logics; between formal and informal strategic action fields; between Western and local strategic action fields) could be found in both fragile and vicious cases.

Further, in analogy to the comparative reflections on hybrid organizations with commercial origins, it can be noted that none of the hybrid organizations with social welfare origins had succeeded in receiving long-term funding that embrace the idea of blended value creation. Only MEX-NP had received a conditional grant from a social investment fund. However, it is believed that this was not a consequence of its compliance with the legitimacy criteria of the fund members, but rather a consequence of the involvement of MEX-NP's founder in the social investment fund as a limited partner.

6.3 Comparative Reflections on the Role of the Institutional Context

As explained in the methodology section, governments of all four countries sought to implement the principle of universal access to health care. In Mexico and Colombia, the governments had implemented public health insurance schemes that covered large parts of the low-income population. In Kenya and South Africa, public health facilities provided free access to health care for low-income populations.

However, as the empirical investigation of the case studies in Colombia, Mexico and Kenya revealed, the ineffectiveness of public institutions to provide affordable high-quality health care seemed to destroy the ability of governments to ensure access to health care and thus seemed to destroy the field-level consensus that the public health system was the best option. In Mexico, the government was overwhelmed by the high demand for services that had to be covered by the Seguro Popular and was thus in a constant situation of financial scarcity. In Colombia, the health system had just experienced a large corruption scandal due to which the Ministry of Health was unable to settle the invoices of health providers affiliated to the public health insurance scheme. In Kenya, where low-income segments could, in theory, access free health care in public health facilities, the situation was similar. Public clinics and hospitals were often out of stock of medical supply. Furthermore, health workers were typically overwhelmed by the high demand and the bad conditions under which they had to treat patients. Hence, waiting times were long, causing high opportunity costs for patients that needed to wait for hours or even days to be attended, and the quality of services decreased. Further, interviews and field observations repeatedly confirmed that not only the public health systems but also the commercial and the third sector in all three countries failed to provide access to affordable high-quality health care for low-income people. These facts resulted in a general openness for any innovative type of organization that promised to provide high quality health care at affordable prices in Colombia, Mexico and Kenya. In other words, in Colombia, Mexico and Kenya, there was **no effective dominant logic** among players in health fields concerning the sector that should provide health care to low-income segments of the population.

In South Africa, data collection revealed a different picture. Although the public health system also failed to provide affordable, high-quality health care to low-income segments, and although South Africa's post-Apartheid regime clearly fostered liberal reforms – including in health care – there was a strong belief among many of SA-FP's and SA-NP's relevant stakeholders, in particular partners from the third and public sector, as well as employees, that providing health services to the poor should occur under the principle of free access to health care. In addition, interviews and, more importantly, field observations during data collection in South Africa revealed that the majority of large companies in South Africa – including SA-FP's mother company – were in the hands of white South Africans. In the context of the post-Apartheid regime, these companies faced normatively rooted legitimacy disadvantages, particularly among actors from the public and the third sector, as they were skeptical about the organization's sincerity concerning its social objectives. However, given that customers still demanded affordable high-quality health care, departing from the principle of free access to health care was still legitimate from a pragmatic point of view. In other words, in South Africa, there was a **dominance of the social welfare logic among players in the health field, but it was weakly enforced**.

As a consequence, **hybrid organizations in all four countries ultimately faced conflicts over goals at the organizational level concerning the question of whether health care at the BoP should be provided based on a social welfare logic, or based on a commercial logic. However, in addition, hybrid organizations in South Africa had to deal with the low legitimacy of market-oriented approaches in the eyes of public and third sector actors.** (Appendix 7 displays additional empirical material that reflects the situations in the health fields in all four sample countries)

6.4 Summary and Discussion of Findings

By analyzing eight hybrid organizations, the present study seeks to shed light on cross-sectoral hybridization as a strategy to turn institutional voids at the BoP into opportunity spaces. For this purpose, the focus of the empirical analysis outlined in the last chapter lied on the identification of tensions in hybrid organizations as proxies for higher order institutional voids, as well as hybridization strategies and hybridization patterns as responses to those tensions. In addition, field-level factors that enabled and constrained organizations to enact such hybridization strategies have been analyzed. Building on prior research and field observations, the logic of origin as well as the institutional context were assumed to be major determinants concerning the ability to hybridize.

The study has therefore investigated four blended value creating hybrid organizations with social welfare origin, and four with commercial origin in four different developing and emerging economies. In those settings, it was assumed that institutional voids would be prevalent, thereby constraining and enabling organizations to apply successful hybridization strategies. In the following sections the specific tensions and hybridization strategies identified in the empirical material will be summarized and discussed as to further develop the emerging theory of hybrid organizations. Given the theory-building objective of this study, the findings will be formulated as propositions. As will be further elaborated in the next chapter, future research is needed to further test these propositions.

6.4.1 Institutional Voids as Sources of Tensions in Cross-Sectoral Hybrid Organizations

Identifying the Sources of Tensions in Hybrid Organizations at the BoP

As posited in the conceptual framework, institutional voids, in this study, have been understood as contradictions at the interface of different institutional spheres (Mair, Martí, & Ventresca, 2012, p. 822). Given the different and perhaps conflicting sets of values, beliefs, and norms that constitute institutional spheres, organizations face tensions as they seek to operate at their

interstices. Tensions have thus been treated as proxies for higher level contradictions between institutional spheres. In total, three **different types of institutional voids** have been identified in the institutional contexts of the studied organizations. The empirical material showcasing these institutional contradictions is presented in appendix 5.

Given the hybrid nature of the studied organizations, the first type of institutional voids unsurprisingly relates to **contradictions between the commercial and the social welfare logic**. (An overview of the elements that constitute both logics is displayed in appendix 4). Institutional voids between the social welfare and the commercial logic mainly emerged as a result of competing demands of external or internal constituencies adhering to one of the two logics and as organizational outcomes could be interpreted as successes and/or failures. Tensions emerging out of this first type of institutional void could be found in all studied organizations, with specific tensions being particularly frequent. One tension, for instance, that surfaced in three cases (KEN-FP, SA-FP, KEN-NP) is the moral dilemma between delivering products and services based on a social welfare rationale (e.g. meeting own high quality standards) versus delivering them based on revenue expectations (e.g. adapt quality standards to customer demand) as suggested by the commercial logic. Further, the tension between collaborating vs. competing with the government has also been identified in numerous cases (MEX-NP, KEN-NP, SA-NP). As the interviews in all four countries revealed, a social welfare logic stipulates a collaborative attitude towards governments, emphasizing the normative view that health care should ideally be provided by the government. The role of organizations adopting such a view is therefore limited to complementing the government and filling gaps in health service provision. In contrast, a commercial logic perspective rather emphasizes the power of competition as a mechanism to enhance quality and drive down costs in a market. The role of organizations adhering to the commercial logic therefore stresses their function as challengers of the government. Finally, institutional voids between the social welfare and the commercial logic also emerged as a consequence of inherent strategic paradoxes. Such paradoxes only manifested in social welfare cases that **destroyed their own raison d'être by achieving their social goals** (MEX-NP, SA-NP, COL-NP). While the commercial logic suggests an endless pursuit of organizational growth and financial surplus maximization, the social welfare logic ideally suggests organizational liquidation after achievement of an organization's social goal. This source of tension could, for example, be observed in the case of MEX-NP. When the government introduced the Seguro Popular, it radically improved the Mexican health care sector, which had also been the goal of MEX-NP. However, being mainly funded through donations and revenues from the sale of services to people that had no health insurance, MEX-NP suddenly lost its two main sources of income. Donors started to concentrate on other topics or other countries that needed their support more urgently. And customers started to seek services from health facilities that were affiliated to the public health insurance, that is, MEX-NP's competitors at that time. In contrast to contradictions that emerge as a consequence of competing institutional

demands, strategic paradoxes can not be traced back to claims from internal or external audience. Rather, they are inherent contradictions that lead to paradoxical and thus confusing situations in organizations.

The second type of institutional voids that has been identified in the empirical data refers to **contradictions between Western and local strategic action fields**. In interactions with customers, such voids emerged as organizations built their Western-style business models on assumptions that neglected or underestimated 1) the ability and willingness to pay for health services (SA-FP), 2) the lack of customer knowledge about the need to get treatment as well as differences in health seeking behavior (MEX-FP), 3) diverging understandings or evaluations of appropriate quality requirements in health care and health products (KEN-NP), 4) the lack of a saving culture as well as saving opportunities at the BoP (KEN-NP), 5) the preferences of customers, for example, to be treated by doctors as opposed to nurses (SA-FP), as well as 6) the unpredictability of operating at the BoP and the prevailing culture of “living in the present” (KEN-NP). Neglecting or underestimating these voids, led to various tensions in the studied hybrid organizations, in particular in those cases that had a strong emphasis on efficiency maximization and standardization as means to allow for fast scaling. These were two hybrid organizations with commercial origins (MEX-FP and SA-FP), and one organization with social welfare origin (KEN-NP). It further has to be noted that for two of the organizations, SA-FP and KEN-NP, standardization and efficiency maximization were core propositions of their social franchise business model. In addition, in all those organizations, founders and key management team members depicted a stronger imprinting through Western style (business) mindsets, either because they were of Western origin, or because they had been imprinted by former involvement in Western educational institutions or employments. KEN-NP, for instance, faced several tensions as it failed to align its product and service delivery to the habits of Kenyan customers living in BoP settings. While the management of KEN-NP was largely influenced by Western beliefs about how health care should be provided to people, Kenyan low-income populations often proved to have a diverging understanding. For example, low-income customers in Kenya were used to walking into a health facility and buying drugs without previous tests or proper diagnosis. Convincing them of the need to change these health seeking habits was difficult, particularly if they had to pay for a consultation and if competitors continued to provide them with medicine without proper diagnosis. In addition, this type of institutional void could also be identified as organizations faced challenges in providing to public entities. Reimbursement schemes or partnership agreements with public entities in the sample countries proved to be inconsistent in two cases, either due to unpredictable decision-making (MEX-FP) or a lack of planning capability in the health ministry (SA-NP). Similarly as just described for customer behavior at the BoP, this type of behavior in public entities is a consequence of several factors that prevail in developing and emerging economies, including resource scarcity, dependence on volatile foreign aid, and ineffective formal institutions. As a result, short-term planning and spontaneity in decision-making

are more prevalent in public institutions in developing and emerging economies as in Western economies.

The third type are institutional voids caused by **contradictions between formal and informal strategic action fields**. Such tensions emerged as organizations complied with legal norms but relied upon or had to compete with organizations that didn't. A long-term contract with the government enabled COL-NP, for instance, to maintain financial sustainability for several years. However, a corruption scandal that surfaced in 2012 caused significant liquidity problems within COL-NP as the government suddenly stopped reimbursing the organization for services it had already provided to insurance holders. KEN-NP and SA-FP further faced the challenge of having to convince customers of referring to health services that complied with certain quality standards instead of seeking health services at health providers that operated illegally or referred to illegal practices. Finally, MEX-FP faced a similar tension as the organization depended on gaining the legitimacy of competitors that were at the same time gatekeepers for resources that the organization needed. In sum, it can be noted that this type of institutional void occurred in both hybrid organizations with commercial and with social welfare origins. In addition, it could be identified in all four countries, reflecting the ineffectiveness of public institutions to enforce legal norms about the appropriate behavior and goals of health care organizations.

Based on these elaborations, the researcher suggests that:

Proposition 1: Tensions in hybrid organizations at the BoP not only reflect institutional voids between the social welfare and the commercial logic, but also other institutional voids

The Nature of Tensions in Hybrid Organizations at the BoP

As mentioned in the conceptual framework, the present study initially sought to focus on an investigation of hybrid organizations in fields where tensions over goals are not resolved at the field level. Building on Pache and Santos (2010), the assumption behind this focus was that, in such situations, both tensions over goals and tensions over means manifest at the organizational level and force organizations to find appropriate response strategies. The tensions that have been identified as proxies for the just presented institutional voids and strategic paradoxes have therefore been classified as tensions over goals and tensions over means. Overall, both types of tensions could be found in all cases.

However, comparing the manifestation of tension across hybrid organizations revealed that **the very same tensions could take the form of tensions over goals in some hybrid organizations and of tensions over means in others**. In particular, as mentioned above, three organizations (MEX-NP, KEN-NP, SA-NP) reported having faced a tension between collaboration vs. competition. However, it is only for MEX-NP and SA-NP that this tension manifested as a tension over goals, given that both organizations had since the beginning adhered to a social

welfare logic with regard to their collaborative attitude towards the government. They had repeatedly emphasized their goal to support the government in establishing a well-functioning public health system. KEN-NP, in contrast, although closely collaborating with the government, hadn't integrated the support of the government as a component of its organizational objectives. Collaboration with the Ministry of Health in Kenya was rather based on pragmatic reasoning. When KEN-NP had to rethink its collaborative attitude towards the government due to regulatory changes, the tension between collaborating vs. competing with the government therefore only represented a tension over means for the organization. Hence, the researcher suggests that hybrid organizations may influence the nature of tensions by framing it through either one or the other of their constitutive logics. In other words:

Proposition 2: Hybrid organization may manipulate the nature of tensions (tension over goals vs. tension over means) by altering the logic of reference

Based on these findings and propositions on the tensions in hybrid organizations in general, the next sections will focus on cross-sectoral hybridization strategies in BoP settings.

6.4.2 Determining Cross-Sectoral Hybridization Strategies and Hybridization Patterns at the BoP

The second interest of the present study relates to the cross-sectoral hybridization strategies and hybridization patterns in BoP settings. Hybrid organizations referred to several strategies in order to manage the tensions that they faced. In accordance with Battilana and Lee's (Battilana & Lee, 2014, p. 41) typology, these strategies included dismissing, separating, cumulative and creative strategies.

Dismissing strategies seek to eliminate contradictions between opposing poles. In the empirical analysis, three different types of dismissing strategies have been identified. First, COL-FP referred to a **co-optation strategy** defined as the importation of influential constituents (Oliver, 1991, p. 152). COL-FP did so by partnering with a well-established and legitimate NGO – which is an ideal-typical organization of the social welfare logic – in order to access resources from a funder used to providing donations – which is ideal-typical funding of the social welfare logic. Second, a specific type of decoupling has been identified, which will be referred to as “**reverse decoupling**”. While decoupling generally refers to situations in which organizations show ceremonial conformity with institutional demands while effectively defaulting on those demands (Fiss & Zajac, 2006), reverse decoupling describes a strategy where an organization remained silent about its compliance with institutional demands in order to gain cognitive and moral legitimacy (Suchman, 1995). In particular, although seeking blended value creation, KEN-FP not only decided to incorporate as a for-profit, but also to avoid any explicit positioning as a socially oriented organization. Instead, KEN-FP positioned itself as a “normal business”. This strategy

allowed the organization to capitalize on well-established organizational forms (cognitive legitimacy) instead of trying to establish a new type of organization. Further, it allowed KEN-FP to manage expectations concerning its social impact creation, as internal and external audiences didn't expect a "normal business" to perform in a particularly social way. With every social impact creating outcome of KEN-FP, the organization was thus able to exceed expectations and thus to improve its reputation (moral legitimacy). Finally, the third dismissing strategy that could be identified in the empirical material is **avoidance**. SA-FP sought to avoid the exposure to conflicting institutional demands by delaying the formalization of its BoP venture and trying to pilot the initiative without external partners of the third and public sector. It did so after first attempts to get partners on board and realizing that it required substantial efforts to convince them of the hybrid venture.

Separation strategies aim at creating distance between opposing poles. Two types of separating strategies could be found. First, **structural separation** has been applied by three organizations (SA-FP, KEN-NP, SA-NP) as a reaction to skepticism from referent audiences from the social welfare logic in particular. Second, a specific type of structural separation, which could be found in all cases refers to the practice of **selective coupling**, defined as the selective combination of intact demands drawn from competing logics (Pache and Santos, 2012). All cases drew from intact practices from the social welfare and the commercial logic in different areas of the organization. For instance, already from a structural point of view, all organizations had to choose between incorporating as a for-profit or a nonprofit organization, given the lack of legal forms suited for their hybrid nature. Third, various instances of **impression management**, defined as organizational practice to present different faces to different audiences (Teasdale, 2010), could be found. Nearly all hybrid organizations (except KEN-NP and COL-NP) referred to this strategy and emphasized either their "social face" or their "business face" to gain access to resources (COL-FP, MEX-NP), to gain the legitimacy of employees (MEX-FP, KEN-FP, SA-NP) or of external partners (SA-FP). A specific type of impression management has furthermore been identified in COL-FP. In contrast to showing its social face towards demands from the social welfare logic and its business face towards demands from the commercial logic, as could be expected, the organization disentangled a tension that it faced into its institutional subcomponents and adapted its impression management accordingly. In particular, when facing the challenge that a potential funder remained skeptical about the moral legitimacy of COL-FP, the organization emphasized its innovativeness as a commercially oriented hybrid organization. Having succeeded in convincing the funder from a moral point of view, COL-FP subsequently faced the challenge that the internal guidelines of the funder prohibited the support of a for-profit organization. In order to overcome this regulative barrier, COL-FP emphasized its social face in order to be able to enter a partnership with an NGO that agreed on channeling through donations from the funder to COL-FP.

Cumulative strategies seek to balance opposing poles by complying to several competing institutional demands and trying to forge synergies between the opposing poles. Such strategies have also been found in nearly all cases. For instance, at the level of funding, MEX-FP **balanced different types of funders** including an international development bank, a Mexican foundation and a Mexican Social Invest Fund. With regards to revenue generation, the strategy of **cross-subsidization between different customer target groups** has been applied by MEX-FP and COL-NP. Further, in its interaction with franchisees, KEN-NP sought to find a balance between expecting the franchisees to become financially sustainable entrepreneurs and supporting them with donations and training when needed. In other words, the organization sought to **balance paradoxical goals**. Finally, several cases (SA-FP, COL-FP, SA-NP) tried to find a balance between reacting to the skepticism of key constituencies and continuing to increase the emphasis of the commercial logic. In order to do so, they accepted to **slow down their increasing market orientation** and invested in **negotiation efforts** geared towards convincing the skeptics.

Creative strategies aim at merging opposing poles in a new hybrid whole. In particular, three types of creative strategies could be identified. First, several instances of **sensemaking** could be found, through which organizations iteratively and retrospectively provided interpretations that alleviated the tensions. In particular, several organizations positioned their new hybrid logic as superior to traditional approaches in providing health care to low-income people. Across multiple cases (MEX-FP, KEN-FP, COL-FP, SA-FP), institutions of the public or third sector proved to be ineffective and thus inhibiting for the establishment of financially sustainable health care organizations that could continue to exist and provide affordable health care in the long term. Sensemaking was thus strongly based on pointing to the prevalence of institutional voids – in particular voids between the social welfare logic and the commercial logic as well as voids between formal and informal insitutional speres – at the BoP, delegitimizing existing approaches of health provision and explicitly positioning the own hybrid organizations as “game changers” and “inspirational leaders”. A second type of creative strategy, refers to **hiring practices that sought to minimize the former imprinting of employees**. In an effort to facilitate an easier adoption of a new hybrid logic, MEX-NP and SA-NP started to focus on hiring young employees with little work experience and thus weak imprinting from employments that followed beliefs, practices and routines from traditional sector logics. Finally, a third type of creative strategy referred to **adapting business practices to the solution of social issues**. In particular, the social franchise concept that underlied KEN-NP and SA-FP can be seen as a perfect blend of the commercial and the social welfare logic.

By applying those strategies, the studied organizations reflected different **hybridization patterns**, meaning that they combined and emphasized the social welfare and the commercial logic in different ways. As mentioned in the conceptual framework, it was one of the present study’s objectives to further shed light on differences in hybridization strategies and hybridization patterns. Prior research has suggested that the types of tensions – in particular tensions over

goals and tensions over means – may influence the types of strategies and thus the hybridization patterns. The comparative analysis of the present study, however, revealed that most of the studied organizations referred to a combination of the above-mentioned strategies in order to manage the diverse tensions that they faced. In the majority of organizations there was also no clear link between the nature or source of tensions and the hybridization patterns. Nevertheless, the studied organizations clearly adapted their hybridization patterns when facing different types of tensions.

Given that the types of tensions didn't determine the strategies that organizations applied, the next section will turn the focus on other factors that determined the way hybrid organizations dealt with institutional voids.

6.4.3 The Role of the Institutional Context in Hybrid Organizations' Ability to Turn Institutional Voids into Opportunity Spaces

The empirical analysis in the last chapter has outlined how institutional voids can be both constraints and opportunity spaces for hybrid organizations. They are constraints as they trigger tensions over goals or tensions over means, and they are opportunity spaces as organizations make sense of them in order to gain legitimacy for their innovative behavior. In addition, it has shown that organizations were able to manage tensions differently. Of the eight hybrid organizations that have been analyzed, only two hybrid organizations – with commercial origins – were able to establish virtuous cycles, meaning that they applied hybridization strategies that enabled them to achieve a lasting resolution or acceptance of tensions and thus turn institutional voids into opportunity spaces and to establish sustainable hybrid arrangements. Five organizations that could establish fragile equilibriums, meaning that they were able to resolve tensions in the short-term, but remained likely to face new substantial tensions soon. Of these five organizations, two had commercial origins and three had social welfare origins. Finally, for one hybrid organization with a social welfare origin the tensions ultimately resulted in a vicious cycle, as tensions ultimately couldn't be resolved and led to a substantially threatening situation for the organization, in which the survival of the organization was at risk.

This finding already seems to support the initial assumption of the conceptual framework, namely that the logic of origin is an influential factor concerning hybrid organizations' ability to refer to hybridization strategies that turn institutional voids into opportunity spaces. Similarly to evidence from prior research, the empirical analysis showed that logics of origin may equip hybrid organizations with legitimacy advantages or disadvantages. However, given that not all organizations with commercial origin could establish virtuous cycles and that not all organizations with social welfare origin ended up in vicious cycles, further factors had to be taken into account when trying to explain why certain hybrid organizations succeeded in turning institutional voids into opportunity spaces while others didn't.

In particular, the empirical analysis revealed that the **institutional environment of different country contexts had significant influence on the factors that equipped hybrid organizations with a legitimacy advantage or disadvantage.**

As mentioned in the comparative reflections on the role of the institutional context, the empirical analysis revealed that **in Colombia, Mexico and Kenya, there was no effective dominant logic in health fields concerning the sector that should provide health care to low-income segments of the population.** This fact resulted in a **general openness towards any innovative type of organization that promised to fulfill this task.**

In South Africa, the situation was different. Although both the public and the third sector had so far failed to effectively provide health care to low-income populations, there was a **strong belief among several of SA-NP's and SA-FP's stakeholders, in particular actors from the public and third sector, as well as employees, that providing health services to the poor should occur under the principle of free access to health care.** In addition, interviews and, more importantly, field observations during data collection in South Africa revealed that the majority of large companies in South Africa – including SA-FP's mother company – are in the hands of white South Africans. In the context of the post-Apartheid regime, these companies face considerable legitimacy disadvantages in low-income communities, which are primarily populated by black South Africans. Several actors that SA-FP approached – including local actors from the public and the third sector – were therefore skeptical about the organization's sincerity concerning its social objectives. From a normative point of view, commercial organizations faced a legitimacy disadvantage towards local actors from the public and third sector in health fields at the BoP, even more when they were launched by white South Africans or Western founders. However, many low-income people ultimately proved willing to pay for high-quality health services, given the institutional ineffectiveness in providing affordable high-quality health care to low-income populations. Hence, **in South Africa, there was a dominance of the social welfare logic, but it was weakly enforced.**

As a consequence, hybrid organizations in all four countries ultimately faced conflicts over goals at the organizational level. The researcher therefore suggests that:

Proposition 3: Cross-sectoral hybrid organizations face tensions over goals in social service provision fields with no enforced dominant logic as well as in social service provision fields where this dominant logic is only weakly enforced

In sum, **Colombia, Mexico and Kenya were classified as health fields with no enforced dominant logic in social service provision fields. South Africa, was classified as a field with a dominant, but weakly enforced logic.**

Given the predominance of empirical material from Colombia, Mexico and Kenya, the **next sections will mainly theorize on hybridization in fields with no enforced dominant logic**. However, some reflections on hybrid organizations in fields with a weakly enforced dominant logic will be provided at the end of this chapter as to open up avenues for further research.

6.4.4 Hybridization Strategies in Fields With no Enforced Dominant Field Logic

As mentioned previously, prior research has suggested that hybrid organizations may benefit from legitimacy advantages when their logic of origin corresponds to the logic that is enforced by public or other institutions. Based on the empirical analysis in this study, the next sections argue that even in field where institutions don't effectively enforce a dominant logic, hybrid organizations' logic of origin remains a key factor that enables and constrains them to draw from competing institutional spheres and thus to turn institutional voids into opportunity spaces. In addition, the personal background of founders also seemed to play a role. However, the reasons why these factors were influential is related to a more complex set of reasons. By analyzing hybrid organizations in Colombia, Mexico and Kenya, three reasons could be identified to explain these legitimacy advantages and disadvantages, namely legitimacy spill over effects, specifications of logics of origin and dominant logics among powerful resource providers.

Legitimacy Spill Over Effects

As mentioned in the methods section, in all sample countries traditional commercial health care organizations usually provided high-quality health care with a focus on high-income populations. Hence, "private health care" was often set equal to "high quality". Yet, it was unaffordable and thus inaccessible for low-income populations. With the emergence of hybrid organizations that adopted the BoP proposition and were explicitly positioned as health providers of the private sector, this high-quality health care suddenly became accessible for low-income people. Further, as interviews with patients of the hybrid organizations with commercial origins revealed, in contrast to health provision from the public and third sector, which was affordable or even free of charge, patients felt they were more entitled to claim for high-quality health care when paying for health services. Hence, **patients repeatedly reported feeling privileged and dignified to be able to refer to private health care** (MEX-FP and KEN-FP). In other words, the positive reputation of the private health sector spilled over to hybrid organizations with a commercial origin.

Building on these differences the researcher suggests that:

- Proposition 4: In social service provision fields with no enforced dominant logic, hybrid organizations' logic of origin engenders legitimacy advantages or disadvantages due to legitimacy spill over effects from other market players

The Conduciveness of Logic Specifications for Cross-Sectoral Hybridity

In addition to legitimacy spill over effects, the empirical investigation further revealed that, in comparison to the social welfare logic, the commercial logic overall appeared to be less restrictive towards cross-sectoral hybridity from a normative point of view. This finding is based on observations in several areas.

First, as part of their hybridization strategies, the studied organizations repeatedly referred to the **commercial logic as a superior means to a higher end**, namely effective and efficient health care delivery in the context of institutional voids. In particular, tensions between formal and informal institutional spheres in the public sector (e.g. establishing a financially sustainable organization vs. providing to the public sector) were repeatedly argued to be major obstacles that prevent organizations to effectively provide health care. Furthermore, tensions between the social welfare and the commercial logic (e.g. establishing a financially sustainable organization vs. depending on donations) were used as arguments to point to the third sector's weaknesses in continuously delivering health care to the poor. In contrast, the commercial logic was argued to be less susceptible to such institutional voids, given that its source of agency is based on individual decision-making rather than collective decision-making as is ideal-typically the case in the public and third sector (COL-FP). In contexts of high prevalence of institutional voids between the formal and the informal institutional spheres, such collective action is severely impeded. In other words, hybrid organizations with a commercial origin thus referred to sensemaking in order to emphasize the procedural superiority of the commercial logic in comparison to other sector logics.

Second, as mentioned previously, **tensions over means frequently evolved to more substantial tensions over goals in hybrid organizations with a social welfare origin**. In COL-NP, for instance, these tensions ultimately even reached a magnitude that threatened the organization's social and financial performance. Furthermore, comparing the nature of tensions in hybrid organizations revealed that both hybrid organizations with commercial origins and hybrid organizations with social welfare origins faced tensions over goals and tensions over means. However, taking a deeper look at the tensions revealed that **the very same tensions could manifest as tensions over goals in some hybrid organizations and as tensions over means in others**. Specifically, MEX-NP adhered to a social welfare logic concerning their attitude towards the government. Supporting the establishment of a well functioning public health system was part of their organizational objectives. For KEN-NP, which adhered to a commercial logic in

this regard, collaborating with the government was the result of rational considerations, as it provided the organization with access to important human resources. In other words, **from a social welfare perspective the tension was more substantial than from a commercial point of view.**

Third, hybrid organizations with commercial origins referred to the commercial logic in order to manage the expectations of internal and external constituencies. Demonstrating social behavior is not morally wrong from a commercial perspective. Socially oriented practices can even lead to comparative advantages and are thus, in the best case, beneficial for the commercial objective. KEN-FP's strategy of reverse decoupling illustrates the difference in the normativity of both logics. The emphasis on the commercial logic enabled the organization to overcome or avoid scrutiny concerning the social orientation of the organization. Even more, positioning as a commercially oriented organization even allowed KEN-FP to exceed expectations and thus gain moral legitimacy. The research therefore suggests that:

Proposition 5: In social service provision fields with no enforced dominant logic, the specifications of hybrid organizations' logic of origin engender legitimacy advantages or disadvantages

The Role of Resource Dependence Structures

The empirical analysis further revealed the importance of organizations' resource dependence structure as a factor that influences hybrid organizations' legitimacy advantages and disadvantages.

As described in chapter 2, the international development regime, as well as many health sectors in developing and emerging economies, have in the last decades shifted towards increased market-orientation, contributing to an increasing blurring of sector boundaries in social service provision at the BoP. One of the trends reflecting this is the emergence of social investment. Referring to means of the commercial logic, social investors seek to support the establishment of organizations that solve social problems with business means. Hence, for-profit organizations have become a new legitimate player in poverty alleviation. Even more, social investors in developing and emerging economies appear to have a stronger focus on the financing of for-profit organizations rather than nonprofit organizations.

Having already been aware of this trend at the time of founding, MEX-FP and KEN-FP, for instance, deliberately chose to incorporate as for-profits, knowing that they would be better able to access funding from both commercial and philanthropic sources. In addition, the analysis showed that referent audiences from the commercial logic seemed to be more open to cross-sector hybridity than those of the social welfare logic. As just described, the prescriptions of the commercial logic are normatively less restrictive than those of the social welfare logic. As exemplified by the case of KEN-NP, hybrid organizations with a social welfare origin mainly

received non-repayable funding, which is usually granted by philanthropic funders with the expectation that a pre-defined social impact (mainly measured by the number of beneficiaries) is created within a certain time frame. Both virtuous cases, in contrast, had commercial origins, which allowed them to receive private equity or debt capital from social investors with accountability requirements that mainly stressed operational milestones such as growth and financial performance.

COL-FP applied similar strategies, in that the organization incorporated as a for-profit despite the clear prioritization of social objectives. However, the organization was not (yet) able to access hybrid funding, which, as the researcher argues, doesn't necessarily reflect the general inattractiveness of COL-FP for social investors, but can be related to other reasons including that COL-FP was still in very early stages at the time of data collection and therefore couldn't provide a proof of concept as desired by many social investment funds.

In contrast, hybrid organizations with a social welfare origin were all older and founded at a time where hybrid funding was not yet existent and organizations thus had to rely on development funding which mainly adhered to a social welfare logic. Accordingly, the researcher argues that the reason why cases with social welfare origins had incorporated as nonprofits is closely linked to the prevalence of ideal-typical funding from actors adhering to the social welfare logic at the time of founding. Further, based on the observations of the study, it can be noted that all studied hybrid organizations with a social welfare origin increased their emphasis on the commercial logic over time, thereby reflecting a rather defensive motivation to hybridize in the sense that they tried to adapt their hybridization patterns depending on what type of resources they could access.

These observations suggest that the way hybrid organizations oscillate between different sector logics is determined by field-level shifts in the availability of conducive resources. The researcher therefore proposes the following propositions:

Proposition 6: In social service provision fields with no enforced dominant logic, the logic of origin equips hybrid organizations with a legitimacy advantage if it reflects the dominant logic of funders

In addition, the empirical analysis revealed that the individual background of founders or managers was an essential factor influencing whether hybrid organizations could benefit from a legitimacy advantage, in particular towards resource holders. Looking at the founders of the two virtuous cases revealed some differences, but also important similarities.

MEX-FP's founders both had formerly worked in the private sector in Europe and the US. They were thus mainly imprinted by the commercial logic and initially had little knowledge about the Mexican health sector. In contrast, KEN-FP's founders had formerly worked in the development sector in Kenya. They were thus – in theory – rather imprinted by the social welfare logic from a former work experience perspective. However, having worked in the development sector had also

caused considerable frustration and led KEN-FP's founders to developing the desire of doing it differently. In addition, just as in MEX-FP, KEN-FP's founders had no personal experience of living in low-income settings. They were not entrepreneurs who had developed a solution to a problem that they had personally experienced. In addition, two of KEN-FP's founders were native US Americans. MEX-FP and KEN-FP's founders were thus part of a (white) elite with high levels of education.

Given that the social investment scene was still in its infancy, faced difficulties of finding investable blended value creating organizations and was rather infused with values, practices and routines from Western capital markets, it is hypothesized that the importance of founders' or managers' personal background increases with regard to hybrid organizations' eligibility for hybrid funding. Given the many challenges and tensions that came along with investing in a blended value creating organization at the BoP, social investment funds seemed to value the resemblance between them and hybrid organizations' founders and/or managers. The researcher therefore argues that

Proposition 7: In social service provision fields with no enforced dominant logic, the personal background of hybrid organizations' founders and/or managers equips them with a legitimacy advantage if it reflects the dominant logic of funders

In Colombia, Mexico and Kenya, the cases that depicted all factors leading to a legitimacy advantage were MEX-FP and KEN-FP. They could emphasize the commercial logic, which allowed them to take advantage of legitimacy spill overs, make sense of the specifications of the commercial logic and position it as superior to other sector logics, as well as convince social investors to provide them with hybrid funding. COL-FP, although also a for-profit organization, hadn't yet succeeded in receiving social investment and therefore needed to refer to traditional philanthropic funding. MEX-NP, KEN-NP and COL-NP all faced the legitimacy disadvantage in those fields of being incorporated as nonprofit organizations.

The Benefit of the Young and Small

Finally, based on the observation that hybrid organizations with commercial origins were younger and overall more eligible to receive financial or technical support, the researcher further suggests that the time of founding is of significant importance in two regards. First, younger organizations could benefit from the existence of supporters that embrace a blended value creation approach and build upon learnings that previous organizations had made with similar hybridization patterns. For all four hybrid organizations with commercial origins, the choice of the for-profit legal form was deliberate and based on the conviction that it was more beneficial to be a for-profit, in particular, with regard to access to appropriate funding and human resources. They had developed this position based on observations of other organizations that tried to develop similar business models as well as by referring to literature or external consulting on success factors for

establishing blended value creating business models. COL-FP, for instance, having benefitted from being enrolled in an incubation program for blended value creating ventures, even chose the for-profit legal form, but explicitly stated that the social objectives had higher priority. MEX-FP's founders thoroughly prepared the business model for several years before launching the company. Both founders trained their paradoxical cognition by exposing themselves to the additional knowledge that founder 2 had gathered in his public health curriculum. In addition, they referred to pertinent literature about hybrid ventures at the BoP as well as exchange with experts and entrepreneurs in BoP ventures. These efforts allowed MEX-FP's founders to increase their paradoxical cognition and anticipate potential tensions before starting the business. Similarly, KEN-FP also deliberately chose an emphasis on the commercial logic, being convinced that it would be more suitable for their hybrid business models. In contrast, for hybrid organizations with a social welfare origin, the choice of the nonprofit legal form was largely based on taken-for-granted decision-making. Incorporating as a for-profit had literally been unthinkable for most organizations with social objectives few decades ago. Hybrid organizations with a commercial origin had thus shown a better ability to embrace institutional complexity and anticipate tensions in an early stage of their venture.

Second, commercial organizations providing affordable, high-quality health care for low-income people were an unusual type of actor in low-income settings of the four sample countries. They were thus not part of the actors that had already failed to address the health needs of the population. Hence, these organization could refer to the strategy of delegitimizing extant actors in the field of health care in order to gain moral legitimacy. Based on this, the researcher proposes that:

Proposition 8: Younger hybrid organizations are better able to strategically establish legitimacy advantages, as they can build upon lessons and failures from previous organizations

Third, the hybrid organizations with a commercial origin were not only younger but also smaller than the hybrid organizations with a social welfare origin. It can be assumed that they were therefore more flexible and open to adopt new practices, in contrast to larger organizations such as COL-NP, in which practices and routines were more institutionalized. The researcher therefore proposes that

Proposition 9: Smaller hybrid organizations are better able to strategically establish legitimacy advantages, as inner-organizational structures and practices are less institutionalized than in bigger hybrid organizations

The Influence of Legitimacy Advantages on Hybrid Organizations' Ability to Turn Institutional Voids into Opportunity Spaces

As mentioned in the conceptual framework, prior research has proposed that the types of strategies that hybrid organizations enact are a key factor influencing whether organizations can thrive and be able to turn the tensions that they face into opportunity spaces. In particular, based on evidence from paradox research, the researcher therefore assumed to find a prevalence of creative strategies in virtuous cases, and a prevalence of defensive strategies (dismissing, separating, cumulative strategies) in fragile and even more in vicious cases. However, the empirical analysis revealed a more complex picture. Virtuous, fragile and vicious organizations usually referred to a combination of creative and defensive strategies, which altogether spurred positive or negative consequences. Creative strategies that merged the commercial and the social welfare logic into a new hybrid logic could be found in all organizations that succeeded in establishing a virtuous cycle or a fragile equilibrium. At the same time, fragile and vicious cases showed a tendency to refer to defensive strategies. For hybrid organizations with social welfare origins, this defensive attitude was among others related to the strategic paradox between seeking social progress and maintaining the organization's *raison d'être*. Many of them referred to hybridization as a strategy to overcome this paradox. However, **defensive strategies per se didn't necessarily lead to vicious cycles**. For instance, KEN-FP succeeded in turning the tensions that it faced into a virtuous cycle by referring to a strategy of reverse decoupling, which can be classified as a dismissing, and thus, defensive strategy, given that it doesn't embrace the opposition but rather keeps it alive. Hence, the researcher proposes that

Proposition 10: Hybrid organizations with a legitimacy advantage may refer to creative and/or defensive strategies in order to turn institutional voids into opportunity spaces

Furthermore, as mentioned previously, hybrid organizations with a social welfare origin proved to face more difficulties to turn institutional voids into opportunity spaces given that tensions over means tended to evolve towards tensions over goals. Consequently, the **hybridization changes that organizations with a social welfare logics had to make were overall rather substantial**. For instance, the three hybrid organizations that could establish fragile equilibriums structurally shifted towards the commercial logic, either by converting into a for-profit (MEX-NP) or creating a for-profit sister organization (KEN-NP). Only COL-NP didn't change its structure. However, in order to compensate the financial losses it had experienced, the organization needed to redefine its strategy and dramatically increase its market-orientation by focusing on higher income target customer groups and increasing the sale of privately sold health services. **For two of the hybrid organizations, the situation was similar**. COL-FP had to accept traditional nonprofit funding after realizing that the organization was unable to convince funders of providing an innovative "hybrid" type of funding. In contrast, **for the two virtuous cases which both benefitted from legitimacy advantages, the resolution of tensions didn't require any or less substantial**

changes in their hybridization patterns. MEX-FP could continue to emphasize its hybridity throughout both CTPs, and KEN-FP only ceremonially changed its hybridization patterns. Based on this, the researcher suggests that

Proposition 11: The intensity of adaptations in hybridization patterns is a function of legitimacy advantages and disadvantages in hybrid organizations

Further, given that substantial changes in hybridization patterns are believed to be more challenging for organizations compared to ceremonial or less intensive changes in hybridization patterns, the researcher further generally suggests that:

Proposition 12: Hybrid organizations with a legitimacy advantage are better able to turn institutional voids into opportunity spaces than hybrid organizations with no legitimacy advantage or hybrid organizations with legitimacy disadvantages

Compensating for Legitimacy Disadvantages through Structural Adaptations

As the empirical analysis has shown, fragile equilibriums could be maintained by both hybrid organizations with commercial origins and hybrid organizations with social welfare origins. However, taking a deeper look showed that all the hybrid organizations with a social welfare origin that were able to maintain fragile equilibriums (MEX-NP, KEN-NP) significantly increased their market orientation by showing structural compliance with the commercial logic. They either transitioned to a for-profit, or created a parallel for-profit legal entity. As the only hybrid organization with social welfare origins that didn't refer to structural compliance with the commercial logic, COL-NP was simultaneously also the only case that ultimately faced a vicious cycle. The present study therefore suggests that:

Proposition 13: Organizations with no legitimacy advantage can improve their situation by showing structural compliance with the dominant logic of the most adequate available funding

In the next section, an overview of the propositions will be displayed and synthesized as to propose a process model of cross sectoral hybrid organizations at the BoP.

Theorizing – Antecedents and Consequences of Legitimacy Advantages in Cross-Sectoral Hybrid Organizations Operating in Fields with no Enforced Dominant Logic

The focus of the present study lied on the tensions that hybrid organizations face as proxies for higher order institutional voids as well as the hybridization strategies that they applied to overcome these tensions. Moreover, the study sought to shed light on the reasons behind hybrid organizations' ability to successfully refer to hybridization strategies. Building on prior research, the study has concentrated on the role of logics of origins in hybrid organizations as a source of legitimacy advantages or disadvantages, enabling or constraining organizations to draw from competing logics in an effort to turn institutional voids into opportunity spaces. Yet, given that prior research revealing the importance of logic of origins has mainly focused on Western settings that generally prescribe what the appropriate goals of social service providing organizations are, the present study sought to investigate institutional contexts in which tensions over goals are not, or not effectively, resolved at the field level. The study has thus analyzed eight cross-sectoral hybrid organizations seeking to provide affordable high-quality health care to low-income populations in four developing and emerging economies.

The findings of the study overall suggest that organization's ability to successfully manage tensions through cross-sectoral hybridization at the BoP is dependent on their logic of origin, as it equips them with legitimacy advantages or disadvantages. However, compared to fields that prescribe a dominant logic in social service provision, the study showed that the factors leading to those legitimacy advantages and disadvantages are more complex. In addition, the study outlined how hybrid organizations make use of legitimacy advantages in order to turn institutional voids into opportunity spaces. Table 23 summarizes the propositions that have been derived from the empirical analysis of cross sectoral hybrid organizations at the BoP.

Table 23: Overview of Propositions Derived from Empirical Analysis of Hybrid Organizations at the BoP

Section / Topic	Proposition
Identifying the Sources of Tensions in Hybrid Organization at the BoP	<i>Proposition 1: Tensions in hybrid organizations at the BoP not only reflect institutional voids between the social welfare and the commercial logic, but also other institutional voids</i>
The Nature of Tensions in Hybrid Organizations at the BoP	<i>Proposition 2: Hybrid organization at the BoP may manipulate the nature of tensions (tension over goals vs. tension over means) by altering the logic of reference</i>
The Role of the Institutional Context in Hybrid Organizations' Ability to Turn Institutional Voids into Opportunity Spaces	<i>Proposition 3: Cross-sectoral hybrid organizations face tensions over goals in social service provision fields with no enforced dominant logic as well as in social service provision fields where this dominant logic is only weakly enforced</i>
Hybridization Strategies in Fields With no Enforced Dominant Field Logic	<i>Proposition 4: In social service provision fields with no enforced dominant logic, hybrid organizations' logic of origin engenders legitimacy advantages or disadvantages due to legitimacy spill over effects from other market players</i>
	<i>Proposition 5: In social service provision fields with no enforced dominant logic, the specifications of hybrid organizations' logic of origin engender legitimacy advantages or disadvantages</i>
	Proposition 6: In social service provision fields with no enforced dominant logic, the logic of origin equips hybrid organizations with a legitimacy advantage if it reflects the dominant logic of funders
	Proposition 7: In social service provision fields with no enforced dominant logic, the personal background of hybrid organizations' founders and/or managers equips them with a legitimacy advantage if it reflects the dominant logic of funders
	Proposition 8: Younger hybrid organizations are better able to strategically establish legitimacy advantages, as they can build upon lessons and failures from previous organizations
	Proposition 9: Smaller hybrid organizations are better able to strategically establish legitimacy advantages, as inner-organizational structures and practices are less institutionalized than in bigger hybrid organizations
	<i>Proposition 10: Hybrid organizations with a legitimacy advantage may refer to creative and/or defensive strategies in order to turn institutional voids into opportunity spaces</i>
	<i>Proposition 11: The intensity of required adaptations in hybridization patterns is a function of legitimacy advantages and disadvantages in hybrid organizations</i>
	<i>Proposition 12: Hybrid organizations with a legitimacy advantage are better able to turn institutional voids into opportunity spaces than hybrid organizations with no legitimacy advantage or hybrid organizations with legitimacy disadvantages</i>
	<i>Proposition 13: Organizations with no legitimacy advantage can improve their situation by showing structural compliance with the dominant logic of the most adequate available funding</i>

Based on these propositions, figure 8 proposes a process model that traces the antecedents and consequences of legitimacy advantages and disadvantages in cross-sectoral hybrid organizations in BoP settings with no enforced dominant logic in social service provision.

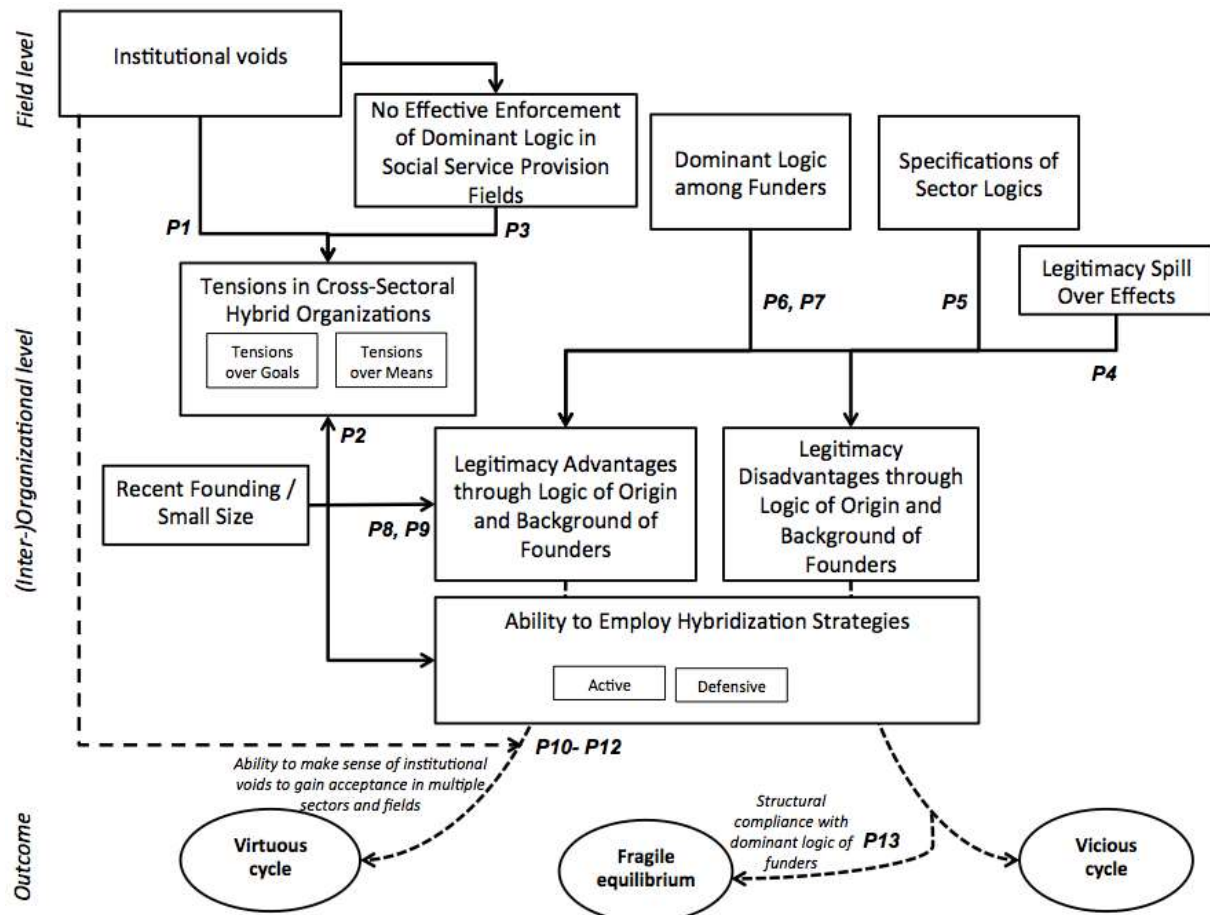


Figure 8: Antecedents and Consequences of Legitimacy Advantages in Cross-Sectoral Hybrid Organizations Operating in BoP settings with No Enforced Dominant Logic in Social Service Provision

6.4.5 Reflections on Hybridization Strategies in Fields with a Weakly Enforced Dominant Logic

As mentioned earlier, the empirical analysis has shown that hybrid organizations not only face tensions over goals when they operate in fields with no field-level consensus, but also when they operate in fields where this field-level consensus is weakly enforced. This was the case in both South African hybrid organizations and affected the way they could hybridize.

In contrast to hybrid organizations in Colombia, Mexico and Kenya, both SA-FP and SA-NP faced substantial normative obstacles to implement market-oriented health care providing organizations in low-income settings. This was above all due to the strong belief in the principle of free access to health care in South Africa. Particularly local actors from the public and third sector – on which

both organizations depended in order to gain acceptance in low-income communities – had substantial concerns about the “rightness” of selling health care to low-income populations. In addition, SA-FP’s “white” commercial origin caused substantial legitimacy disadvantages. In post-Apartheid South Africa, actors that represented and sought to empower black populations – which were by far the ethnic majority in low-income settings – were very skeptical about the sincerity of SA-FP’s social goals.

In other words, the study showed that, in South Africa, the social welfare logic was, in theory, the dominant logic for health care provision at the BoP in the eyes of local public and third sector actors. However, given the decrease of donor money for health purposes that SA-NP reported and SA-FP’s aim to establish a financially sustainable organization, both organizations sought ways to implement market-oriented health care providing organizations. This was possible given that there was a high demand for affordable high-quality health care in South African low-income communities. Similarly to the situation in Kenya, the extant health system in South Africa appeared to be overwhelmed with the task of providing affordable high-quality health care to low-income populations. Public and third sector health facilities were often out of stock and unable to attend patients within a reasonable time frame. Hence, many patients accepted to pay for prompt health services in order to reduce opportunity costs and receive higher quality health services. In other words, **patients at least granted hybrid organizations pragmatic legitimacy**. However, SA-FP and SA-NP had to be much more cautious in their endeavor to implement structures and practices of the commercial logic.

Overall, the study suggests that the normatively rooted dominance of the social welfare logic in the South African health field outweighed or at least significantly reduced the legitimacy gains that SA-FP and SA-NP could have made by strategically employing the factors that led to legitimacy advantages in Colombia, Mexico and Kenya.

For instance, as a franchisee of SA-FP explained, many patients seemed to feel privileged to be treated in a high-end private clinic. SA-FP thus benefitted from the same legitimacy spill over effects than KEN-FP, for instance. However, it could not employ this fact as offensively as KEN-FP did, by dismissing the social welfare logic and positioning as a “normal” business.

Further, SA-FP also tried to lobby for a more pragmatic approach to health care in discussions with representatives of the public and third sector. The founder of SA-FP was convinced that it needed a fast-scaling approach to meet the health needs of the South African population and that this was only able with a for-profit approach. However, realizing that any potential co-financiers were hesitant to buy into the model, the organization ultimately decided to opt for a hybrid structure, that is, a for-profit and a nonprofit entity.

In other words, the propositions about factors that spurred legitimacy advantages in hybrid organizations in Colombia, Mexico and Kenya and thus enabled them to select more freely from

competing logics and turn institutional voids into opportunity spaces didn't seem to hold true in South Africa – or, at least, not in the same intensity. The ability to hybridize thus appeared to be lower in South Africa than in the three other sample countries.

More generally, these observations suggest that:

Proposition 14: In social service provision fields in which one logic has low legitimacy, cross-sectoral hybrid organizations are more restricted in combining competing logics than in social service providing fields with no enforced dominant logic.

In addition, given that SA-NP – which had a social welfare origin, and had long operated as a rather typical nonprofit organization – sought to increase its market-orientation despite the substantial controversies that this engendered within and around the organization, it can be inferred that:

Proposition 15: In social service provision fields with a weakly enforced dominant logic, the influence of hybrid organizations' resource dependence structure on hybridization patterns is more important than the normative claims of actors in the field of social service provision

However, further research is needed to refine these propositions and investigate the interplay between dynamics in fields with a dominant logic that is only weakly enforced and organizations' ability to hybridize. As will be further discussed in the next chapter's elaborations on the limitations of the present study and suggestions for further research, the investigation of the South African context points to the need of paying particular attention on the question of how hybrid organizations in fields with a weakly enforced dominant logic prioritize the different institutional claims from internal and external audiences depending on their resource dependence structure.

7 CONCLUSION

Hybrid organizations, defined as organizations that internalize competing logics under one organizational roof, have increasingly attracted the interest of scholars in the last years. While institutional theorists and paradox researchers have started to develop general theories of hybrid organizations, bodies of literature on specific types of hybrid organizations, including blended value creating organizations, such as social enterprises or BoP ventures, have been growing in the last decades.

At the same time, the field of blended value creation has also grown in practice. Organizations that seek to generate social and financial return can increasingly be found in BoP settings. In developing and emerging economies, hybrid organizations combine the social welfare and the commercial logic in order to make sense of the high institutional complexity and the multiple institutional voids that prevail. Scholars have identified institutional complexity and institutional voids as major obstacles for organizations, as they cause tensions that inhibit organizational performance, and may even reach levels that threaten survival. However, hybrid organizations have repeatedly been put forth as effective and flexible players, which succeed in turning such voids into opportunity spaces, thereby building “inclusive markets” in developing and emerging economies (Mair, Martí, & Ventresca, 2012). In particular, hybrid organizations may view institutional voids as analytical spaces that occur at the interface of different institutional spheres and thus help them to diagnose contradictions (ibid, p. 843). Further, scholars have suggested that hybrid organizations may flexibly adapt their hybridization patterns in an effort to gain the legitimacy of actors adhering to different sector logics (Pache & Santos, 2012).

In sum, prior research has emphasized that **hybrid organizations are both constrained and enabled through institutional voids**. This central contradiction suggested a range of questions that remained under researched and which motivated the researcher to conducting the present study. How does cross-sectoral hybridity enable organizations to turn institutional voids into opportunity spaces? Why do hybrid organizations draw on a particular sector logic to overcome the institutional voids that they face? Why are certain organizations better able to hybridize than others? How does the institutional environment influence hybrid organizations’ ability to freely draw from competing logics?

Prior research has suggested that in fields that prescribe a dominant logic, tensions over goals are resolved at the field level. In such situations, hybrid organizations’ logics of origin, if corresponding to the dominant logic at the field level, spur legitimacy advantages that enable organizations to manipulate organizational templates and gain acceptance (Pache & Santos, 2012, p. 974). Yet, in fields that don’t effectively prescribe a dominant logic, both the process of turning institutional voids into opportunity spaces, as well as the factors determining hybrid organizations’ ability to hybridize, remained underresearched.

The present study contributes to filling this gap by investigating hybrid organizations with commercial and social welfare origins in four different developing and emerging economies. The field of health care has been chosen due to its relevance and suitability for the research interest. As a central human need, health is not only a human right but also a huge market that attracts both philanthropic and commercial actors, and where organizations with commercial and social welfare origins have started to experiment with new hybrid organizational models to provide affordable high-quality health care to low-income populations. Analyzing the health markets in four specific countries – Colombia, Mexico, Kenya and South Africa – has revealed that in those countries health markets depict high levels of institutional complexity. Partly as a consequence of the resource scarcity and the institutional weakness that prevail in those countries, the public, the private and the third sector co-exist, collaborate and compete in so-called mixed health markets (Evers, 2005; Marwell & McInerney, 2005). Nevertheless, access to affordable high-quality health care remains the exception for low-income people. As a result, health markets do not – or not effectively – prescribe a dominant logic with regard to the appropriate goals, means and forms of organizations providing health services to low-income populations.

The aim of the present study was twofold. First, it sought to determine the tensions that hybrid organization at the BoP face and investigate the field-level reasons for these tensions. In this regard, the first overarching argument of the study has been that **hybridization patterns not only reflect institutional voids between sector logics, but also between other strategic action fields**. Second, the study sought to investigate the hybridization strategies in hybrid organizations at the BoP and investigate the field-level reasons why they may referred to certain strategies. Two different scenarios have been revealed.

One scenario refers to fields in which no logic predominates concerning the legitimate type of actor that should provide social services to low-income populations. The present study has shown that **in fields that don't effectively prescribe a dominant logic in social service provision, the logic of origin as well as the personal background of founders are key factors that may spur legitimacy advantages in hybrid organizations**, meaning that they enable certain organizations to select more freely from competing logics and ultimately overcome the tensions that they face by introducing a new hybrid logic. This resonates with previous research, which has suggested that in fields with a dominant logic, hybrid organizations may take advantage of legitimacy advantages if their logic of origin corresponds to the dominant logic at the field level (Pache and Santos, 2012). However, the present study suggests that **the factors leading to legitimacy advantages are more complex in fields with no effective dominant logic in social service provision, giving more importance to dominant logics in the resource environment of hybrid organizations, to possible legitimacy spill over effects and to logic specifications**. In addition, it suggests that **organizations' ability to perceive and strategically employ these factors as to establish legitimacy advantages is dependent on their time of founding and their size**.

In addition to these findings that are limited to fields that don't prescribe a dominant logic, the study has also provided **few insights on hybridization in fields with a weakly enforced dominant logic**. In particular, the study suggests that in such settings, hybrid organizations are more restricted to freely draw from competing logics given that they face effective normative imperatives about the goals that they should pursue. However, it has also suggested that organizations' **resource dependence structure is more influential than the normative claims of audiences in health fields at the BoP that they face**. Further research is needed to refine these insights and explore cross-sectoral hybridization in social service provision fields with a weakly enforced dominant logic.

With these findings, the study contributes to extant theories and bodies of literature. First, it adds to the currently growing theory of hybrid organizations, and thereby to institutional theory and paradox research. Second, it contributes to literature on blended value creating organizations, mainly social enterprise and BoP research. Third, it contains a few insights that add to development theory. The following sections will elaborate on the theoretical contributions of the study, and subsequently turn to its practical implications. It was a key purpose of the study to derive practical recommendations, mainly for the field of blended value creation, in order to promote the impact that hybrid organizations can have for social and economic development in BoP settings.

7.1 Theoretical Implications

7.1.1 Implications for Theory on Hybrid Organizations from an Institutional and Paradox Perspective

The last years have seen a significant increase of publications aiming at developing a theory of hybrid organizations. Organizational scholars, mainly from institutional theory and paradox research, have identified hybrid organizations as a particularly interesting object of study, given their observed ability to deal with tensions. The findings of the present study contribute to this body of research in several regards.

Broadening the Understanding of Tensions in Hybrid Organizations and Hybridization Strategies

Analyzing the empirical material revealed that existing typologies of tensions in hybrid organizations failed to capture the entirety of the tensions that they faced. From an institutional point of view, hybrid organizations – often cross-sectoral hybrid organizations – have repeatedly been portrayed as organizations that combine competing institutional logics in an effort to find particularly innovative and resilient solutions to complex problems such as climate change or

poverty (see e.g. Battilana & Dorado, 2010; Jay, 2013). Consequently, hybridization patterns and hybridization strategies have mainly been analyzed as a consequence of contradictions between different sector logics, which manifest through conflicting institutional demands (see e.g. Battilana & Lee, 2014; Ebrahim, Battilana, & Mair, 2014; A. Pache & Santos, 2012), and cause conflicts over goals, or conflicts over means (Pache & Santos, 2010). Paradox researchers provided a more detailed account of tensions by distinguishing between performing, organizing, belonging and learning tensions (Smith & Lewis, 2011), and therefore typologizing tensions based on the question of “what are tensions about and where do they manifest?”. Further, they reflected on the difference between material and socially constructed tensions and stressed the relevance of cognitive frames in perceiving and managing tensions (ibid). However, most studies in paradox research remain silent about the roots of tensions.

The present study has argued that a more fine-grained understanding of tensions is necessary for organizations to be able to manage them in the long term or to even anticipate them. In particular, a deeper understanding of the *sources of tensions* has been argued to be decisive for organizations to derive strategies that resolve tensions at their roots. In accordance with Mair and colleagues (Mair, Martí, and Ventresca, 2012), the researcher therefore proposed to use an institutional voids perspective to diagnose field-level institutional contradictions that manifest as tensions in organizations. The study leaned on Mair et al, who interpret institutional voids not as a lack of effective (market) institutions, as suggested by previous researchers (see e.g. Castellacci, 2015; Chakrabarty, 2009; Chakrabarty & Bass, 2013; Puffer, McCarthy, & Boisot, 2010), but rather as contradictions between different institutional spheres. In Mair et al's study, such voids occurred as Western-style interpretations of necessary market institutions conflicted with local “bits and pieces” of the political, the religious, and the community sphere in rural Bangladesh. By adopting this sociologically oriented interpretation of institutional voids, which stresses the abundance of institutions, the present study identified three sources of – socially constructed and material – tensions in the sample organizations. Organizations not only referred to cross-sectoral hybridization strategies when they faced institutional voids between different sector logics, but also when they faced other types of institutional voids, such as contradictions between different strategic action fields. This finding has at least three theoretical implications.

First, in contrast to Mair and colleagues who “treat voids as analytical spaces at the interface of several institutional spheres, each with its own animating logic of meanings and social practices” (p. 822), the present study argues that the spheres that engender such contradictions may not necessarily follow common logics, but more flexible common understandings. The informal strategic action field that has been identified in this study, for instance, doesn't rely on a shared sense of meaning as suggested by the concept of institutional logics. However, it can still be interpreted as an own institutional sphere with certain rules and sanction mechanisms that provide order in BoP markets. Hence, the researcher supports current attempts to introduce a

more dynamic type of meso level order such as strategic action fields (Fligstein & McAdam, 2011, 2012) or social grids (Beckert, 2010) into organizational theory.

Second, the study moves away from previous research that has drawn a picture of hybrid organizations that operate between well-established logics of economic sectors, face tensions between static claims of what is considered to be appropriate according to a specific logic and passively draw from intact practices of these logics to comply with the institutional demands that they face (Pache & Santos, 2012). Instead, the present study emphasized a more dynamic picture of hybrid organizations that adapt their hybridization patterns as a strategy to react to or anticipate various types of tensions by means of sensemaking.

Third and relatedly, the study echoes Jay (2013) who emphasized the importance of sensemaking, defined as “an iterative cycle of action and retrospective interpretation to generate stable meaning and organized action” (ibid, p. 140), as a strategy to successfully embrace tensions in hybrid organizations. Jay described how hybrid organizations use different logics to reinterpret paradoxical outcomes as successes, thereby transforming the organizational logic over time. In the present study, a specific form of sensemaking has been identified, namely the hybridization strategy of positioning certain logics as particularly conducive to overcome institutional voids. Through sensemaking, they framed different types of institutional voids as a matter of contradictions between sector logics in order to justify and gain moral legitimacy for specific hybridization patterns. In other words, the study suggests that actors may link cross-sectoral institutional contradictions to other field-level institutional contradictions through social construction.

Furthering the Understanding on Organizations' Ability to Hybridize and Overcome Tensions

The current understanding of factors that enable or constrain hybridization, from an institutional perspective, is mainly based on evidence from Western settings where tensions over the appropriate goals of hybrid organizations are resolved at the field level. In such contexts, Pache and Santos (2012) showed that organizations entering a field with low legitimacy have more difficulties to freely combine elements from competing logics. They thus have to strategically incorporate a majority of elements from the predominant logic to gain legitimacy and acceptance – a strategy that Pache and Santos called the “Trojan Horse”. Investigating settings where conflicts over goals are not effectively resolved at the field level has revealed that the factors that spur legitimacy advantages and disadvantages in hybrid organizations are more complex. In particular, it has been argued that, in fields with no enforced dominant logic in social service provision, the role of hybrid organizations' resource environment, possible legitimacy spill over effects and logic specifications increases. Further, not only the logic of origin has been shown to be a source of legitimacy advantages and disadvantages, but also the personal background of founders. Aware of these factors, particularly young hybrid organizations have shown that they strategically adapt their hybridization patterns accordingly, in order to take advantage of

legitimacy advantages. In contrast, in fields with a weakly enforced dominant logic, the study suggested that organizations' ability to hybridize is more constrained. Normative institutional claims appeared to significantly inhibit hybrid organizations' ability to freely combine the commercial and the social welfare logic. Nevertheless, the resource-dependence structure seemed to outweigh these constraints and incentivize hybrid organizations to increase their market orientation despite the normative obstacles that they faced.

With this, the present study contributes to institutional research on hybrid organizations, or, more generally, on institutional complexity, in at least five ways.

First, with reference to the previous section, it points to the fact that legitimacy advantages don't only help to overcome tensions between sector logics, but also enable organizations to make sense of other types of tensions and frame them as matters of cross-sectoral contradictions. Previous research has largely neglected tensions in hybrid organizations that go beyond contradiction between conflicting logics.

Second, it emphasized the role of logic specifications with regard to their conduciveness to embrace hybridity. In the context of the present study, the commercial logic has proven to be more open to cross-sector hybridity than the social welfare logic, as it appeared to be less restrictive from a normative point of view and more open to innovation and risk taking. With this, the study adds to research on the sources of logic incompatibility (for an overview see Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011, p. 333) and suggests that logic incompatibility is asymmetric. It varies depending on the logic of reference.

Third, it shows how organizational strategies to deal with institutional contradictions are shaped by field-level dynamics, in particular, by preferences of powerful resource holders. With this, the study recalls arguments from the study on institutional entrepreneurship, which has repeatedly emphasized the importance of powerful allies and thus the limits of organizational agency (For an overview, see Battilana, Leca, & Boxenbaum, 2009, p. 81). As posited in chapter 3, reflexivity has been presented as a key asset for actors to be able to disembed themselves from institutional constraints and become agentic. The empirical analysis has shown that reflexivity, more specifically, the ability to anticipate institutional tensions, is essential. However, organizational agency to work institutional voids has shown to be dependent on the field-level support that organizations receive.

Fourth, it questions the definition of hybrid organizations in institutional theory. While organizations may remain "illegitimate hybrids" in the eyes of certain constituencies, they may already belong to an institutionalized field that has embraced their hybridity. In particular, the antagonism between the social welfare and the commercial logic, which has repeatedly been described as a constitutive element of many cross-sectoral hybrid organizations (see e.g. Battilana & Lee, 2014; Doherty, Haugh, & Lyon, 2014; A. Pache & Santos, 2012), may only prove

valid in the eyes of loyal adherents of these ideal-typical logics. In the eyes of funders that embrace a blended value creating approach, they may no longer be classified as hybrids.

Fifth, the study stresses the multifaced nature of legitimacy. As the study of hybrid organizations in South Africa has suggested, fields with a weakly enforced dominant logic force hybrid organizations to prioritize the competing institutional demands and the technical forces that they face. The study thus points to the need of distinguishing between different institutional claims, that is cognitive, normative and regulative claims, as well as technical forces that underlie tensions in hybrid organizations and influence their ability to hybridize.

Sixth, by contextualizing the study in historical shifts towards increased market orientation in social service provision in developing and emerging economies, particularly fostered by logic preferences of international institutions of development finance, the study emphasizes the dynamic and constructed character of legitimacy. While nonprofit organizations were the more legitimate recipients of foreign aid in the 1980's and 1990's, the last two decades have seen a rapid shift towards increased legitimacy of market oriented development approaches, which now grants legitimacy advantages to organizations that reflect this trend. Overall, these contributions respond to Greenwood et al's (Greenwood et al, 2011) call for further research on the link between organizational responses to institutional complexity and "institutional identities as embedded in field-level categorizations", as well as between hybridity and "organizational outcomes such as endorsements or penalties from field-level actors" (p. 354). However, it also shows that hybrid organizations, together with funders, shape field-level shifts concerning the legitimacy of social service provision at the BoP.

By leaning on institutional perspectives, the study further provides to paradox research by interlinking the organizational and the field-level perspective. Most paradox research largely neglects field-level explanations. For instance, Smith and Lewis (2011) suggest a range of factors that enable organizations to manage tensions. These factors include cognitive and behavioral complexity as well as emotional equanimity at the individual level of managers, and organizational dynamic capabilities. Similarly, Jay (2013) suggests that success in implementing innovative hybrid ways of organizing depends on an organization's ability to make sense of paradoxical outcomes, and, more specifically, on a manager's ability to embrace complexity. This reflexivity, he argues, can be trained by referring to external perspectives. Further, Jarzabkowski, Lê and Van de Ven (2013) show how defensive strategies to manage tensions are likely to spur vicious cycles, while active strategies are likely to engender virtuous cycles. However, questions concerning the contexts in which individuals and organizations can acquire the necessary attitude and capabilities, or ability to apply active strategies remain largely disregarded.

The present study suggests that factors that enable or constrain hybrid organizations to deal with tensions are linked to field-level dynamics, as they provide organizations with legitimacy advantages and disadvantages. Organizations that have succeeded in turning institutional voids

into opportunity spaces in the present study have indeed depicted a better paradoxical cognition and, overall, a more proactive attitude towards tensions when compared to those that haven't succeeded. However, these cases have only been able to do so because they were able to learn from previous organizations, strategically employed factors that equipped them with legitimacy advantages, and thus succeeded in receiving the right field-level support. Even more, organizations with legitimacy advantages could even refer to defensive strategies such as dismissing institutional contradictions in order to overcome tensions. A particular form of decoupling, labeled reverse decoupling, has been identified in this regard. Institutional scholars have usually described decoupling strategies as practices where organizations give ceremonial and symbolic commitment to institutional pressures (e.g. for social behavior) while preserving their original behavior and identity, for example, for financial or efficiency related reasons (see e.g. Fiss and Zajac, 2006). In the present study, organizations did the opposite. They ceremonially complied with the commercial logic, as it raises low expectations concerning social performance, but factually followed a social welfare logic of social value creation. By doing so they could exceed expectations and gain moral legitimacy more easily.

Organizations that were unable to strategically employ legitimacy advantages indeed depicted a rather defensive attitude and could ultimately only establish fragile equilibriums, or even ended up in vicious cycles. However, these organizations did not only apply defensive strategies. Lacking legitimacy advantages, they couldn't find long-term solutions to the tensions that they faced even if they referred to active strategies. Especially, they proved unable to convince funders of their hybrid approach and thus remained in situations that required constant oscillation between logics and adaptation to preferences of funders providing short-term resources.

Finally, the present study supports arguments from paradox researchers (Jay, 2013; Smith, Besharov, Wessels, & Chertok, 2012; Smith & Lewis, 2011) by showing that managers' ability to anticipate tensions is decisive in hybrid organizations' ability to turn tensions into opportunity spaces. The findings of the present study, however, further links the ability of embracing complexity to the time of organizational founding. Organizations that were founded later could draw from experiences that other organizations with similar hybridization patterns had made, and from the existence of new support mechanisms that help to embrace complexity.

In sum, with these arguments, the present study adds to paradox research in that it embeds individual or organizational factors spurring virtuous, fragile or vicious cycles in field-level dynamics and shows how they are linked to legitimacy advantages and disadvantages.

7.1.2 Implications for Literature on Blended Value Creating Approaches (Social Enterprise and BoP research)

With its focus on hybrid organizations that seek to provide affordable high-quality health care in a financially sustainable or profitable way, the study also adds to literature on blended value creating approaches, in particular social enterprise and BoP literature.

Susceptibility to Mission Drift

Much of the literature on social enterprises has discussed tensions between social and financial value creation and the possible risk of mission drift (for recent elaborations on this topic see e.g. Battilana & Lee, 2014; Doherty et al, 2014; Ebrahim et al, 2014; Smith, Gonin, & Besharov, 2013). Viewing social enterprise as a phenomenon belonging to the third sector, many researchers have adopted arguments from nonprofit management research stressing that an increasing focus on market-oriented activities may have negative consequences on organizations' social mission (Alexander, Nank, & Stivers, 1999; Eikenberry & Kluver, 2004; Weisbrod, 2004). At the same time, researchers emphasizing the possibility of social enterprises to take the form of for-profit organizations have described risks of mission shift when organizations expose themselves to profit oriented funders. The present study challenges these perspectives by emphasizing the practices of socially oriented organizations to deliberately incorporate as for-profits in order to protect their social orientation. First, it reflects arguments from previous researchers by showing that the for-profit form may be more conducive in gaining the acceptance of low-income populations in developing and emerging economies (Kistruck & Beamish, 2010) or funders. Second, it shows that nonprofit hybrid organizations in developing and emerging economies face larger difficulties to access both donations and social investment. Hence, they become susceptible to mission drift as they may be forced to increase profit generating activities, thereby losing sight of their social goals, or becoming unable to dedicate enough attention to the pursuit of their social goals.

Elasticity of Definitions in BVC and The Role of High Status Actors

With the comparative analysis of eight hybrid organizations seeking to create blended value creation in four different developing and emerging economies, the study has provided insights on the role that country contexts have on the definition of what can be considered as social. Further, it has shown how social investors take advantage of vague definitions in the field of blended value creation in order to include different types of organizations in their portfolio of investees. Given that in Kenya, for instance, a "normal" business providing affordable high-quality health care is already more social than any other private health provider, commercial health providers at the BoP may more easily become eligible to social investment than in other countries. However, it needs further comparative research to investigate the decision criteria of social investment funds,

the eligibility of different types of organizations and sectors to receive social investment and the influence that social investing has on the landscape of social service provision in BoP settings.

Introducing a Hybridity Lens in BoP Research

The present study was based on the belief that a hybridity lens is particularly useful to broaden the current focus of BoP literature on strategy-making in private sector companies. As the present study has shown, the scaling proposition that has coined BoP literature so far, stands in stark contrast to the needs of organizations that operate in the context of multiple institutional voids. It is therefore no surprise that few successful large scale BoP ventures are known, and that it is, instead, more flexible types of actors that experiment with innovative business models at the BoP. These actors frequently refer to hybridization strategies in order to manage those institutional voids. Hence, the researcher emphasizes the need to integrate hybridization strategies in the set of strategies that are discussed in BoP research. Further, hybrid funding mechanisms seem to be essential for hybrid organizations to become able to create blended value at the BoP. Yet, only little research so far has been dedicated to the investigation of hybrid organizations and hybrid funding mechanisms in BoP settings.

7.1.3 Implications for Development Literature

The Limits of Endogeneous Bottom-Up Solutions to Poverty

The last body of literature to which the present study contributes is development theory. While most development scholars have adopted macro economic perspectives to explain differences in the development of countries and deriving recommendations concerning appropriate poverty reduction strategies, recently scholars have emphasized the need to adopt a micro-level perspective to development. In particular, Banerjee and Duflo (2011) suggest to concentrate on informations about how low-income people live their lives and make their choices in order to adapt efforts to fight poverty to local behavioral patterns, thereby making the fight against poverty less overwhelming. Similarly, Easterly (2006) proposes to foster the emergence of *searchers* as opposed to *planners* to promote the development of more endogenous solutions to poverty eradication and establish more direct accountability mechanisms in development approaches. The present study has investigated organizations that try to develop such endogenous solutions by treating low-income populations as business customers – as opposed to beneficiaries of philanthropy – and thus having to meet local demands and needs in a cost-efficient and sustainable way. However, the study revealed the limits that such organizations face and highlighted their dependence on funders' preferences. With this, the researcher questions the endogeneity of current so-called market-oriented, bottom-up solutions, and emphasizes the need to further investigate the conditions under which endogeneity can be protected.

7.2 Counterfactuals, Limitations and Further Research

This dissertation investigates cross-sectoral hybrid organizations seeking to provide affordable health care in developing and emerging economies that lack an effective dominant logic concerning health care provision at the BoP. These organizations have been positioned as hybrid organizations that combine the social welfare and the commercial logic as they seek to create blended value. With this, the research setting has been argued to be particularly conducive with regard to the research interest, as tensions over goals are not effectively resolved at the field level, requiring hybrid organizations to find strategies that help them in managing those tensions.

However, in order to further generalize, test or refine the propositions derived in this study and further develop the emerging theory of hybrid organizations, additional research is needed. Specific sources of alternative explanations and limits for the propositions shall be presented here in order to suggest interesting paths for further research.

The Institutional Context of Colombia, Mexico, Kenya and South Africa

As mentioned previously, the researcher argues that many developing and emerging economies may correspond to the above-mentioned classification, as fields that lack an effectively enforced dominant logic concerning social service provision at the BoP and are highly dependent on trends in international funding mechanisms. Hence, the propositions derived in this study are believed to be valid for many other developing and emerging economies that don't effectively resolve tensions over goals at the field level. In developing and emerging countries that do effectively resolve tensions over goals at the field level, tensions and hybridization strategies may either look different, or not occur at all. However, further research is needed to test, refine and generalize the propositions generated in this study and explore developing and emerging markets with diverging characteristics.

In particular, the researcher acknowledges the asymmetry in the country sample of the present study. Given that three countries were classified as fields with no enforced dominant logic and only one country with a weakly enforced dominant logic was investigated, theorizing mainly focused on the first type of settings. Further research is needed to extend the knowledge about the ability to hybridize in fields with weakly enforced dominant logics. Based on the investigation of two hybrid organizations in South Africa, the researcher particularly encourages researchers to investigate how hybrid organizations in fields with a weakly enforced dominant logic prioritize the different institutional claims from internal and external audiences depending on their resource dependence structure.

Further, it has to be noted that the study reflects a snapshot of the institutional contexts of Colombia, Mexico, Kenya and South Africa in the early 2010's. Given the rapid and constant

institutional change in developing and emerging economies, legitimacy advantages or disadvantages of sector logics are subject to continuous change.

The Health Sector as a Particularly Antagonistic Setting?

The health sector has been chosen as a field of study due to its conduciveness for the present investigation. In the last years, organizations that seek to create blended value by providing affordable health care to low-income people have emerged in numerous developing and emerging economies. Given that access to health care is a human right, it was argued that organizations adopting market-orientated practices in areas where health needs remain severe are likely to face substantial tensions at their core.

However, it could be argued that in light of the increasing market-orientation in health markets, the combination of the social welfare logic and the commercial logic is not a matter of competing logics anymore, but rather its own logic of a social market economy. However, the researcher argues that in the settings of the present study, where regulatory authorities fail to enforce norms that protect a social orientation of market-oriented health providers, providing affordable high-quality health care and generating revenues remains antagonistic. The studied organizations all faced tensions that could be traced back to conflicting demands of adherents of the social welfare and of the commercial logic.

In light of these reflections, the researcher proposes three paths for further research. First, the propositions generated in this study should be tested in other areas. Although other sectors are likely to depict similar patterns and present similar conditions to hybrid organizations, it is possible that some of the propositions that have been discussed in this study are less accentuated, for instance, in the education or housing sector where the centrality of competing logics is less pronounced (Besharov & Smith, 2013).

On the Definition of Hybrid Organizations

Battilana and Lee (2014) argued that only organizations that persistently combine competing logics in their core should be classified as hybrid organizations. To illustrate, they suggested that “a mule is a hybrid, but a chameleon, due to the contingent nature of its multiple forms, is not” (p. 4). Given that some of the studied organizations have adapted their hybridization patterns towards an increase of the commercial origin as a reaction to shifts towards market-orientation in their resource environment, they might rather be chameleons and not mules. However, the researcher argues that hybridization patterns can not be seen independently from their institutional context and, more specifically, from their resource environment to which they adapt until they become a blend of different logics. In other words, they might start as chameleons and evolve to becoming mules.

Similarly, if funders embrace a blended value creating approach and contribute to organization's ability of successfully delivering on their social and financial value propositions, it remains debatable whether the studied organizations can still be classified as hybrid organizations. In fact, the empirical evidence of the present study suggests that organizations stepped out of hybridity in the moment that they received funding embracing the concept of blended value creation. Tensions between the social welfare and the commercial logic didn't any longer pose substantial threats to the organization.

Hence, the researcher points to the need of considering and exploring the subjectivity behind the definition of hybridity in future research. Scholars have so far largely portrayed hybrid organizations as entities that combine competing logics. However, they have neglected the fact that the assumed opposition of logics is a matter of subjective evaluation. For some audiences, organizations may already be a new type of institutionalized entity, while for others they may remain hybrids. Moreover, this view stresses the question of which audiences hybrid organizations should target first, or predominantly, when trying to institutionalize a new hybrid logic. Further research is needed to explore how organizations can actively step out of hybridity to become an own institutionalized form of organization. Institutional entrepreneurship scholars have elaborated on the process of creating new organizational forms – which entailed measures at the micro-, meso- and macro-level – and emphasized the importance of aligning with highly legitimate actors (Tracey, Phillips, & Jarvis, 2011). However, further research would be interesting to shed light on other examples of institutional entrepreneurs that have succeeded in institutionalizing a new organizational form out of two competing logics, and the type of actors from which they needed to gain acceptance. In particular, it is believed that a focus on the relationship between strategies to mobilize allies, organizations' resource dependence structures and power structures in fields is an interesting path to go for further research in this regard.

Integrating the State Logic

The present study has investigated hybrid organizations that seek to create blended value and thus combine the social welfare and the commercial logic. Given that these organizations operated in the field of health care, which is in large part regulated and financed through entities of the public sector, one could argue that they also embody a state logic. In developing and emerging economies, where resources are scarce and institutions are weak or absent, actors from various sectors, as well as hybrid organizations, take essential roles in welfare delivery. However, most research on hybrid organizations – including the present study – locates the organizations at the interstices of the social welfare and the commercial logics (see e.g. Pache & Santos, 2012; Smith et al, 2013). The state or public logic remains largely neglected. Pache and Chowdury (2012), for example, stress that social entrepreneurs operate at the interstices of three institutional logics: the social-welfare logic, the commercial logic and the public-sector logic. Social enterprises need to reach a certain acceptance and legitimacy from all three institutional

logics. As they argue, the public-sector logic, stressing the goals of transparency and fairness, bureaucratic principles and democratic governance, becomes important not only as social enterprises receive funding from governmental sources and as they are involved in and affected by macro-level policy making on the provision of social goods.

For the present study, the researcher argues that the public logic was not an own central logic of the studied organizations, even if some of them relied on funding from the public sector. Instead, the “publicness” of hybrid organizations has been found to be an element integrated within the commercial and the social welfare logics. While adherents of the social welfare logic advocated for a collaborative attitude towards the government, constituencies of the commercial logic emphasized competition as a key mechanism to improve quality and price levels in health care.

However, further research is needed to investigate hybrid organizations in which such an integration is not possible and where hybridity refers to the combination of more than two logics. For the study of cross-sector hybridity, the researcher suggests to account for the “publicness” of hybrid organizations, thereby bringing in a public administration perspective. As Bozeman (1987) proposes, “an organization (...) is public to the extent that it exercises or is constrained by political authority” (p. 84). Based on this, Heres and Lasthuizen (2012) suggest that organizations can be located on a public–private continuum, depending on: “(1) the extent to which organizations are constrained by political control, (2) how organizations are funded and financed, and (3) the extent to which organizations perform public or private tasks in order to reach public or private goals” (p. 445). Accordingly, the degree of publicness must be seen as a function of the institutional fabric of countries. Depending, for instance, on the economic growth of countries or other proxies that are used to assess their stage of development (IMF & Nielsen, 2011), the landscape, the structure and the practices of institutions and organizations that finance and provide social services as well as the legitimacy of different actors and beliefs about who does what is expected to differ (Jansen, 2012). Further comparative research would be interesting to shed light on the the degrees of publicness in blended value creating organizations and the exposure of hybrid organizations to three competing institutional logics.

The Opposition Between Western and Local Cultures

Finally, one of the sources of tensions in hybrid organizations that has been identified in this study refers to contradictions emerging between Western and local cultures at the BoP. The researcher acknowledges the oversimplification implied in such an approach. Neither the Western culture nor the culture of populations living in low-income settings in developing and emerging economies can be seen as homogenous and clearly separated institutional spheres. The so-called Western culture is also prevalent in developing and emerging economies and vice versa. However, the researcher argues that some of the tensions that were identified in the empirical material could be summarized as oppositions between cultural and thus institutional bits

and pieces that are based on effective institutional conditions prevailing in Western settings. Many of the models and theories in business administration – including the BoP proposition – are built on the premise of calculability and long-term orientation, for instance. In contrast, the ineffectiveness of public or market institutions in developing and emerging economies can be related to cultural and thus institutional bits and pieces that prevail in BoP settings (Mair et al, 2012). Given the institutional uncertainty under which actors in developing and emerging economies have to live and act, it is argued that adaptability and short-term orientation is a more accentuated cultural component when compared to Western settings.

This argumentation resonates with findings from recent development research on decision making and consumption or market behavior of low-income people (Banerjee & Duflo, 2011). However, the researcher emphasizes the need for more localized research in order to disentangle specific sources of contradictions and derive appropriate, endogenous strategies.

7.3 Practical Implications

The present study argued that the concept of hybrid organizations is a useful and yet rarely applied lens to learn about innovative ways to organize and foster social and economic development in BoP settings. A range of practical recommendations have thus been derived from the study for two main audiences, namely organizations that seek to create blended value by providing social services at the BoP, and for funding organizations that seek to support social and economic development in developing and emerging economies.

The findings of the present study emphasize the relevance of the logic of origin and the founders' personal background as a major determinant for hybrid organizations' ability to benefit from legitimacy advantages. Further, it identified factors that may spur such legitimacy advantages in fields that lack a dominant logic concerning social service provision to low-income people. In particular, hybrid organizations operating in such fields should consider possible legitimacy spill over effects, dominant logics among the most appropriate and accessible resource providers as well as logic specifications in order to determine their hybridization strategies and patterns.

Given the positive reputation of private sector organizations in providing social services to higher income populations, recent shifts in the resource environment of blended value creating organizations in developing and emerging economies, as well as the comparably open specifications of the commercial logic, hybrid organizations are currently incentivized – or maybe forced – to emphasize the adoption of structures and practices of the commercial logic. In sum, based on the findings of the present study, the general recommendation given to a hybrid organization operating at the BoP could be to position itself as commercial organizations but to act as a social organization – at least in fields where the commercial logic is not connotated negatively.

With this, the study is in line with arguments from actors advocating for a “finance first” approach. Starting with the establishment of a financially sustainable organization with moderate social impact and progressively increasing the social value creation part appears to be easier with regard to management expectations and thus with regard to access to resources.

However, the empirical evidence of the study has also shown that the support of adherents of the social welfare logic is essential for BoP organizations to deliver on their social mission. Hybrid organizations embracing the BoP propositions should therefore carefully assess the degree to which they can adhere to a commercial logic without losing the acceptance of essential stakeholders with a social welfare emphasis.

In South Africa, the researcher recommends cross-sectoral hybrid organizations to be careful when adopting structures or practices from the commercial logic given the low legitimacy that this logic has in the health market at the BoP – and potentially in other social service markets. Organizations thus need to thoroughly analyze the institutional claims that they face in order to gain – or not to lose – legitimacy in BoP markets, which are mainly populated by black South Africans. Particularly organizations with “white” commercial origins are likely to face substantial skepticism in these settings.

Having realized the current shift towards market orientation in social service provision in developing and emerging economies, organizations have increasingly adopted their structures and practices to reflect this trend (for a larger scale study showing the increasing legitimacy of market oriented approaches in international development, see Hanley, Wachner, & Weiss, 2015). Given this observation the researcher cautions funding institutions not to neglect the importance of the social welfare logic. As McMullen (2011) posits, for *development entrepreneurship* – that is entrepreneurship that generates both social and financial value creation – to occur, it needs subsidization from charity. Only then will organizations consider second-best financial opportunities and engage in the necessary efforts to change or create new institutions that promote long-term social and economic development (p. 198).

Moreover, nonprofit organizations have proven to be essential with regard to market building. For instance, before microfinance could become a profitable market attracting large institutional investors, nonprofit organizations had been working in the field and refining microfinance business models for several decades. The researcher thus urges funders and other institutions seeking to promote social and economic development in BoP markets not to underestimate the importance of nonprofit organizations.

In addition, as the example of microfinance and the evidence of the present study has shown, the risk of mission drift in hybrid organizations prevails independently of their legal form. Resonating with Jones (2007), mission drift can occur due to multiple reasons. Hence, funding and

governance mechanisms need to be particularly aware of this risk if social value creation is not to be sacrificed for financial value creation.

Finally, the present study has shown that hybrid organizations with a social welfare origin moved towards increased market orientation as donors withdrew their funding based on macro-level assessments of social development. In Colombia, for instance, donor support for health care providers decreased as the government introduced a public health insurance scheme covering large parts of the population. However, as the empirical evidence of this study suggests, access to affordable, high-quality health care still remains a severe challenge for low-income Colombians. Funders should thus adopt more finegrained criteria to assess the social needs of populations. This may inhibit or decelerate the endeavors of nonprofits to move towards increased commercial orientation against their will.

Appendices

Appendix 1: Extracts of Case Study Protocol Template

I. Case Study Questions and source of evidence

a. Level 1: Questions to be asked to specific interviewees

Categories of questions and subquestions	Specific Questions	Source of Evidence	Answer	Status / To Do
<i>Context knowledge: Embeddedness of Organization in Country context</i>				
Legal context	What are the most important legal regulations that affect the organization? (Healthcare laws / consumer laws / competition laws / employment laws)			
	How well are these laws enforced?			
Political context	How did the organization experience changing governments in the country?			
	Is the political environment supportive of the organization's activities?			
	How does the organization perceive the healthcare market in the country? How is it working and what would need to be improved?			
	Is the government highly intervening in the organization's activities?			
	Is there any governmental support for the organizations or any collaboration?			
Economic factors	Colombia/Mexico/Kenya/South Africa is a growing economy. How does this affect the organizations?			
	What are the most important sources for health financing in the country?			
	Do they suffice and are they accessible?			
Social factors	How easy or difficult is it for the organization to hire employees?			
	Are there any other demographic trends that affect the organization?			
Technological factors	Which technological advancements were important for the organization in the last two decades (in the administration as well as the product development and distribution)			
Normative context	Are there any other standards that the organization has to meet?			
	Is there any affiliation with an association?			
Competition	Who are the main "competitors" of the organization? What is the difference between them and the organization? To which extent are they threatening the organization?			

Categories of questions and subquestions	Specific Questions	Source of Evidence	Answer	Status / To Do
	Did competitors exist since the beginning of operations or did they come later?			
	What are competitive advantages, disadvantages of the organization?			
	What would be an ideal labor division in the health market?			
<i>Founding circumstances, justification for legal form and normative position of organization</i>				
Reasons of existence	When was the organization founded. What was the reason for founding?			
	Did that change over time or is the problem remaining more or less the same?			
Self-definition	How does the organization define its hybrid approach? (social enterprise? Social business? BoP?)			
	In which way is the organization market oriented? In which way is it socially oriented?			
	Do you think that your way of market-orientation is better than another? Or better than a non market-orientation? Why?			
	Why did the organization choose to be a nonprofit/for-profit in the beginning? Is this an advantage/disadvantage?			
<i>Social and financial strategies + Tensions over time</i>				
Social strategy	What are the organization's social objectives for this and next year?			
	What is the organization's long-term social strategy?			
Financial strategy	What are your financial objectives for this and next year?			
	What is your long-term financial strategy?			
Compatibility of social and financial objectives	Does the organization think that there are conflicts between its social and financial objectives?			
	Has the the organization experienced such conflicts in the past?			
	What were the strategies that the organization applied to overcome those conflicts?			
Changes in hybrid strategy	Have there been any changes with regard to the organization's emphasis on social or commercial activities?			
<i>Business and financing model</i>				
Service provision	Who are the organization's customers? How does the organization find and define them?			
	Who are not the organization's customers?			
	How does the organization serve clients? Through which distribution channels?			
	How does the organization set prices for its products and services?			
	How does the organization serve clients that cannot afford to pay?			

Categories of questions and subquestions	Specific Questions	Source of Evidence	Answer	Status / To Do
	Are the organization's products somehow subsidized by the state?			
	In which case does the organization think it would be good to give the products to people in need for free?			
External financing	How is the organization financed? How much of its financing needs does the current financing cover?			
	For what kind of costs are these funds used (e.g. concrete social projects, investments)?			
Internal financing	How does the organization generate revenue. How much of the costs does that cover?			
	For what kind of costs are these funds used?			
General	How happy are you with this funding structure? Is there any major inconvenient?			
	Would it be an option for you to search for an investor? What kind of investor would the organization prefer?			
	What are the main financial challenges?			
Financial accountability	What kind of authority/stakeholder exists to which the organization has to be accountable to in terms of its financing? (state / donors / ...)? What are their expectations?			
	What kind of accountability mechanisms does the organization have to meet these expectations?			
	What would happen if the organization would not meet the requirements of funders?			
	How does the organization measure its financial performance?			
Social accountability	What kind of stakeholders exist to which the organization has to be accountable to in terms of its social objectives?			
	What kind of mechanisms does the organization have to meet these expectations?			
	Does the organization have any kind of customer satisfaction mechanisms?			
	What would happen if the organization would not meet the requirements of customers?			
	How does the organization measure its social performance?			
Accountability in general	Is there something the organization would like to change with regard to the accountability mechanisms that it has in place today?			

b. Level 2: Questions to be answered through desktop research, document collection, etc.

Categories of questions and subquestions	Customization of question	Sources of Evidence	Status
<i>Founding circumstances, justification for legal form and normative position of organization</i>			
Self-description	How does the organization present its hybrid approach?	Website / Brochures	
Description from outside	How do others present the hybrid approach of the organization?	Press / networks to which it is affiliated	
<i>Social Objectives and Performance</i>			
Mission, Vision	What is the organization's social mission?	Website / internal document	
	What is the organization's long-term vision?	Website / internal document	
Measurement of Social Performance	How does the organization measure its social performance?	Accountability reports	
	How does the organization measure the satisfaction of clients?	Description of Quality Management	
<i>Financial Objectives and Performance</i>			
Financial performance	How has been the financial performance of the organization since inception (roughly)?	Financial reports	
Financial strategy	How is the organization planning to maintain / improve its financial performance?	Internal document	
<i>Organizational Structure</i>			
Employees	How many employees does the organization have?	Document on organizational structure	
	What are the different departments of the organization?	Document on organizational structure	
	How many employees are responsible for administrative tasks? How many are responsible for projects and social mission?	Document on organizational structure	
<i>Product and Service provision</i>			
Product /service portfolio	What is the product portfolio of the organization?	Website / internal documents	
	What are future products / services that the organization wants to develop?	Internal documents	
Price setting	What are the prices of the organization's products and services?	Internal documents	

Appendix 2: List of Case Study Interviews

COL-NP

- [COL-NP-1.1] Financial Manager
- [COL-NP-1.2] Quality Manager
- [COL-NP-1.3] Head of Medical Operations
- [COL-NP-1.4] Founder
- [COL-NP-1.5] Public Relations Manager (Part 1)
- [COL-NP-1.6] Public Relations Manager (Part 2)
- [COL-NP-1.7] Youth Program Manager
- [COL-NP-1.8] Marketing Manager
- [COL-NP-1.9] Impact Measurement Manager

COL-FP

- [COL-NP-2.1] Affiliated Health Provider
- [COL-NP-2.3] Founders (Part 1)
- [COL-NP-2.3] Founders (Part 2)
- [COL-NP-2.4] Head of Incubation Program
- [COL-NP-2.5] Patient 1
- [COL-NP-2.6] Patient 2
- [COL-NP-2.7] Patient 3
- [COL-NP-2.8] Patient 4

MEX-FP

- [MEX-NP-3.1] Founder 1
- [MEX-NP-3.2] Founder 2
- [MEX-NP-3.3] Financial Manager
- [MEX-NP-3.4] Outreach Campaigns Manager
- [MEX-NP-3.5] Head of Medical Operations

MEX-NP

- [MEX-NP-4.1] General Manager
- [MEX-NP-4.2] Program Manager (Part 1)
- [MEX-NP-4.3] Program Manager (Part 2)
- [MEX-NP-4.4] Portfolio Manager of Social Investment Fund
- [MEX-NP-4.5] Patient 1
- [MEX-NP-4.6] Patient 2
- [MEX-NP-4.7] Patient 3
- [MEX-NP-4.8] Patient 4
- [MEX-NP-4.9] Patient 5
- [MEX-NP-4.10] Patient 6
- [MEX-NP-4.11] Patient 7
- [MEX-NP-4.12] Patient 8
- [MEX-NP-4.13] Patient 9

KEN-FP

- [KEN-FP-5.1] Founder 1
- [KEN-FP-5.2] Chief of Financial Operations
- [KEN-FP-5.3] Founder 2
- [KEN-FP-5.4] Internal Processes Manager
- [KEN-FP-5.5] Employee in Financial Department
- [KEN-FP-5.6] Marketing Manager

KEN-NP

- [KEN-NP-6.1] General Manager Kenya
- [KEN-NP-6.2] Franchisee
- [KEN-NP-6.3] Financial Manager
- [KEN-NP-6.4] Field Services Manager

SA-FP

- [SA-FP-7.1] Founder
- [SA-FP-7.2] Program Manager 1 (Part 1)
- [SA-FP-7.3] Program Manager 1 (Part 2)
- [SA-FP-7.4] Program Manager 2
- [SA-FP-7.5] Franchisee 1
- [SA-FP-7.6] Patient 1
- [SA-FP-7.7] Franchisee 2
- [SA-FP-7.8] Franchisee 3

SA-NP

- [SA-NP-8.1] Social Enterprise Manager 1
- [SA-NP-8.2] Social Enterprise Manager 2 (Part 1)
- [SA-NP-8.3] Social Enterprise Manager 2 (Part 2)
- [SA-NP-8.4] Financial Manager
- [SA-NP-8.5] Program Manager Africa
- [SA-NP-8.6] Regional Manager

Appendix 3: Code Book for Deductive Data Analysis

Concept of interest	Codes	Description of code	Theoretical basis
Nature of tensions	▪ Tension over goals	Tensions “influence organizations at the ideological level, prescribing which goals are legitimate to pursue”	Pache and Santos (2010, p. 459)
	▪ Tension over means	Tensions “exert pressures at the functional level, requiring organizations to adopt appropriate means or courses of action”	Pache and Santos (2010, p. 459)
Manifestation of Tensions	▪ Tension between conflicting demands	Tensions manifest as a consequence of competing demands from internal or external audiences	Own definition based on Smith and Lewis (2001, p. 385)
	▪ Material tension	Tensions manifest as a consequence of external events without being based on competing demands of audiences	Own definition based on Smith and Lewis (2001, p. 385)
Hybridization approaches	▪ Dismissing	In the context of multiple institutional logics, organizations may dismiss at least one of the multiple institutional pressures. Other types of strategies that have been described in institutional research can be subsumed under this approach, including <i>defiance</i> (“Explicit rejection of at least one of the institutional demands” (Oliver, 1991, p. 152)); <i>avoidance</i> (“Attempt at precluding the necessity to conform to institutional demands” (ibid)); <i>deletion</i> (“managers actually rid the organization of one or more of its multiple identities” (Pratt & Foreman, 2000, p. 29)) or <i>denial</i> (“deny the validity of various external claims that are placed upon it, attack the legitimacy of the entities making the claims, attempt to co-opt or control these entities, and/or try to escape their jurisdiction or influence altogether” (Kraatz & Block, 2008, p. 15).	(Battilana & Lee, 2014, p. 41)
	▪ Separating	Hybrid organizations may attempt to separate multiple elements to make them co-exist. Separating includes <i>compromising</i> (“Attempt to achieve partial conformity in order to accommodate at least partly all institutional demands” (Oliver, 1991, p. 153)); <i>compartmentalization</i> (“organization and its members choose to preserve all current identities but do not seek to achieve any synergies among them... multiple identities are maintained but are separated from each other”).	(Battilana & Lee, 2014, p. 41)
	▪ Cumulative	Organizations can try to manage competing institutional forces in a cumulative and simultaneous way. This can involve <i>acquiescence</i> (“adoption of demands” (Oliver, 1991, p. 152), <i>Aggregation</i> (“an organization attempts to retain all of its identities while forging links between them” (Pratt & Foreman, 2000, p. 32 or reining in (“try to balance disparate demands, play constituencies against each other, and/or attempt to find more deeply cooperative solutions to the political and cultural tensions which pluralism creates”) (Kraatz & Block, 2008, p. 18).	(Battilana & Lee, 2014, p. 41)
	▪ Creative	Organizations can also engage in creating new institutional orders. This can include <i>manipulation</i> (“Active attempt to alter the content of the institutional demands” (Oliver, 1991, p. 152)); <i>integration</i> (“managers attempt to fuse identities into a distinct new whole”) or <i>forging durable identities of their own</i> to create new “institutions in their own right” (Kraatz & Block, 2008, p. 8. Practices such as sensemaking (“an iterative cycle of action and retrospective interpretation to generate stable	Own definition based on Battilana & Lee, (2014, p. 41)

Concept of interest	Codes	Description of code	Theoretical basis
		<p>meaning and organized action” (Jay, 2013, p. 140) or bricolage (“making do with pre-existing resources, and creating new products from the tools and materials at hand” (Desa, 2011, p. 736) can also be subsumed as creative strategies.</p>	
<p>Classification of strategies as defensive vs. active type of hybridization strategy</p>	<ul style="list-style-type: none"> <li data-bbox="387 432 547 1182">▪ Defensive <li data-bbox="387 1193 547 2063">▪ Active 	<p>“Defensive responses provide short- term relief. They may enable actors to temporarily overcome paradoxical tension but do not provide a new way to work within or understand paradox. These responses include splitting (see also Poole and Van de Ven, 1989), regression, repression (see also Kraatz and Block, 2008), projection, reaction formation, and ambivalence. The splitting response is the least conflictual because it separates the two poles and prevents interaction that might occasion tension (Andriopoulos and Lewis, 2009). Splitting may be structural, with different poles compartmentalized into different organizational units or hierarchical levels, or temporal, with different poles taking dominance at different times (Poole and Van de Ven, 1989). The reaction formation response is the most conflictual because it involves excessively aligning with one pole of the paradox, so generating opposition with the other pole (Lewis, 2000). Such polarized responses are evident when actors become unwilling to engage in compromise (Lüscher and Lewis, 2008; Smith and Berg, 1987), potentially resulting in spiraling conflict and vicious circles (Bateson, 1972; Smith and Lewis, 2011; Werner and Baxter, 1994). While the extent of conflict arising from different defensive responses varies, critically, they are avoidance tactics, rather than longer term ways to reconceptualize actors’ experience of paradox.”</p> <p>“By contrast, active responses attempt to deal with paradox on a longer term basis. Active responses, which acknowledge paradox as a natural condition of work, include acceptance, confrontation, and transcendence (Lewis, 2000; Smith and Lewis, 2011). Acceptance indicates willingness to find a way to balance the elements that cause tension (Poole and Van de Ven, 1989; Sundaramurthy and Lewis, 2003). Confrontation involves directly addressing and working through the sources of tension; this may best be done using external facilitation to manage the emotional and partisan responses that arise (Engeström and Sannino, 2011; Lewis, 2000; Lindblom, 1965; Lüscher and Lewis, 2008; Poole and Van de Ven, 1989). Finally, transcendence involves moving to a higher plane of understanding in which paradoxical elements are understood as complex interdependencies rather than competing interests (Andriopoulos and Lewis, 2009; Lüscher and Lewis, 2008; Smith and Lewis, 2011). This may be accomplished by reframing the paradox (Seo et al., 2004; Werner and Baxter, 1994), affirming interests as equally valid (Kraatz and Block, 2008; Miron-Spektor et al., 2011), or via paradoxical leadership and thinking (Lewis, 2000; Smith and Lewis, 2011; Smith and Tushman, 2005; Sundaramurthy and Lewis, 2003). All active responses thus require partisan mutual adjustment between parties (Lindblom, 1965) in order to integrate paradoxes into the organization as a whole. However, Abdallah et al. (2011) caution that even active responses only offer partial relief as the fundamental paradox remains and continuously needs to be addressed.”</p>	<p>(Jarzabkowski, Lê, & Ven, 2013, p. 248f.)</p> <p>(Jarzabkowski, Lê, & Ven, 2013, p. 249.)</p>

Appendix 4: Elements of Social Welfare and Commercial Logics

	Elements	Source of conflict	Demands from Social Welfare Logic	Demands from Commercial Logic	Empirical Material Illustrating Competing Demands	Sources
<i>Normativity / strategic imperatives</i>	<i>Mission and Vision</i>	What are legitimate goals and values of health providers?	Public service, mission, solidarity, selflessness (Serve the unserved: Make products and/or services available for people who have no access to affordable high-quality health care.)	Client service, revenue, profit, financial value creation (Sell health care goods and/or services to generate economic surplus that can be legitimately appropriated by owners and capital providers)	<i>MEX-FP</i> <i>Mission: "Become the leading healthcare provider in Latin- America for the medium- lower income segment by offering superior and affordable specialized services"</i> <i>Double Benefit: "Creation of economic and social value through self sustainable initiatives" [MEX-FP-3.14]</i>	Jay (2013) / own empirical analysis
	<i>Source of legitimacy and agency</i>	What is the legitimate source of legitimacy? What enables organizations to act?	Convening, collective action framing, education. Organizations act upon decisions that have been taken collectively and that receive support from a critical mass within general public and of resource providers.	Salesmanship, innovative service delivery. Organizations act upon decisions that promise commercial success. The legitimacy of such decisions stems from salesmanship of business leaders and/or innovative service delivery that creates a competitive advantage.	<i>SA-NP</i> <i>"The challenge is that if the government does not have a budget for that, they will call and say no, we can't, and the reason for that is that they are looking after the risk of after those three years, what is going to happen? Whereas if they know that they had some money, there is more confidence that they can continue when we go out. For example, right now, the problem right now, [the child health project] that we are planning in [the region], we had wanted to start 2 months ago, but it has delayed because the department of health was saying, they are not ready, is not in their budget, and they are worried that, what happens after 4 years? Instead of just receiving money from us. So they first want to secure that they will have the money for the future."</i> [SA-NP-8.5]	Jay (2013) / own empirical analysis
<i>Structure</i>	<i>Ideal type organization</i>	What is the legitimate legal status of health providers?	Nonprofit organization (best safeguard against mission drift)	For-profit company (more effective for producing goods and services)	<i>COL-FP</i> <i>"There were two forms. First, we could use the form of a foundation, which is a nonprofit entity, being self-sustainable and doing commercial activities like a company. Or use the form of a SAS, which is a legal form for for-profit companies in Colombia (...). What are the advantages? The advantage of a foundation is that there are tax exemptions and also in terms of transparency and the possibility for international funders to invest in us. And for the SAS, the advantage is that it is a little easier to operate, there is less control."</i> [COL-FP-2.2]	Pache & Santos, (2012) / own empirical analysis

	Elements	Source of conflict	Demands from Social Welfare Logic	Demands from Commercial Logic	Empirical Material Illustrating Competing Demands	Sources
Financing	External financing	What is the legitimate source of external financing?	Philanthropic funds Organizations should be financed through non-repayable funds like grants and donations	Commercial capital market Organizations should be financed through repayable financing products such as equity and debt	MEX-FP “We are planning to seek social investment, but the limit that we face is that we want to make sure that the model is being safeguarded. We don’t want to grow in whatever way just to grow it. We want it to grow in the way we want it, in the sense that values are protected and the ethics are maintained, safeguarding the model we are interested in. Honestly, we are not doing this just for money. So it is important to find... If you let other investors come in, they have to be investors who share the vision. This I think is not so easy. There are many people with money. There will be many that want to invest. But people with money who want to protect this, there won’t be many.” [MEX-FP-3.1]	own empirical analysis
	Accountability mechanisms from funders	What is the legitimate accountability mechanism for funders?	Social Impact Measurement The social performance of organizations is measured and documented through evaluation and monitoring mechanisms (e.g. reports). On this basis, external constituents (e.g. donors, beneficiaries, public authorities) may scrutinize whether the organization fulfills its self-defined mandate.	Market forces The commercial performance of organizations is measured through financial key indicators and scrutinized through market forces (i.e. customer demand and attractiveness in capital market).	KEN-NP “I now understand that problems associated with donor funding, the politics of NGOs, and the lack of accountability to investors result in organizational dynamics that are incompatible with HSF’s mission and vision above the franchisee level. To eventually attract investment capital the average revenue per clinic must increase significantly to drive a strong royalty stream to the for profit franchisor. To achieve this we’re targeting more densely populated communities with a beefed up clinic format and introducing a third-party payment opportunities to attract subsidized and insured patients.” [KEN-NP-6.6]	own empirical analysis
	Revenue model	What is the legitimate source of revenue and the legitimate approach to financial self-	Donations and public contracts Philanthropic third parties or public contracts should pay for product and service delivery.	Sales to patients, private health insurances and public contracts Patients, private health insurances and public contracts should pay for	KEN-NP “Finally, and most importantly, even though some of the individual stores are profitable, they are only so because of the value added by [KEN-NP]. [KEN-NP], overall, is a nonprofit and its services are not profitable (...). [KEN-NP] is still dependent on the NGO community for donor funding. [The founder] regrets having become so dependent on this inconsistent source of funding (...). [KEN-NP-6.3]	own empirical analysis

	Elements	Source of conflict	Demands from Social Welfare Logic	Demands from Commercial Logic	Empirical Material Illustrating Competing Demands	Sources
		sufficiency?	Organizational activities are not necessarily geared towards promoting financial self-sufficiency.	product and service delivery. Financial self-sufficiency or profitability is a necessary condition for organizational survival.		
Human Resources	<i>Background of management team</i>	What is the legitimate professional background of managers?	Mission guardians Actors with a professional background in social welfare or health care organizations should be involved in the leadership of health providing facilities as they protect the organization's social mission. (Professional legitimacy is driven by contribution to the social mission)	Business experts The leaders of an organization should have a background in the commercial sector (Professional legitimacy is driven by technical and managerial expertise.)	MEX-FP <i>"In [medical] reunions people say: "if you go and work with them you can no longer be part of the committee". Because we're not doctors and we're offering a completely distinct model. That can be a problem, because if they lock the access to doctors, you're in a bad position. They don't have this power formally, but they can exert psychological pressure. For example, there is one doctor that we would like to hire and she is willing to come as well, but she told us that her brother wants to study in one of the three big hospitals here and he is afraid that if she comes and work with us, he won't get accepted at the hospital. Who knows whether they will do that, but people don't want to take the risk."</i> [MEX-FP-3.1]	Battilana & Dorado, (2010) / own empirical analysis
	<i>Job profiles</i>	What is the legitimate job profile for employees?	Social mission guardians The work of employees should support the social mission of the organization. Employees are willing to (partially or entirely) sacrifice market-rate wages.	Competitive human resources The work of employees should support the organization's goal to achieve a competitive advantage and profitability	MEX-FP <i>"The majority of [health personnel] was trained in nonprofit clinics and brought preconceptions of their roles and responsibilities to [MEX-FP]. The discrepancy between clinical staff expectations and the initial [MEX-FP] experience led to higher than expected turnover in the first year of operation."</i> [MEX-FP-3.12]	Induction from empirical data
	<i>Professional background of</i>	What is the legitimate background of an	Social and health care background The leaders and the employees of an	Commercial and health care background The employees of an organization should have	SA-NP <i>"So they think of me: you're not an optometrist, you don't understand that we need to check the eyes and things like that. Maybe they don't say it explicitly, but that's how it feels. The health care sector is</i>	(Pache & Santos, 2012), (Battilana

	Elements	Source of conflict	Demands from Social Welfare Logic	Demands from Commercial Logic	Empirical Material Illustrating Competing Demands	Sources
	<i>workforce</i>	organization's workforce?	organization should have a background in the social or health sector. (Professional legitimacy is driven by contribution to the social mission.)	a background in the commercial or health sector (Professional legitimacy is driven by technical and managerial expertise.)	<p><i>tricky. It is different from other sectors. I mean we deal with people's health and lives. So it's not like giving microcredits or doing mobile phoning. But I am deeply convinced that there is a middle course. Nobody wants to turn doctors into machines. That's not what this is about. (...)</i></p> <p><i>I think the biggest argument is that here decision are not made in an entrepreneurial way. Instead I think its more an NGO mindset that says: ok we have trained these people, we can't just release them, even if they don't perform. (...) There is a general internal conflict and we regularly have discussions about what the best way is at the end, and that's also a challenge for me because I am always dependent on getting the buy-in of the country offices. For example, it is very difficult for me, in the South African projects, to do something entrepreneurial, cause there the project managers generally don't really believe in entrepreneurial strategies. They generally only see the risks. I mean of course there is the risk that the profit making one day takes over the social mission, no doubt. But they emphasize it much more than the opportunities that also exist." [SA-NP-8.3]</i></p>	& Dorado, 2010), induction from empirical data
<i>Product and service delivery and procurement</i>	<i>Level of standardization and attitude towards efficiency</i>	What is the legitimate level of localization of operating procedures?	<p>Locally adapted procedures</p> <p>Procedures should be adapted at the local level to adapt to the specific needs and resources of the local environment</p>	<p>Standard operating procedures</p> <p>Procedures should be standardized because this is a source of consistency and efficiency gains</p>	<p>SA-FP</p> <p><i>"Our initial hypothesis was to charge a uniform set of prices across all clinics in order to standardized prices to facilitate scalability. However, after visiting the clinics and communities, we have concluded each clinic should continue to charge different prices ranging from R100-R150 based on community unemployment and willingness to pay, availability and quality of local public clinics and private GPs, location and proximity to town centers, shopping centers, etc." [SA-FP-7.19]</i></p>	(Battilana & Dorado, 2010), induction of empirical data
	<i>Product and service portfolio</i>	What are the legitimate products and services that an organization should provide?	<p>Social rationale</p> <p>The portfolio of goods and services is based on a social rationale of what donors and philanthropic community believes is needed by population</p>	<p>Customer feedback</p> <p>The portfolio of goods and services is defined based on market research and customer feedback</p>	<p><i>"It's worth pointing out that the prevailing price for a particular drug in a particular community reflects the price or the cost of distributing something of dubious quality and so you know someone like a franchise could say "well I could buy amoxicillin for two dollars less than you'll sell it to me or than your approved vendor sells it to me" and we say "yeah and do you have any idea if it's actually amoxicillin, if it has the right amount of ingredients and all these other problems". Again, scientific lab studies of drug quality over over over over over again show high percentages, different percentages, but high percentages of drugs as sub-standard in these markets. (...)</i></p>	Induction from empirical data

	Elements	Source of conflict	Demands from Social Welfare Logic	Demands from Commercial Logic	Empirical Material Illustrating Competing Demands	Sources
					<i>In an ideal situation there would be laws and you could depend on them and you know the people who are breaking laws have been forced and laws would make sense for rural areas and so on. The reality is that, for example, many chemists, drug sellers and others in Kenya operate laboratories illegally, uh... they operate laboratories that are themselves illegal and that are being operated illegally. So they're not configured legally and they are not registered. And they avoid lots of costs by doing that. If we set up a legal lab, we have to operate legally because we have this whole branded network. If we set up a legal lab next to one of these illegal labs, we have to more than double the cost of opening a clinic it's like seventy five hundred dollars worth of equipment for the lowest tier of lab in Kenya, then you need to pay lab tech, then you need to have a refrigerator, then you do have reagents and that complicates the whole inventory management problem that we just talked about so uh... in a sense who cares, but the reality is patients are used to, again back to patient perception, patients are used to walking up and getting a lab tests and so they say "well [KEN-NP] clinics, it's a high-quality brand, you don't have a lab, that doesn't make sense to them." [KEN-NP-6.7]</i>	
	<i>Price setting</i>	What is the legitimate price of health care products and services	Free health care provision Health care for low-income people should be for free or very affordable	Market-based price setting Prices should reflect ability to pay and at the same time allow for generation of profits	COL-NP <i>"As we are a social institution, we have always made the lobby for [health services] to be included in the POS.⁶⁰ But with the current situation in which the system is, the EPS are in a very very very very difficult situation, so they are beginning to restrict our services. They fixed quotas, for example for the [product x], which is quite expensive, a little over 150 dollars. They fixed quotas, like this month you have 200 no more. And then they begin to restrict. Then a woman can wait 5 or 6 months for getting the approval for the [product x]. So we're offering the [product x] as a private service. Some people may afford it, others won't." [COL-NP-1.1]</i>	Induction from empirical data
	<i>Target Group</i>	What is the legitimate target group for health	Poor and disadvantaged populations Health care products	Customers with ability and willingness to pay Health care products and services should be	SA-NP <i>"The small profits made on the sale of [product 1] are used to cross-subsidize other aspects of care and the setting up of new clinics. Even so, most of the clinic's costs are covered by donations. The</i>	Induction from empirical data

⁶⁰ The "Plan Obligatorio de Salud" is the public health insurance plan in Colombia.

	Elements	Source of conflict	Demands from Social Welfare Logic	Demands from Commercial Logic	Empirical Material Illustrating Competing Demands	Sources
		provision?	and service should be delivered to people who have no access to affordable high-quality health care.	delivered to people who have the ability and the willingness to pay.	<i>organization is committed to providing care even to the destitute; children from low-income families generally receive free [products], as do adults who cannot afford to pay. The clinics' mission is to provide [health services] to all who need it, regardless of income. While they do try to collect payment from all patients able to pay, providing free [products] on occasion makes financial sustainability a challenge.</i> [SA-NP-8.8]	
	<i>Location</i>	What is the legitimate location of operations?	Unserved areas The legitimate location for sites are areas that lack access to affordable high-quality health care	Areas with ability to pay The legitimate location for sites is where people are able and willing to pay for health products and services	KEN-NP <i>"Locality is key. Franchises that are financially sustainable are in localities that are a bit more financially stable in terms of the economic activities around. (...) Even though it's periodically, at least those people are empowered economically. So that means that the clinic around there, as much as they provide good services, they have good customer care, their customers are also able to pay, meaning that clinics will not do a lot of subsidies in terms of it does not have much of a percentage of patients unable to pay. (...) For-profit, you can't do it at the same level than nonprofit. You can't go rural-rural and do for-profit. I don't think so, very few instances. You have to position yourself a bit higher and offer a bit more services for you to make a bit more money."</i> [KEN-NP-6.4]	Induction from empirical data
	<i>Procurement</i>	What is the legitimate way of procuring products and services?	Free or subsidized supply Health products should be procured from suppliers who provide them for free or at subsidized prices as their delivery pursues a social mission.	Cheapest supply Health products should be procured from cheapest suppliers in order to allow for maximum profit margin.	KEN-NP <i>"There are products that are very beneficial that we want to distribute. And that are subject of intentional distortions by other agencies that we have to abide by and it's difficult. So for example, [there is this large NGO] with half a billion dollar budget per year (...). So here's a simple example. Long-lasting insecticide mosquito nets are very important to prevent malaria. They can last five years, you don't have to dip them in insecticide once in a while. (...) So the NGO has subsidized long-lasting nets that we can access. So in a sense this is wonderful. Again on behalf of all the franchisees we can set up this sort of vendor relationship with [the NGO]. So [the NGO] charges our franchisees forty five Kenya Shillings, they mandate that our franchisees sell the nets for fifty shillings because they want the subsidy that's been given by sort of a global community towards malaria efforts to be passed on to the patient. They don't want the franchisee to get the lower costs and just keep the profit. And yet we have calculated that for us in our particular locations, the cost of distributing one net is approximately thirteen shillings. It's an instant</i>	Induction from empirical data

	Elements	Source of conflict	Demands from Social Welfare Logic	Demands from Commercial Logic	Empirical Material Illustrating Competing Demands	Sources
					<i>problem. The franchisees, are they going to consider this a loss leader, or are they just going to quit selling nets, or what?" [KEN-NP-6.7]</i>	
<i>External Relations</i>	<i>Collaboration and competition</i>	What is the legitimate attitude towards other players in the health market	Collaborative mindset Organizations that pursue the same objective are perceived as collaborators	Competitive mindset Organizations that pursue the same objective are competitors.	<i>MEX-NP</i> <i>"And that's why we said: if you can't cope with the enemy then go with the enemy, that's why we try to work with the Seguro Popular now." [MEX-NP-4.1]</i>	Own empirical analysis

Appendix 5: Empirical Material Illustrating Sources of Tensions

Institutional Voids Between the Social Welfare and the Commercial Logic

Tension	Empirical Data	Nature of Tension
MEX-FP		
Nonprofit background of employees vs. gain and maintain acceptance of business oriented model among staff	<i>“The majority of [health personnel] was trained in nonprofit clinics and brought preconceptions of their roles and responsibilities to [MEX-FP]. The discrepancy between clinical staff expectations and the initial [MEX-FP] experience led to higher than expected turnover in the first year of operation.” [MEX-FP-1.12]</i>	Tension over goals
KEN-FP		
Establish innovative hybrid business model vs. depend on existing funding mechanisms for scale	<i>“I went around and I have literally met with 35 different social investors, so everybody that you can think of – acumen, and Grameen, private investors and all those guys. And we were just addressing all of them. We were just too small and we were too early. Although some of them started to tell us that we were too late. That we were like past the idea stage, because we actually had a clinic opened. And so now we were too late and too developed. So it was a very, very frustrating experience that really you need to deal with. Social investment sphere is a lot of smoke. There is not social investment for early stage companies. There is no element in their definition of early stage. It’s just that they are joking. What do you mean early stage? People are talking about two years, and over 1 million dollars of revenue or they won’t give money unless they can give at least half a million of dollars. But to flood an early stage startup, like ours, with half a million dollars, would just eat our equity. The evaluation that we would have to justify for that fund is crazy. That is a very, very, very frustrating experience.” [KEN-FP-5.4]</i>	Tension over means
Sell services / products based on social rationale vs. based on revenue expectations	<i>“The most profitable is the sale of drugs. We buy the drugs. The drugs, the price at which you buy them and the price at which you sell them, it gives you sometimes almost a 100% profit on the drugs. But at the same time, the downside of it is, we are focusing on giving quality healthcare so that you don’t just walk into our clinic and come out with a sack of drugs, so that’s the downside of it. And also consultation fee has also been giving us some money, but it is still low. [KEN-FP-5.5]”</i>	Tension over goals
COL-FP		
Establish innovative business model vs. depend on institutionalized financing mechanisms	<i>“The thing is [the Colombian company] has a social welfare tradition when it comes to their social activities. So, they want to give social projects money without getting it back. That’s also how it is written in their internal guidelines. They only support nonprofits. [COL-FP-2.4]”</i>	Tension over means

SA-FP		
Establish innovative business model vs. gain acceptance of conventional sources of funding	<p><i>"[The founder] describes early attempts to get the project off the ground. He had the idea, supplies, relationships and network to get this going, but he wanted it to be an inclusive process with all the relevant parties (mainly other NGOs) involved in the project. This was a mistake. After a year of meetings, conferences and discussions back and forth, nothing happened. The entire project was at risk of becoming a political football, or getting lost in other organisations' processes."</i> [SA-FP-7.20]</p> <p><i>"Many NGOs/CSIs and governmental non-profit funding sources (...) have ethical concerns about allowing the recipients of their funding (...) operate in a for-profit manner."</i> [SA-FP-7.20]</p>	Tension over means
Incorporate as a for-profit vs. as a nonprofit	<p><i>"If it is going to fundamentally alter the secure access to quality health care services in communities across this country, you can't do it with five. You need 2000, 5000, if we're going to move the needle. This is not a feel good project. It has never been. This was about trying to find out if we could come up with a model that you could then rapidly scale in order to fundamentally change the deliver of health products and services. We won't achieve that with donations."</i> [SA-FP-7.1]</p> <p><i>"Sharing the business risks with partners is another discussion point. Currently, [the mother company] is taking too much risk in expanding and developing [SA-FP] on its own. Hence, [the mother company] urgently needs to diversify its risk pool via strategic funding or participating with partners to help develop and expand [SA-FP] into a national and regional value proposition that can make a meaningful difference to the lives of thousands of South Africans. (...) We have to register it. And we are thinking about a PTY, or maybe also to have it as an NPO, cause it is not supposed to make profit. It is supposed to be a vehicle to assist to this."</i> [SA-FP-7.20]</p>	Tension over means
Set prices based on costs vs. set affordable prices	<p><i>"Community employment and willingness to pay is much lower than expected for most clinic locations: Except for the [SA-FP] Clinics in [site 1], most of the clinics were located in communities of huge unemployment and very low willingness to pay. Not only are people in these communities willing to wait in long public queues for healthcare, but they also survive on grants of R280 per month, so paying 150 is out of the question."</i> [SA-FP-7.19]</p>	Tension over goals
MEX-NP		
Improve Mexican health system vs. secure financial and organizational survival	<p><i>"Initially, when this hospital started to operate, there was no Seguro Popular and health coverage was not at 100%. So obviously we served this population that had no access to any public health facility, so we attended these people, but today that nearly all of them are covered, they prefer to go to the next city instead of paying a fee. That's their preference, and that has hit us in the sense that we are not experiencing the demand that we have planned for".</i> [MEX-NP-4.1]</p>	Tension over goals
Collaborate vs. compete with the government	<p><i>"And that's why we said: if you can't cope with the enemy then go with the enemy, that's why we try to work with the Seguro Popular now."</i> [MEX-NP-4.1]</p>	Tension over goals
KEN-NP		
Collaborate vs. compete with the government	<p><i>"We use the local administration, churches, and other health providers within the area, we use many channels to vouch for the nurses and clinical officers. (...) But it's a major challenge for us because since about 2-3 years ago the retirement age has been raised to about 60 so it means the nurses are in public service for longer. So the nurses who we would have got when they are a bit younger (...) now we are getting them when they are a bit older. And at times when we weigh the risks and benefits it's a challenge. The majority of them at that age don't want to go and start a business. At 55 a majority of them would think about doing that. That's a major challenge and also because of the brain drain. A lot of nurses moving out of the country to go to the Western countries, Southern Africa and so on. That has really affected the country's human resource in terms of healthcare."</i></p>	Tension over means

	<p>(...) In terms of say for example where we are and maintaining the network as it is, is a huge challenge. Because we are working with people who are a bit older so maybe within 5-10 years somebody wants to retire completely so you have to try and find somebody to replace them or to take up the facilities they've been running. So if you have nobody you can imagine you have to close and move on." [KEN-NP-6.4]</p>	
<p>Set prices based on costs vs. set affordable prices</p>	<p>"I think there are parts of the value chain and the retail business with regard to drugs and medicines and health-related goods and services that can be run profitably. I think that the reality is... there are serious constraints in terms of road conditions and other things, so, just a simple example: if you're driving fifty km on a dirt road rather than one you're gonna burn a lot more gas and if you have to drive that distance to deliver drugs or other things to a facility, then the question becomes "can people at the end of the chain afford to bear those full costs?" And the answer seems to be that although there's a market for private health care, people don't bear those costs very well." [KEN-NP-6.8]</p>	<p>Tension over goals</p>
<p>Subsidize franchisees with donations vs. expect them to operate in a financially sustainable way</p>	<p>"Another thing is patient perceptions. It's one thing to say all these people are dying for lack of high-quality malaria medicine, why don't they just get tested for malaria and then take these drugs. Well, yes many patients feel like that, but also patients are used to other things. They're used to walking down the street to a chemist and buying a drug for say twenty-five us cents equivalent. Try to convince them to buy a drug for more expensive or to take a diagnostic test is difficult. As an example, these are some children looking at a malaria diagnostic test of the kind that we can legally use and promote in the global health community. They're very accurate so scientifically they're really great. We had some issues for example some patients when taking such a test – as it looks like an HIV test – they didn't want people know their HIV status so things like that can certainly be worked through the web of trust that our clinicians and nurses have established in their communities. But nevertheless it's an example of the kind of obstacle that comes up with regards to patient perception. (...)</p> <p>And you see some of the things that would now make the clients go to a competitor are, we have standards that we keep. We follow the clinical protocol to the letter but I can't say the same about the other providers especially the private ones. If you walked into a [KEN-NP], nobody will give you anti-malarias over the counter. You have to be tested, have a consultation with the clinician; it has to be positive for you to get it. But you see, and we have complained about that to the Ministry of Health enough times, what other providers do, once a client comes in and asks for anti-malarial over the counter, they easily give them. We are trying to undo that but somebody else is also trying to undo our good work I would say that we are doing. So because of such things, some clients would prefer to go to a private practitioner where they can just get over the counter without being asked so many questions, they don't have to pay consultation, they don't have to pay for a test." [KEN-NP-6.7]</p> <p>"The greatest weakness identified was that the model did not build an inherent relationship between the financial success of the for-profit franchisees and the financial success of the non-profit franchisor [KEN-NP]. (...) Franchisor staff sought franchisee success as an aspirational goal instead of as a fundamental financial necessity of staying in business." [KEN-NP-6.6]</p>	<p>Tension over goals</p>
<p>Establish financially sustainable organization vs. mainly depend on inconsistent source of funding (grants & donations)</p>	<p>"Finally and most importantly, even though the individual stores are profitable, they are only so because of the value added by [KEN-NP]. [KEN-NP], overall, is a nonprofit and its services are not profitable (...). [KEN-NP] is still dependent on the NGO community for donor funding. [The founder] regrets having become so dependent on this inconsistent source of funding (...)." [KEN-NP-6.3]</p>	<p>Tension over means</p>

Receive donor funding vs. establish and maintain business discipline	<p><i>"We found that many franchisees did not save enough cash from sales to pay royalties so we added royalties to the wholesale price of drugs sold by [KEN-NP] to franchisees. After a while royalties were dropped entirely. This was a mistake because royalties motivate franchisors to do their utmost to expand the network and maximize individual franchisee performance. Instead, the organization veered toward the standard NGO model depending upon top-down grants to fund [KEN-NP]'s growth and franchisee support activities. (...) Because the original franchises were established to serve unserved communities mainly with humanitarian ends in mind, rural communities were selected and it was enough that a franchisee could generate enough profit to stay in business and comply with [KEN-NP] quality standards. Even a money losing franchise served the mission by sparing the poor from needless suffering and death." [KEN-NP-6.6]</i></p>	Tension over means
	<p><i>"Despite the increase in donations, much of the money we were able to raise were in the form of restricted grants from global health agencies, who were not interested in funding the expansion of the [KEN-NP] network or general overhead. So we were not always able to cover operating costs and expenses. (...) I now understand that problems associated with donor funding, the politics of NGOs, and the lack of accountability to investors result in organizational dynamics that are incompatible with [KEN-NP]'s mission and vision above the franchisee level." [KEN-NP-6.6]</i></p>	
Hire employees with social welfare background vs. gain acceptance for market-oriented approach	<p><i>"After a period of 18 months, (...) the fundraiser (...) resigned as tensions over management, mission, and business methods surfaced. My failure to institutionalize the ideas and methods upon which I launched the organization, combined with a management style not well suited to the needs of a charitable organization, led to conflicts in our leadership as new players entered the game." [KEN-NP-6.6]</i></p>	Tension over goals
SA-NP		
Establish a market-oriented hybrid business model vs. gain acceptance of nonprofit employees and key partners	<p><i>"Social enterprise gets lots of criticism, because they are not profit driven, so you could go into a market where there are existing service providers, (...) and if you go in with a social enterprise and you cut down margins, you could actually kill those businesses. So you might resolve one social problem, but you may create another one with unemployment. (...) It's a very tricky situation. Because you don't want existing providers to see us as competition and then there is a resistance and criticism of you coming into the markets. For example in South Africa, this was before my time, in the early days, apparently, there was lots of criticism coming from the private sector, because they were saying we were stealing their customers." [SA-NP-8.1]</i></p>	Tension over goals
Implement innovative market-oriented approach vs. collaborate with government	<p><i>"The big problem with the pilot was that a public hospital simply doesn't fit with a dynamic entrepreneurial initiative. That means for the nurse, when more urgent things popped up, she just stopped checking eyes. And also not enough patients came. That was the biggest challenge. And then many other smaller problems from the department of health like "there are people who are not employed by us and they sell glasses to make money" and these kind of thoughts." [SA-NP-8.3]</i></p>	Tension over goals
Collaborate vs. compete with government	<p><i>"You will go to certain places where you have huge communities that are run by chiefs and different cultural ways of living. There it made sense to have a social enterprise vision center. And of course, there are different ways you could look at social enterprise elements that we do, so I wouldn't comfortably say that it is a second choice. I think we have to, whenever we think about [our clinics], our collaboration with governments is important because of the human resource development. The nurses are in government and then the [medical specialists] are in government. But when we look at social enterprise, we always look at how our programs can fit and we make allowances for that, so that's not second choice, it's as important but we have to see how it fits in. (...) That's why in South Africa we only implement certain parts of the social enterprise strategy. If social enterprise (...) is not implementable in certain countries, because the government has this, then we will not implement it. Like in South Africa, we don't do social enterprise (...), but we have this spectacle case that we are doing, we were also doing the other project that is now on hold, it was another social enterprise. So here in South Africa we asked ourselves: how can we implement social enterprise, given that, we will be unable technically to do the pure [clinics]. But we can go into partnerships</i></p>	Tension over goals

	<p><i>with different people and we can open up other channels. So for example the [medical] supply. In Pakistan we got a group of women, they sell cases and get income for that. Another thing is that we are looking at producing the [medical equipment] locally, instead of sourcing them from china. [SA-NP-8.6]</i></p> <p><i>"It could be individuals, just an optometrist or a business person and set up a clinic, so, with the department of health, that's a different model, which we will see, South Africa a good thing is that we don't invest so much in the clinics compared to other countries, because in South Africa it may be that diagnostic equipment, but you know social enterprise is the way to go, because [SA-NP] is a social enterprise organization and as I said, South Africa's economy is vibrant enough and they are encouraging a lot the growth of small and medium enterprises, so we see opportunities there." [SA-NP-8.5]</i></p>	
<p>Provide services and products based on social rationale vs. based on revenue expectations</p>	<p><i>"Here we will have to make an internal decision. Do we want that people who don't have a health care background sell reading glasses, without making sure that the patient has been attended from a medical professional or not? Currently we say: we don't want to give anyone a reading glass who hasn't been checked by a medical professional. But I mean, in Germany you can also just go and buy reading glasses. The problem with that is that... The glasses themselves can do no harm, but in the age in which you start to need glasses you also become more vulnerable for diseases like cataract and glaucoma. And the danger is that if someone simply buys reading glasses and thinks he is fine, but at the same time there is cataract or glaucoma emerging, that's the danger." [SA-NP-8.3]</i></p> <p><i>"The small profits made on the sale of [product 1] are used to cross-subsidize other aspects of care and the setting up of new clinics. Even so, most of the clinic's costs are covered by donations. The organization is committed to providing care even to the destitute; children from low-income families generally receive free [products], as do adults who cannot afford to pay. The clinics' mission is to provide [health services] to all who need it regardless of income. While they do try to collect payment from all patients able to pay, providing free [products] on occasion makes financial sustainability a challenge." [SA-NP-8.8]</i></p>	<p>Tension over goals</p>
<p>Establish a market-oriented hybrid business model vs. gain acceptance of nonprofit employees</p>	<p><i>"So they think of me: you're not an optometrist, you don't understand that we need to check the eyes and things like that. Maybe they don't say it explicitly, but that's how it feels. The health care sector is tricky. It is different from other sectors. I mean we deal with people's health and lives. So it's not like giving microcredits or doing mobile phoning. But I am deeply convinced that there is a middle course. Nobody wants to turn doctors into machines. That's not what this is about. (...)</i></p> <p><i>I think the biggest argument is that here decision are not made in an entrepreneurial way. Instead I think its more an NGO mindset that says: ok we have trained these people, we can't just release them, even if they don't perform. (...)There is a general internal conflict and we regularly have discussions about what the best way is at the end, and that's also a challenge for me because I am always dependent on getting the buy-in of the country offices. For example, it is very difficult for me, in the South African projects, to do something entrepreneurial, cause there the project managers generally don't really believe in entrepreneurial strategies. They generally only see the risks. I mean of course there is the risk that the profit making one day takes over the social mission, no doubt. But they emphasize it much more than the opportunities that also exist." [SA-NP-8.3]</i></p>	<p>Tension over goals</p>

SA-NP		
Foster social progress vs. maintain reason for existence	<i>"[In 1993], the Colombian health sector has experienced a radical transformation. With the "Law 100" it transitioned to a system of free competition in health insuring and health provision. With this law [COL-NP] lost the monopolistic position it had at that time." [COL-NP-1.10]</i>	Tension over goals
Rely mainly on donor funding vs. establish business discipline	<i>"Being a nonprofit and having had large contracts with organizations from the US and elsewhere, [COL-NP] has never been a commercial company. It has never sought the best way to do business, to sell better, it has never asked itself: what is the highest efficiency that I can reach? This is one of the big problems that we had. This organization has always been social, and it has done many social things, but thanks to these large contracts, it has always had a good cash flow and good returns, but it never thought that these flows, these contracts could end. [COL-NP-1.1]"</i>	Tension over means
Rely mainly on donor funding vs. establish secure funding base	<i>"It is precisely that Colombia isn't part of the countries that are currently prioritized by international assistance. We are experiencing a change in focus towards countries like Ecuador, Bolivia, and Paraguay. That's why we are being sidelined in the focus of these international organizations" [COL-NP-1.6].</i>	Tension over means
	<i>"Inequality is another variable that is not used in development cooperation, because they say that it depends on the determination of the government. That means that the distribution of wealth is a governmental decision. If you have few rich people and many poor people, you could from a political perspective apply fiscal or redistributive mechanisms to achieve a better distribution of wealth. So donors say that from that moment on they are not needed anymore, because the country can manage it alone." [COL-NP-1.6]</i>	

Institutional Voids Between Formal and Informal Strategic Actions Fields

Tension	Empirical Data	Nature of Tension
MEX-FP		
Disrupt health markets vs. gain and maintain legitimacy from gatekeepers	<i>"In [medical] reunions people say: "if you go and work with them you can no longer be part of the committee". Because we're not doctors and we're offering a completely distinct model. That can be a problem, because if they lock the access to doctors, you're in a bad position. They don't have this power formally, but they can exert psychological pressure. For example, there is one doctor that we would like to hire and she is willing to come as well, but she told us that her brother wants to study in one of the three big hospitals here and he is afraid that if she comes and work with us, he won't get accepted at the hospital. Who knows whether they will do that, but people don't want to take the risk."</i> [MEX-FP-3.1]	Tension over means
SA-FP		
Provide services based on social rationale vs. based on commercial rationale	<i>"The challenge is that, especially the black community, they feel more comfortable when they are given some medication. (...) And sometimes it is also the question: do I empower someone or do I just give the medication. I would like to empower people to take charge of their lives and of their health, but I am always caught between: when I give them medication, am I really empowering them? For example in the case of hypertension, it is more important that people live healthy, that would get their hypertension down. But if I don't give them the medicine they just go somewhere else. And then I loose them as customers."</i> [SA-FP-7.7]	Tension over goals
KEN-NP		
Set prices based on costs vs. set competitive prices	<i>"It's worth pointing out that the prevailing price for a particular drug in a particular community reflects the price or the cost of distributing something of dubious quality and so you know someone like a franchise could say "well I could buy amoxicillin for two dollars less than you'll sell it to me or than your approved vendor sells it to me" and we say "yeah and do you have any idea if it's actually amoxicillin, if it has the right amount of ingredients and all these other problems". Again scientific lab studies of drug quality over over over over again show high percentages, different percentages, but high percentages of drugs as sub-standard in these markets. (...)</i> <i>In an ideal situation there would be laws and you could depend on them and you know the people who are breaking laws have been forced and laws would make sense for rural areas and so on. The reality is that for example many chemists, drug sellers and others in Kenya operate laboratories illegally, uh... they operate laboratories that are themselves illegal and that are being operated illegally. So they're not configured legally and they are not registered. And they avoid lots of costs by doing that. If we set up a legal lab, we have to operate legally because we have this whole branded network. If we set up a legal lab next to one of these illegal labs, we have to more than double the cost of opening a clinic it's like seventy five hundred dollars worth of equipment for the lowest tier of lab in Kenya, then you need to pay lab tech, then you need to have a refrigerator, then you do have reagents and that complicates the whole inventory management problem that we just talked about so uh... in a sense who cares but the reality is patients are used to, again back to patient perception, patients are used to walking up and getting a lab tests and so they say "well [KEN-NP] clinics, it's a high-quality brand, you don't have a lab, that doesn't make sense to them."</i> [KEN-NP-6.7]	Tension over means

<p>Receive subsidized products vs. ability to deliver them in financially sustainable way</p>	<p><i>“There are products that are very beneficial that we want to distribute. And that are subject of intentional distortions by other agencies that we have to abide by and it’s difficult. So for example, [there is this large NGO] with half a billion dollar budget per year (...). So here’s a simple example. Long-lasting insecticide mosquito nets are very important to prevent malaria. They can last five years, you don’t have to dip them in insecticide once in a while. (...) So the NGO has subsidized long-lasting nets that we can access. So in a sense this is wonderful. Again on behalf of all the franchisees we can set up this sort of vendor relationship with [the NGO]. So [the NGO] charges our franchisees forty five Kenya Shillings, they mandate that our franchisees sell the nets for fifty shillings because they want the subsidy that’s been given by sort of a global community towards malaria efforts to be passed on to the patient. They don’t want the franchisee to get the lower costs and just keep the profit. And yet we have calculated that for us in our particular locations, the cost of distributing one net is approximately thirteen shillings. It’s an instant problem. The franchisees, are they going to consider this a loss leader, or are they just going to quit selling nets, or what?” [KEN-NP-6.7]</i></p>	<p>Tension over means</p>
COL-NP		
<p><i>Sell to public sector mainly vs. establish reliable revenue stream</i></p>	<p><i>“The Law 100 is one of the largest problems that this country has ever had. The corruption that has taken place with the law 100 can not even be analyzed, especially in the last 10 years. When the law 100 started to be implemented, so-called EPS were created and they have evolved into the biggest corruption centers where billions of pesos have been misappropriated. We had contracts since the end of the 1990. But the EPS haven’t paid us consistently, they have huge debts with us. I don’t even know how many millions they owe us.” [COL-NP-1.1]</i></p>	<p>Tension over means</p>

Institutional Voids Between Western and Local Strategic Actions Fields

Tension	Empirical Data	Nature of Tension
MEX-FP		
Provide to public sector vs. establish financially sustainable organization	<p><i>“They cut [the health service] out of the insurance plan because they realized that [the disease] is too widespread. It simply exceeds their financial abilities. But officially, what they say is that [the disease] doesn’t cause catastrophic expenditures and that’s why they’re taking it out. They want to focus on catastrophic health expenditures only. That’s what they say. But [the disease that we’re trying to cure] is one of the main reasons for poverty in Mexico. So they can’t tell me that it’s not catastrophic” [MEX-FP-1.13]</i></p>	Tension over means
Business model based on scale vs. need to adapt to local customer demand	<p><i>“There are information barriers. People are afraid of surgeries because they fear staying blind. Others think that you have to take out their eyes for the surgery, so they don’t want that. (...) We have to overcome economic barriers and logistical barriers, like who brings them here and back, who accompanies them. Then we also have to overcome their fear and mistrust, which are both huge. There are people that, although they would have the economical means to pay for a surgery and although they would have someone to bring them and accompany them, continue to be afraid and apathetic. Most of our patients are older and for that reason they say: “at my age for what would I get this surgery? It is normal that I loose my sight, it’s gods will.” And then there is also the cultural aspect of not taking care of your health. In Mexico, the culture of seeking health services is practically non-existent. People only get treated when they have serious problems. There is no preventive culture to go and check your health regularly, go to the [medical specialist] when you have diabetes. They come when they are already [seriously ill], when it is already very difficult to treat them.” [MEX-FP-3.4]</i></p>	Tension over means
SA-FP		
Establish innovative, market-oriented business vs. Gain acceptance of incumbent health players in health markets	<p><i>“The original business model conceptualisation included informal traders (e.g. spazas). This association of micro-entrepreneurs from the informal sector is a major characteristic of almost any inclusive BoP business model and a key feature of the benefits for poor people. However, management had no direct experience with accessing this channel, so they elected to go into partnership with a company that was already supplying this informal network with other products like mobile pre-paid airtime. [The former manager] originally contracted this company to supply the spaza shops with [medical supply in a box]. (...) This component of the pilot was very successful with demand far exceeding supply. (...) However, the company raised an important point: What is the legality of supplying medication without the package insert? And spaza shops owners in [Site 1] and [Site 2] echoed similar sentiments:</i></p> <ol style="list-style-type: none"> <i>1) They were concerned with what impact this would have on their established logistics and distribution partners. Will involving themselves with [SA-FP] anger current supply chain partners? (...)</i> <i>2) Assuming they accept this box, they have a very limited understanding of health ailments. They would not know where to begin advising people on what to use and purchase. Therefore, they will need additional training.</i> <i>3) What if customers develop complications as a result of medicinal products that were sold to them (...)? How will the shop owner who sold the medication help? Will this type of event not lead to a negative backlash from the community on them and their stores? Did the box hold a potentially big risk to the store’s brand reputation in these stocking products?” [SA-FP-7.20]</i> 	Tension over goals

Increase the efficiency of processes vs. respond to customer demand	<i>"The correct price that the market is willing to pay for [SA-FP]'s services is yet to be determined. The experiences at [Site 1] showed that pricing can vary significantly based on the competition and the degree of price sensitivity of the immediate community. (...) Diverging health outcomes are not only found between healthcare sectors, they are also geographical. This partly reflects differences in burden of disease, infrastructure and lifestyle. Significant differences exist between health outcomes in different regions of South Africa." [SA-FP-7.20]</i>	Tension over means
Identify as member of low-income communities vs. identify as member of market-oriented health provider	<i>"Community employment and willingness to pay is much lower than expected for most clinic locations: Except for the [SA-FP] Clinics in [site 1], most of the clinics were located in communities of huge unemployment and very low willingness to pay. Not only are people in these communities willing to wait in long public queues for healthcare, but they also survive on grants of R280 per month, so paying 150 is out of the question." [SA-FP-7.19]</i>	Tension over goals
KEN-NP		
Establish innovative business model based on scale vs. need to react to unpredictable events	<i>"One might assume and we did assume that if you own a clinic and you're serving a community where people are literally dying for lack of these particular products like malaria medicine. And suddenly this clinic where you have assured supply of high-quality malaria medicine, you will keep your clinic in stock and be able to operate it profitably and you'll succeed. Well sort of yes, many of our franchisees do that, but many don't maintain adequate inventory. Things intervene in this picture to prevent adequate inventory from being in the outlet. So for example (...) some of our franchisees mingle their personal and business income, they'll have school fees come up, some others just pay them from malaria medicine, instead of buying more malaria medicine, they take it out of the business, they pay school fees, suddenly they have less money than they need to restock, (...) there's no stock to sell, less money to restock, and it's the sort of a downward spiral." [KEN-NP-6.7]</i>	Tension over means
SA-NP		
Establish financially sustainable organization vs. provide to government	<i>"When the government has money, or when its budgets come close to the end of the financial year, they buy a huge amount and just keep it in stock, and so it's very erratic, so if you run it as a business dependent only on that, you could have some serious cash flow issues." [SA-NP-8.1]</i>	Tension over means

Appendix 6: Empirical Material Illustrating Hybridization Strategies

Strategy	Empirical Data	Type of Strategy
MEX-FP		
<p><i>Impression management and inspirational leadership: Emphasize hybrid approach with commercial face by stressing the need to establish a new type of financially sustainable business model requiring rigorous cost efficiency</i></p>	<p><i>“We are convinced that for Mexico, the for-profit form is not only better from an economical point of view, but also from an impact point of view. A for-profit can grow much faster because there are these incentives that require the organization to focus on foster its product and service delivery. (...) And there are enough people in Mexico with some disposable income for health services, so we can draw from these earnings to cross-subsidize service provision for people that can't pay anything. And then investors can invest and we can use their money to create more clinics. (...) What we are doing right now is still a pilot. Once we have proven the concept and its scalability, we want to replicate this pilot in a different location. And that's where investors might enter. Private investors, or if we don't find private investors, it could also be an IPO. (...) I think as a for-profit you can also attract higher quality staff. If someone invested all his money to go to a good university, he will search to get a return on his investment, be it financially or in a different way like personal development and social impact. As a for-profit you can offer this return much easier than a nonprofit because resources are much more scarce and they come from donations. Donors don't want you to spend all your money on salaries. But as a for-profit it is easier to attract talent.” [MEX-FP-3.2]</i></p> <p><i>“Charismatic leadership inspires staff and creates an organizational culture with a commitment to lean production, continuous process improvement, and patient-centered care.” [MEX-FP-3.12]</i></p>	<p>Separation strategy</p>
<p><i>Sensemaking and inspirational leadership:</i></p> <ul style="list-style-type: none"> ▪ <i>Point out institutional voids to gain moral legitimacy of (future) employees</i> ▪ <i>Delegitimize existing health care / social welfare approaches</i> <p><i>Position commercial logic as means to higher social end</i></p>	<p><i>“Well, I think its part of the reason why we started here that the industry is quite bipolar. I mean, if you're in that top you have the resources to go to a doctor, you go to such a good doctor like in the US or in Germany or France or wherever you want, there are very good very good doctors and equipment. Hey but it is that only a minority have access to that, then it all depends on the public sector that has doctors, even some operating rooms and good facilities but it is completely inadequate. A person who has social security, in theory, has access to [product x] and the seguro popular covers the costs. But on the other hand you have to wait six, twelve or more months for [service x]. It takes a minute. I mean, you can change lives overnight, eh, and that's an example but there are a thousand, there are a thousand examples. Then I think there is much to be done on the public side but I think it is not reasonable to expect that to change soon, even with the Seguro Popular. I like it because it involves the private sector that I think needs to... then that is our concept, that the private sector is engaged to attend this part of the population that is largely neglected. (...) and we do it with economic sense. There is a need that is not being met. I think that this is happening more and more. [MEX-FP-3.2]</i></p>	<p>Creative strategy</p>
<p><i>Impression management: Emphasize hybrid approach with social face by stressing goal to disrupt Mexican health market</i></p>	<p><i>“We are seeing not only us but many other eh people who are giving these services. There is of course a risk that many people enter this sector to serve that sector only with the intention of seeking a profit and sacrifice quality, taking advantage of the fact that in this segment, people do not have access to other options (...) and we, really, that is something that from the beginning we have condemned. We are not interested in cheap offer, it has to be good”. [MEX-FP-3.2]</i></p> <p><i>“Competitors hate us (...) Our model is very disruptive, the way we contract doctor, the way we pay them, its disruptive in terms of prices, the surgeries are disruptive. I mean, we have built this hospital like a fabric, right, measuring all the quality and all these things that are not being done in other hospitals.” [MEX-FP-3.1]</i></p>	<p>Separation strategy</p>

<p>Increase focus on cross-subsidization between revenues from sale to higher-income and lower-income populations</p>	<p>“And another important thing is that we work through cross-subsidies. The way that works is that people who pay full price are subsidizing people who can pay very little. Then, what do the people who pay full price they cover most of the fixed costs and then for people who pay only little, they cover the variable cost and surgery is very economical here” [MEX-FP-3.1]</p>	<p>Creative strategy</p>
<p>Increase educational marketing campaigns in collaboration with actors from third and public sector to attract customers</p>	<p>“The goal is that roughly thirty percent of volume, should be coming through campaigns. For the campaigns we have created alliances with social partners in the different communities, with NGOs or religious groups, or the primary care clinics, any agent in society, in the community that naturally has the will to help bringing more attention to these people. This is what I do. I detect communities or groups who might be interested in making a social alliance with us through which we service directly to communities. We bring the doctors, give free consultations, we diagnose patients requiring surgery and then we bring them here to be operated.” [MEX-FP-3.4]</p>	<p>Cumulative strategy</p>
<p>KEN-FP</p>		
<p>Bricolage:</p> <ul style="list-style-type: none"> - Personal equity investment of funders (hybrid logic) - Invent new type of hybrid funding (hybrid logic) 	<p>“So originally we decided that we were just gonna go out, trying to find like big donor money. And after about two months of trying and writing business plans, financials and putting a lot of information online, one of our buddies was just like, guys, open a clinic. Like, what are you doing? Like, just, how much money does it take? And we were all like, we think about 20,000 dollars. And he was like, oh please guys, how much money do you have (...)? Okay, we were like, okay, put your money in it and then we will see what we can do with other donors. So [Founder 1] and I put in a ton of our money, all of our life savings.” [KEN-FP-5.4]</p> <p>“And then, what we did, we actually created a structure called social shares. And so we allowed our family and friends to buy for 100 dollars a social share in our first clinic and to become one of our shareholders. And then with that, we would pay them back after two years, with the profit of the clinic. But if the clinic is not profitable in two years, then the individuals will not be paid back. But if it is profitable, they will be paid back and they have a certificate thing, that they helped that and our patients for a two-year period. So they sort of own a piece in the brick and water in the first clinic. We were really excited about that as a model that really helped us scale, going forward if we can have that kind of patient capital. Because we know all of those people are technically, you know, have some sort of investment in getting their money back. They are also incredibly generous. You know all of our friends and family and things like that, so you know we assume they are not gonna send the debt collectors after us, if we do end up as defaulters. But that was a pretty exciting innovation, that we were able to come up with. That really allowed us to get off the ground.” [KEN-FP-5.4]</p>	<p>Creative strategy</p>
<p>Emphasize social goal to mobilize financial support from personal networks of founders</p>	<p>“Instead of seeking impact investors or angel investors to raise the \$20,000 needed for one clinic, they crowdsourced investment from those who wanted to be a part of the clinics success. Individual investors, via PayPal, purchased “Social Shares” – essentially loans – of \$100 each, in the individual clinic. If the clinic is successful, their investment will be returned plus a 5 percent interest rate in two years. If its not, “we can’t promise anything,” they state clearly. While the company has also recently received investment from U.S. impact and Kenyan investors for overhead costs, they feel that this model of crowdsourcing for establishing individual clinics is the best way to engage a broader base of supporters with less cash. It’s like a Kiva model, but for growing social enterprises. They believe the best investors are those who believe in the mission of the clinic, and they will enjoy literally tracking their investment as the clinic grows and serves more patients.” [KEN-FP-5.26]</p>	<p>Separation strategy</p>

<p><i>Emphasize goal of establishing financially sustainable organization with high quality standards</i></p>	<p><i>“We believe that if we can prove profitability, we can convince the larger clinics that there is profit to be made by lowering prices and focusing on low-income patients. It is core to our concept of scaling not only our organization but getting the industry to step up their game.” [KEN-FP-5.24]</i></p> <p><i>“In the heart of one of the fastest-growing cities in East Africa, startup Penda Health opened the doors to its first clinic in February. By mid-July, the clinic had seen its 1,000th patient, and Penda Health’s co-founders had set a new goal: to open over fifty clinics in East Africa over the next five years aimed at improving access to high quality and affordable care for Kenyan women and their families.</i></p> <p><i>Founded on the premise of bringing affordable and high quality care to the market, Penda Health opened its first clinic in late February in Kitengela, a town of about 100,000 people just 35 km outside of Nairobi, and has made a number of impressive strides to meet the healthcare needs of Kenyans.</i></p> <p><i>“During the course of our market research, we were shocked at the severe lack of quality and affordable options for most Kenyans,” explains [KEN-FP’s founder 1]. “Too often, people have to see unqualified doctors who misdiagnose patients, have old equipment and drugs, and are sometimes rude to patients and make them wait for extended periods before treating them.” (...) the few high-quality options charge prices reserved for the upper classes. The only options available to most families are poorly staffed single-provider clinics, which are often unqualified and under stocked to serve the market. “Many Kenyans are treated extremely poorly and feel stigmatized by the system,” explains [founder2]. [KEN-FP’s] solution to this problem is to open a chain of high quality clinics, offering services that are affordable for all Kenyans. [KEN-FP] prices its services in-line with competing options” [KEN-FP-5.10].</i></p>	<p>Dismissing strategy</p>
<p><i>Reverse decoupling:</i></p> <ul style="list-style-type: none"> - <i>Position as a “normal” business</i> - <i>Take advantage of positive reputation of commercial health providers and emphasize “direct” downward accountability of commercial logic</i> 	<p><i>“At KEN-FP we’ve discovered a way to learn really quickly what women want. How? We sell our (...) services instead of giving them away for free (or highly subsidized prices).</i></p> <p><i>I find that if you give someone free services, they will often take them whether they like them or not. And they definitely won’t feel the right to complain. After all, it’s free.</i></p> <p><i>This changes fast when you ask patients to pay. Suddenly they are transformed into entitled, demanding and shrewd customers that ask questions and speak up (often loudly), when something isn’t going right. And well, they should. (...) Once you ask someone to pay for the services you start getting lots of firm feedback. How firm? They don’t show up.</i></p> <p><i>KEN-FP is a for-profit for this very reason. We like being dependent on our patients for our funding. It FORCES us to listen to them and offer the services exactly how they like them. If not, we go out of business.” [KEN-FP-5.23]</i></p> <p><i>“We are forprofit. We are a limited company. We have investors. We are completely for-profit. We are not to say we identify as a social enterprise, but... (...) You can call us that, if you want to. I think, that basically, every business in Kenya is a social enterprise. Except maybe for the cigarette company or beer company or something like that. We create employment in Kenya. You know, what I mean. (...) But, it’s a social enterprise debate. Even we are a social enterprise, if you want to.” [KEN-FP-5.1]</i></p>	<p>Dismissing strategy</p>

COL-FP		
<p><i>Sensemaking: Emphasize innovativeness of new commercially oriented hybrid approach and delegitimize extant health players to gain moral legitimacy</i></p>	<p><i>“After a while [the Colombian company] found it more and more interesting to give money that helps to create a sustainable model that can go on alone after a while. [COL-FP-2.2]”</i></p> <p><i>“Health Care in Colombia is not for free. It costs a lot of money, if one is ill for some time and can not get an appointment, it will cost a lot of money if you have to go see the doctor three times, including transportation costs, etc., before you find someone who one actually helps. The statistics in Colombia say that 80% of cases could actually be solved by generalists. But it is much less, because they earn so badly, the general doctors, that when people come and the doctor sees: oh you have a broken knee, then he sends you to the knee doctor. And then, you can wait another three months until you get the next appointment with the knee doctor. But if you depend on your knees in order to make a living, then of course you have a huge problem. The costs are so enormous. [The founder of COL-FP] has shown a great caricature yesterday. There’s a woman with her child, and there is a doctor who looks like a chimpanzee. And it says: Yes, but it’s for free.” [COL-FP-2.4]</i></p>	Creative strategy
<p><i>Accept nonprofit funding and partner with NGO to channel through donations</i></p>	<p><i>“So we proposed a solution, and the way we did it is as follows: [The incubator] has a contract with [the NGO] and [the company]. [The NGO] is a local organization and [the Colombian company] has the money that we need. [The Colombian company] already had a contract with the [NGO], so there will be no money that will flow in our incubation fund, it goes directly from [the company] to [the NGO]. And then [the NGO] contracts [COL-FP] to provide the services.” [COL-FP-2.4]</i></p>	Dismissing strategy
SA-FP		
<p><i>Decoupling: Pilot project as a Corporate Social Investment of mother company</i></p>	<p><i>“[The mother company] launched a program to leverage its logistical expertise in the social enterprise sector by creating a (...) CSI initiative named [SA-FP]” [SA-FP-7.19]</i></p> <p><i>“[SA-FP] shall enable the achievement of the wider [mother company] corporate strategies and objectives through providing a logical network of community based delivery points for B-C (Business to Client) channel. [SA-FP] is a mechanism to create a healthcare channel to the BoP which no other logistics service provider is currently doing in South Africa. By making use of [the mother company’s] consolidated logistics model [SA-FP] can become a distribution centre for the greater base of the pyramid market thereby eliminating the poverty penalty which exponentially increases down the distribution chain. [The mother company’s] business opportunities also have the potential for [SA-FP] to be a designated service provider and distribution point for public sector scripts.” [SA-FP-7.10]</i></p>	Dismissing strategy
<p><i>Sensemaking: Lobby for more pragmatic, market-oriented approach to health care in South Africa</i></p>	<p><i>“Universal free access, (...) remains to some extent theoretical, since hidden costs are not taken into account: These include transport, which is one of the factors which the [SA-FP] model tries to address, as well as lost revenue caused by long waits as people queuing at a clinic are unable to be at work. The [SA-FP] model thus offers a wider range of options for people living in poverty, and the calculation is that people are often prepared to pay a fee in exchange for shorter waiting periods or shorter distances covered.” [SA-FP-7.9]</i></p> <p><i>“If we are going to wait until we got enough doctors in this country or in this continent, to deal with the health challenges that we have, we are going to see many dead people before we fix it. We have to task shift the services into other professions. Nurses need to do what doctors used to do. Assistant pharmacists need to do what a pharmacist used to do. Community workers need to do what nurse assistants used to do. We need to cascade responsibility down the qualification level in order to ensure that we get enough affordable resource in this space.” [SA-FP-7.1]</i></p>	Creative strategy

<p><i>Prove sincerity of social goals by</i></p> <ul style="list-style-type: none"> ▪ <i>showing more presence on the ground</i> ▪ <i>reducing level of standardization</i> ▪ <i>slowing down scaling plans</i> 	<p><i>“Our initial hypothesis was to charge a uniform set of prices across all clinics in order to standardized prices to facilitate scalability. However, after visiting the clinics and communities, we have concluded each clinic should continue to charge different prices ranging from R100-R150 based on community unemployment and willingness to pay, availability and quality of local public clinics and private GPs, location and proximity to town centers, shopping centers, etc.” [SA-FP-7.19]</i></p> <p><i>“And also what I have said, you need someone that goes and visits them. (...) Because again, it is this visibility emphasis”. [SA-FP-7.3]</i></p> <p><i>“Understand how to make existing model financially sustainable and successful before scaling</i></p> <ul style="list-style-type: none"> - <i>Allow pilot to complete to see if clinics can be successful without supporting working capital</i> - <i>Restructure nurse contracts to be financially sustainable for [mother company] in long-term or shut down initiative” [SA-FP-7.19]</i> 	<p>Dismissing strategy</p>
<p><i>Incorporate a hybrid structure (nonprofit and for-profit organization)</i></p>	<p><i>“You’ve got the trust, then the operating company, then the franchisees. The trust is the nonprofit. The operating company is for-profit. The trust is the vehicle into which people put their money. That gives them their points for the BBBEE scorecard.” [SA-FP-7.1]</i></p> <p><i>“So our plan to package this whole thing, so that other companies can invest, cause their is lots of companies that have to do BBBEE. Other companies can put forward their 3%. And with that, if we get our own clients, for example, putting their 3%, then, it’s a whole different thing. (...) So for us, the perfect opportunity for us would be to say (...) guys, put in all your money, cause we all have to comply, put all your money towards this project, so that we can actually have the 200 clinics in twelve months. We want to build this whole infrastructure. We would need a much bigger team to make sure we as a franchisor hold the standards consistently across the country. Then we would make a real impact out there and we would have our clients achieve their BBBEE. Some people struggle, they don’t know what to do with their 3%. They don’t get 15 out of 15 or 20 out of 20 for procurement.” [SA-FP-7.4]</i></p>	<p>Separation strategy</p>
<p>MEX-NP</p>		
<p><i>Consider conversion into for-profit in order to access funding from social investment fund</i></p>	<p><i>“Who knows, maybe in the future we will be able to generate enough profits to scale this program significantly and to pay returns to investors who have supported us” [MEX-NP-4.1].</i></p>	<p>Dismissing strategy</p>
<p><i>Increase cost efficiency</i></p>	<p><i>“In fact, part of the strategy of this institution and is that we become a viable model and that our costs are low. That will allow us to be self-sufficient.” [MEX-NP-4.1].</i></p>	<p>Dismissing strategy</p>
<p><i>Sensemaking: Redefine blended value creating goals in the new context of the Mexican health system in order to justify low wages</i></p>	<p><i>“It’s not like the Seguro Popular will drastically improve the situation in the health care market from one day to the other. I mean, it’s a huge improvement, really. But there are many issues left. It takes very long for people to become enrolled in the Seguro Popular. Sometimes several months of paperwork. And then there is also the problem of the public clinics’ capacities. They are overwhelmed by the high demand. So, quality is often bad. It’s going to take many more years until we can say that we have a well functioning public health system for the poor and rural population. And then, it’s also not for free. I know the government says that the Seguro Popular brings access to health care for low-income people free of charge. But the way to go to the public clinics and hospitals costs. Waiting time costs. For many of them, it is cheaper to go to a private health care provider and pay for getting treated soon instead of spending entire days to wait for a doctor’s appointment. [MEX-NP-4.2]”</i></p>	<p>Creative strategy</p>

<p><i>Position as collaborator and competitor to the government:</i></p> <ul style="list-style-type: none"> ▪ <i>Seek affiliation to public health insurance (social welfare)</i> ▪ <i>Seek other revenue streams in parallel (commercial)</i> 	<p><i>“And that’s why we said: if you can’t cope with the enemy then go with the enemy, that’s why we try to work with the Seguro Popular now.” [MEX-NP-4.1]</i></p>	<p>Separating strategy</p>
KEN-NP		
<p><i>Try to lobby for improvement of regulations in health market</i></p>	<p><i>“We have now a few nurses who would still do another 20 years or so but they are not many because if you look at the public service, it normally absorbs the majority of those who are coming from training. Then there’s a huge private sector as well so the remaining are obviously taken by the private sector. Then we’ve been having sort of a to-and-fro with the regulatory bodies. They have advocated for nurses and clinical officers who have at least 5-10 years of experience. Actually now they have reduced to 5, but before they were saying 10 years of experience to run a facility like a [KEN-NP] clinic like Catherine is doing.” [KEN-NP-6.4]</i></p>	<p>Cumulative strategy</p>
<ul style="list-style-type: none"> ▪ <i>Compensate for losses with donations</i> ▪ <i>Train franchisees to improve business skills and medical quality</i> 	<p><i>“Finally, and most importantly, even though some of the individual stores are profitable, they are only so because of the value added by [KEN-NP]. [KEN-NP], overall, is a nonprofit and its services are not profitable (...). [KEN-NP] is still dependent on the NGO community for donor funding”. [KEN-NP-6.3]</i></p> <p><i>“I felt that I was still strong enough to work. I didn’t have a job and thought of what to do. That was to have my own clinic. It wasn’t difficult for me because I found [KEN-NP] who guided me. We were taken for training on how to do business”. [KEN-NP-6.2]</i></p>	<p>Cumulative strategy</p>
<p><i>Prepare transition to for-profit legal form</i></p>	<p><i>“So, to start with, what we want to do is separate the two. We’ll have an NGO and for-profit at the end of the day. That’s what he is talking about, so we want to see how do we run this? Of course there might be another organization here running for profit because you can’t run for-profit with an NGO registration, so there will be a new company registered in Kenya. How do we ensure who stays here, who comes here from here, so there will be a bit of staff movement from NGO to this other one, then what will be the management agreement between this and this, who pays what and how much are we paying? So all that, the legal angle in terms of the restructuring, logistics, management agreement, there will be a lot of work, the staff movement, how do we manage our accounts? So this will be a lot of things to be done over here because at the end of the year we want to have a complete clear solid structure of this and this one as well, with clear terms if there is a lot of interchanges either from here to here and here to here there will be a bit of an agreement.” [KEN-NP-6.1]</i></p>	<p>Dismissing strategy</p>
<p><i>Innovate the way financial subsidies were used to change incentive structure</i></p>	<p><i>“so we have some ideas about how to route subsidies better that will lead to better long-term results for us we have some exciting things going on right now in fact. We’ve designed along with two young economists, one at Yale on one at USC, we’ve designed some uh... mobile phone based uh... coupons that we’re distributing, in fact the first ones are being distributed tomorrow. I wish it were yesterday so I can tell you if anyone had responded to the coupons yet... but We’ve collected information, mobile phone numbers and take an asset surveys of various people and communities near some of our clinics. So an asset surveys is like how many goats do you have, what is the roof your house made of, uh... things that can be indicators of wealth and poverty in places with no formal employment history or tax returns or credit history. So we have done that with 800 people, that we’re randomizing a bunch of coupons that give discounts and different pricing on our services and products both preventive products and curative products. And we’re gonna</i></p>	<p>Creative strategy</p>

	<p><i>distribute those to... via text message to all these 800 people and see who comes. Do people really respond to a seventy Shilling discount more than to the thirty-five Shilling discount, will they be incentivize too take sort of systemically beneficial and efficient prevention measures instead of just wait to get sick and they do that with this sort of pricing tests. (...) The average transaction, just in case you're curious, is something like a dollar or a dollar and fifteen cents in our clinics, so it's really inexpensive in some other clinics, in other areas like the average is three dollars. I mean some of our clinics in other areas depending on where they are what the services are about uh... there are some people that don't come in because of that and we don't know how many there are, this is one reason why we want to do this test of routing subsidies is sort of an easy and interesting, hopefully interesting theoretical topic. But the nuts-and-bolts of that require for some granular decisions about who is being subsidized, who they are, how do you make it, I mean you can't, it's not, even an asset survey is not expensive but you need to make the transaction costs of administering subsidies so low when the subsidies might be ten cents or fifty cents. You know you can't go, trying to scale down sort of stuff from the quote on quote insurance industry, usually operating way up high in the pyramid in a place like Kenya where there is virtually no insurance for anybody except for rich people or formally employed workers". [KEN-NP-6.7]</i></p>	
<p><i>Try to anticipate tensions</i></p>	<p><i>"Locality is key. Franchises that are financially sustainable are in localities that are a bit more financially stable in terms of the economic activities around. (...) Even though it's periodically, at least those people are empowered economically. So that means that the clinic around there, as much as they provide good services, they have good customer care, their customers are also able to pay, meaning that clinics will not do a lot of subsidies in terms of it does not have much of a percentage of patients unable to pay. (...) For-profit, you can't do it at the same level than nonprofit. You can't go rural-rural and do for-profit. I don't think so, very few instances. You have to position yourself a bit higher and offer a bit more services for you to make a bit more money." [KEN-NP-6.4]</i></p> <p><i>"To protect the non-profit mission from influence by profit-motivated investors it is required by U.S. tax law that [KEN-NP] have 100% operational control over the for-profit franchisor in Kenya, so decisions would continue to be made to serve [KEN-NP]'s charitable mission as they now are. And since [KEN-NP] may invest in the holding company the same as any other investor it can invest donations it receives so that those donations are spent in the same way they are now spent to provide working capital to the franchisor. Meanwhile, under U.S. tax rules, called "mission related investing," tax-exempt foundations and trusts may not only donate to [KEN-NP] but they can also invest their assets in the holding company to the extent that the work of the for-profit franchisor serves their charitable missions of trusts and foundations. Finally, as the business in Kenya develops and prospers, ordinary private investors will find an opportunity to fulfill both their investment goals and their social missions." [KEN-NP-6.6]</i></p>	<p>Creative strategy</p>
<p>SA-NP</p>		
<p><i>Try and convince collaborators in South Africa to jointly implement social enterprise projects by emphasizing the benefits of a stronger market-orientation</i></p>	<p><i>"And we want now (...) within the Social Enterprise Strategy, is build clinics which are not in public hospital, but which are standalone and are profitable, and we want to do them as a joint venture with local partners." [SA-NP-8.3]</i></p> <p><i>"It could be individuals, just an [medical specialist] or a business person and set up a clinic, so, with the department of health, that's a different model, which we will see, South Africa a good thing is that we don't invest so much in the clinics compared to other countries, because in South Africa it may be that diagnostic equipment, but you know social enterprise is the way to go, because [SA-NP] is a social enterprise organization and as I said, South Africa's economy is vibrant enough and they are encouraging a lot the growth of small and medium enterprises, so we see opportunities there." [SA-NP-8.5]</i></p>	<p>Cumulative strategy</p>

<p><i>Incorporate additional for-profit organization</i></p>	<p><i>“There are expansion plans for [social enterprise program 1] that are currently in the infancy stage. The team is currently conducting feasibility studies to launch the [social enterprise program 1] as a separate legal entity. All revenues from the separate legal entity will then be donated to [SA-NP] to create a new source of revenue for [SA-NP]. The objective of this approach is to allow [SA-NP] to target the private sector market as well, without the limitations imposed on it as an activity of a not for profit organization in South Africa. [SA-NP-8.1]</i></p>	<p>Separating strategy</p>
<p><i>- Remain a complement to public health system</i> <i>- Implement only parts of the social enterprise strategy to avoid upsetting partners</i></p>	<p><i>“It is [the government’s] inherent role [to provide free health care], but they don’t. Most of what governments do, and not only in South Africa, when they do their budgets, they say the budget for health this year is that much, but they also have to identify where all that money has to come from. And some of that money they expect to come from partners.” [SA-FP-8.5] “That’s why in South Africa we only implement certain parts of the social enterprise strategy. If a social enterprise program is not implementable in certain countries, because the government has this, then we will not implement it. Like in South Africa, we don’t do social enterprise clinics, but we have this [social enterprise program] that we are doing. (...) So here in South Africa we asked ourselves: how can we implement social enterprise, given that we will be unable technically to do the pure clinics. But, we can go into partnerships with different people and we can open up other channels. So for example the [medical] supply, (...) we are looking at producing the [products] locally, instead of sourcing them from China. [SA-NP-8.6]</i></p> <p><i>“So when you ask what the future is, so it may not be entirely public sector, we are now also (...) getting partner together to set up a social enterprise clinic. (...) It could be individuals, just a [health worker] or a business person and set up a clinic. So, with the department of health, that’s a different model, which we will see. (...) Social enterprise is the way to go, because [SA-NP] is a social enterprise organization and as I said, South Africa’s economy is vibrant enough and they are encouraging a lot the growth of small and medium enterprises, so we see opportunities there. [SA-NP-8.5]</i></p>	<p>Cumulative strategy</p>
<p><i>Hire young employees with more openness to hybrid approaches</i></p>	<p><i>“But [the founder] will now recruit more young people who think entrepreneurially and socially” . [SA-NP-8.3]</i></p>	<p>Creative strategy</p>
<p>COL-NP</p>		
<p><i>Process of restructuring and cultural change</i></p>	<p><i>“Because here , (...) , is where there was the split between [COL-NP] IPS and [COL-NP] Social.” [COL-NP-1.5]</i></p> <p><i>“In particular, (...) , this period of change influenced [COL-NP] in at least five areas: increased competition , changes in the structure of costs and revenues, strengthening programs , administrative restructuring, and change in the job profiles”. [COL-NP-1.10]</i></p> <p><i>“When we went from being an institution that depended on international donations to be a income generating institution, we had to change many of the values in our management and service provision. At the level of services it happened that our workforce got accustomed in the organization’s thirty years of history that customers are grateful for receiving care- So they had to depart from that typical patronizing attitude in the health system before Law 100, of being omnipresent, of being the benefactor who was never wrong. With Law 100 we learned that the one you have to thank is the customers: thank you madam for coming here, because you could also go somewhere else”. [COL-NP-1.10]</i></p>	<p>Separating strategy</p>
<p><i>Cross subsidize between profitable and unprofitable operations</i></p>	<p><i>“Well, actually, [COL-NP IPS] does everything that the health system prescribes. So, it’s for all the people who belong to the contributory or subsidized system, which would be the SISBEN. In [COL-NP Social] we provide to people what the system does not guarantee. For example, a more integral approach for youth, such as life projects, unwanted</i></p>	<p>Cumulative strategy</p>

	<p><i>pregnancies, (...). Another thing that COL-NP Social does is to work with people who are in emergency situations. People that have been displaced, either by the armed conflict or by natural catastrophes. COL-NP searches these spaces that the system does not necessarily serve. Or that are needed because they are cyclical. So many times, clients of COL-NP Social are people who are displaced by the winter and who require health care but are currently only identified as displaced people.” [COL-NP-1.5]</i></p>	
<ul style="list-style-type: none"> - <i>Put stronger emphasis on privately sold health services to target groups with sufficient ability to pay (commercial logic)</i> - <i>Continue to seek funds from donors to implement complementary social programs and continue to lobby for improvements in the public health system (social welfare logic)</i> 	<p><i>“And we’re trying to encourage cash income, which is income not through the EPS, but users who come here and want to have this or another procedure. (...) COL-NP has never been a commercial organization. And right now it is changing tremendously to being commercial. (...) So we’re sketching for new products, giving them greater impetus so that we can really add products that are stable and will increase our product sales. (...) So, cash payments are what we want to increase. It is one of the great advantages of [COL-NP IPS], because we have this part of cash generating activities. Users come here and pay cash. These users have always been a fairly high percentage of the revenue. When the EPS were still strong, our health care sales were 70% of EPS and 30% in cash. But with the EPS cutting services etc ... we’re now at 50/50. It may be a little more cash than EPS. So we are trying to strengthen this part because besides the fact that we receive the cash directly, also the margins are higher than when it goes through the EPS.” [COL-NP-1.1]</i></p> <p><i>“As we are a social institution, we have always made the lobby for [health services] to be included in the POS.⁶¹ But with the current situation in which the system is, the EPS are in a very very very very difficult situation, so they are beginning to restrict our services. They fixed quotas, for example for the [product x], which is quite expensive, a little over 150 dollars. They fixed quotas, like this month you have 200 no more. And then they begin to restrict. Then a woman can wait 5 or 6 months for getting the approval for the [product x]. So we’re offering the [product x] as a private service. Some people may afford it, others won’t.” [COL-NP-1.1]</i></p> <p><i>“USAID currently is identifying their lines of action in Colombia. The information I have is that they will focus on democracy and security. Our task and challenge is to see how our social projects (...) can respond to these lines of action.” [COL-NP-1.6]</i></p>	<p>Dismissing / Cumulative strategy</p>

⁶¹ The “Plan Obligatorio de Salud” is the public health insurance plan in Colombia.

Appendix 7: Empirical Material Reflecting Legitimacy of Sector Logics in Health Fields

Colombia

“Health Care in Colombia is not for free. It costs a lot of money, if one is ill for some time and can not get an appointment, it will cost a lot of money if you have to go to see the doctor three times, including transportation costs, etc., before you find someone who one actually helps. The statistics in Colombia say that 80% of cases could actually be solved by generalists. But it is much less, because they earn so badly, the general doctors, that when people come and the doctor sees: oh you have a broken knee, then he sends you to the knee doctor. And then, you can wait another three months until you get the next appointment with the knee doctor. But if you depend on your knees in order to make a living, then of course you have a huge problem. The costs are so enormous. [The founder of COL-FP] has shown a great caricature yesterday. There’s a woman with her child, and there is a doctor who looks like a chimpanzee. And it says: Yes, but it’s for free.” [COL-FP-2.4]

“For example what happens is that, there is an EPS like Caprecom. Caprecom here owed to hospitals in [Colombian department] at least 2000 million pesos or 3000. But there are no powers of control in this department. They can not sanction anything. The public health system is based on a free market logic where the free market supposedly regulates itself. But in a market where so much money is moving and there are so many differences between businesses with much power and others with very little, it doesn’t work. And the state should control, but he doesn’t. That is why we are in this crisis. For lack of control.” [COL-FP-2.2]

“all programs of primary health care are trying to be realized through public hospitals because it is with state resources. If the state says, if I’m the father and I put the money to insure citizens, the ideal is that this money goes to the same state entities which are public hospitals.” [COL-FP-2.1]

“In Colombia, access to health services for low-income people is a very big social problem. Despite the increase in insurance coverage there are several problems to be solved such as the significant differences in the quality of public health services and private services and between the subsidized and contributory scheme, high burden of administrative procedures and low opportunity and agility to access the services. Not only users but also health professionals face problems. Low wages, delays of more than 30 days on payments and frequent restrictions on the exercise of its work have generated dissatisfaction in the system.” [COL-FP-2.9]

“Currently 9.4% of the population [in this department] does not have health insurance and 46.7 % are in the subsidized regime. Both situations often require users to spend more on private health services, however, usually the price of these services is unaffordable for low-income people, reducing the consumption of health services in emergency situations.” [COL-FP-2.9]

“Our health sector is supposed to cover 100% of the population. Or that’s the goal. But it is a coverage in which there is a manual which says things are covered. It does not cover 100%. However, the vast majority of things that are covered are provided in [COL-NP]. Why? Because, as a social institution, it has always made the lobby so that these things are included in the POS. (...) But with the system like this right now so critical, the EPS are in a very very very very difficult situation, so they are beginning to restrict our services. They placed quotas, for example [product x] that is quite expensive, are about 250,000, 300,000 pesos, a little more than 150 dollars. They place quotas, like this month you have 200 no more. And then they begin to restrict. Then a patient can expect 5 or 6 months to get [the product].” [COL-FP-1.1]

“then there is this serious problem, that there is a thing called user “ligas du usuario”, which is getting bigger and bigger right now. These are user associations, which all EPS must have by law. And the IPS have to settle for some users leagues for them to review, participate in hospital ethics committees, where complaints and claims, all part of patients’ rights are handled. That they also may pressure the IPS and press the EPS so that they can access appropriate services. But

we are far away from that because people do not participate in those leagues, it is that it is very difficult for users to make calls that come from their leagues, but people do not understand that this is a very good tool if you know how to handle. I think that can be done at the community level. The idea is good for the community. But it doesn't work very well. Here, it's all against all and that is very inappropriate and inconsistent, very aggressive, it's distrustful. I believe that here in Colombia there is a need to form communities, strong community groups to help." [COL-FP-1.2]

"(...) the concept of health reform in Colombia in 93, the target for the year 2000 was universal health coverage in Colombia. In 2000 only 69% were covered. In 2010 we arrived at 88%. So there was a need of those people who are outside the coverage. We had to offer some type of service. In addition, the other major problem in the country, is that the system identifies the beneficiaries, in the SISBEN, it identifies them at home. Officials go home and see that people live on soil for example, then they make a rating and assign a score on the SISBEN. Stratum 0, 1, whatever. And that results in the economic segments in the SISBEN. People that can't pay, people that can pay little, etc. But due to the internal conflict, people have to move. Colombia has the second highest amount of displacement. People move and thus are not even recognized by the system. So displaced people are just nothing in the SISBEN. Then someone has to begin addressing these displaced. But that has to be financed either by the social state or by international agencies (...)." [COL-FP-1.3]

Mexico

"The Seguro Popular is a new system of universal coverage of the government for people who have neither social security nor are workers in the state because state workers have security. There's another insurance called IMSS and the IMSS is for all employees working in a formal payroll. But almost 50 % of employees in Mexico are in the informal economy and lack access to health services. So through the Seguro Popular, there is a special fund called the "Fund for catastrophic expenditures" covering catastrophic illnesses such as breast cancer, abdominal cancer, etc. The Seguro Popular opened a system of outsourcing where you can become a supplier for the government in all these services." [COL-FP-3.1]

"Well, I think its part of the reason why we started here that the industry is quite bipolar. I mean, if you're in that top you have the resources to go to a doctor, you go to such a good doctor like in the US or in Germany or France or wherever you want, there are very good very good doctors and equipment. Hey but it is that only a minority have access to that, then it all depends on the public sector that has doctors, even some operating rooms and good facilities but it is completely inadequate. A person who has social security, in theory, has access to [product x] and the seguro popular covers the costs. But on the other hand you have to wait six, twelve or more months for [service x]. It takes a minute. I mean, you can change lives overnight, eh, and that's an example but there are a thousand, there are a thousand examples. Then I think there is much to be done on the public side but I think it is not reasonable to expect that to change soon, even with the Seguro Popular. I like it because it involves the private sector that I think needs to... then that is our concept, that the private sector is engaged to attend this part of the population that is largely neglected. (...) and we do it with economic sense. There is a need that is not being met. I think that this is happening more and more. [MEX-FP-3.2]

"They cut [the health service] out of the insurance plan because they realized that [the disease] is too widespread. It simply exceeds their financial abilities. But officially, what they say is that [the disease] doesn't cause catastrophic expenditures and that's why they're taking it out. They want to focus on catastrophic health expenditures only. That's what they say. But [the disease that we're trying to cure] is one of the main reasons for poverty in Mexico. So they can't tell me that it's not catastrophic". [MEX-FP-3.13]

"Here [in Mexico] it is a lot about who you know and who knows you. And although [the Seguro Popular] can be a super good opportunity for suppliers and it can be very good for patients, if there is no trust that (...) you will receive payment for services and will not jeopardize your entire project for being involved in the Seguro Popular. (...) What if I think they don't do very well, is to

verify that... I mean once you are accredited, they do not check whether or not you comply with certain standards, I mean you are not instructed. At least us..." [MEX-FP-3.2]

"[Public] investment [in health] as a percentage of GDP is very low, it is like six point four percent and on average I think it's like ten. And out-of-pocket expenditure is like fifty percent, this I think is due to a lack of infrastructure, I mean, even though they are the government schemes, though there is an investment in percapita terms, I mean spending between percapita in the last fifteen years I think increased a hundred and thirty five percent. But not enough, I mean, still having too few doctors, still very few offices, there remains very little infrastructure, then people who have the resources resorts to private clinics because the service in the public sector is not so good, I mean the waiting time is very long, sometimes they charge, sometimes they are not in service, and I think that makes [MEX-FP] really a very good solution. Because if fifty percent of spending is out-of-pocket because you bring something that's a third of the price on average, really it is a radical change for people, because if anyway they have to pay, either here, either the more expensive hospital I think they have it at sixty five thousand pesos." [MEX-FP-3.3]

"[MEX-FP] has three main competitor types: private clinics, non-profit health providers, and public medical services. There are many private clinics in Mexico, but their price point is inaccessible to the general population, and they do not institute any community outreach programs. (...) Non-profit health providers (social assistance centers and teaching hospitals) form the second source of competition. (...) The last category of competitors is the public health sector (all public general hospitals.) The public health infrastructure is insufficient to meet demand, resulting in delays and poor service. Although accessible, wait times are long (up to 8-months) and there is no community outreach. Most worrisome is that good service is not guaranteed." [MEX-FP-3.17]

"pues definitivamente hay barreras culturales, porqué? Porque aquí todo queremos gratis desafortunadamente" [MEX-NP-3.1]

Kenya

"10% of Kenya is rich and they have insurance and they go to like Aga Khan. Really nice clinics, which is awesome. But the bottom 20% of Kenya is poor. (...) But even the poor people. You have to pay to go to the government. Free government clinics are not free. So then you either borrow money from somebody, or I guess, some of them just don't go at all. Which does happen. And I guess, we don't do anything about that. (...) We are targeting everybody. For in that bottom 20%, some of them can't pay for our services, so we don't get them as patients. For some of our services, we are outrageously cheaper. Like we are cheaper than the government for Malaria... Free government clinics. We are cheaper than the free government clinics for Malaria. So like, we are very affordable. But there are some people, who can't afford our services. That was a ramble." [KEN-FP-5.1]

"Everyone working in a formal sector, employees and factories are working in a formal sector, get NHF special health insurance fund. Which provides in-patient healthcare only and thinking about rolling out out-patient healthcare one day. But for right now it is only in-patient healthcare. What happens is that all of those peoples can go to the other shitty clinics and they can be like, I have this little tiny cup on my finger. And the doctor is like, pneumonia, hah? You gonna have to stay for two days. Which means that the hospital gets reimbursed from an NHF as if they had a person who slept for two days in that hospital. So they get paid a lot of money for that. But it also means that instead of paying 100 shillings for their band aid or whatever they needed, they don't pay anything. They get it free. Because it's now in-patient healthcare. Yeah. (...) I mean that's just fraud. Really it means that we are competing against free. All of our kind of target market that we are going after, all of them could get our services for free somewhere else. So that's really hard to compete with free anywhere in the world, right?" [KEN-FP-5.1]

"I guess, I am not sure, in Kenya, people don't care, as long as whatever I am getting is of quality, is worth the value of what I pay. I think in Kenya, the problem we have, is the government is underfunded in health care, public health facilities, they are underserved and motivated, so

eventually they give poor services. If there are services that are affordable and and very low cost, in most cases, people tend to go for private providers.” [KEN-FP-5.4]

“In terms of the players in healthcare, of course public is a bit bigger than private, however, the difference isn’t that big because, although I’m not very sure of the figure but I would think it’s about 55% of all health services are provided by the public and then 45% by the private sector. But I’m not very sure about the percentage that you’d have to look through. Looking at what the public service provides, maybe it could be the reason why also there’s the presence of the private sector taking a big chunk in terms of health service delivery. Because you find that especially where it comes to service delivery, the public sector is unable to handle everything. They also don’t have all the resources that are required. You’ll find that especially the lower level of care, health centers, dispensaries and sub-district, they run out of stock on quite a number of products and that’s necessitated for the private sector to thrive actually. And in terms of [KEN-NP’s] presence in the country, I think what has made us successful at that level is that also there are very many gap areas that the government is also not able to reach especially now when you come to the rural facilities. There might be the infrastructure there, there might be that clinic there but no staff to work in those areas. I would give a very good example of a place I have visited although we are not there as [KEN-NP], in the coastal region. The facility is there, the dispensary is there, the health center is there but they don’t have anybody there because from the community they don’t have anybody who’s been trained as a nurse, clinical officer or doctor who can go back and give services to the community. In such cases you find that [KEN-NP] comes in handy if they are able to bridge that gap for the population.” [KEN-NP-6.4]

“Or the very small clinics you get in the shopping centers and all that. But the biggest problem with those small clinics is you don’t know where the drug they bought came from. You don’t know whether it’s genuine. You don’t know whether the items being used are sterilized. There are a lot of questions in terms of the quality of healthcare. But if you are looking for something you can rely on it’s either the government or the faith-based institutions.” [KEN-NP-6.2]

“I would say in Kenya it has just been limited to the government hospitals and NHIF. I would say that is the 2 areas that I’ve seen the government play. And when it comes to government-run hospitals, you literally don’t want to go to a government-run hospital.(...) because, the place is overloaded. I was being told in Kenyatta National Hospital (KNH) which is the biggest hospital in East and Central Africa; it’s a government-run hospital, a tertiary hospital, referral centre, a medical school and all that. To get diagnosis, say you want a CT scan, you can wait up to 2 weeks. Assuming you have a growth in your head, and it keeps growing, do you know what 2 weeks does to you? Everybody goes to these hospitals. Most of them very low-income don’t have any other alternative, so it’s either that or nothing. And then their health workers run their separate private practices so they really don’t give these government hospitals their 100%. They’ll just show up for maybe 1 or 2 hours in a day. After that you have to wait for the next doctor or whoever will be available” [KEN-NP-6.2]

“In the constitution, yes it is there in black and white, but when it comes to the implementation how do you do it. It is all by the government. (...)And then there’s also a lot of corruption going on in the government. Like I think 3 months ago they were trying to roll out this National Social Insurance Fund (NSIF). So normally it only covers the in-patient but they were trying to roll out for the out-patient and they selected a few of these health clinics. And we realized at the end of the day there was a lot of kickbacks being paid out. Huge sums of money were being paid out to specific health facilities. And what these facilities were doing was paying back the government officials. Say it was supposed to be 1 M, they quote 3M out of which they pay 2M back to these people and then they get 1M back. So it’s really murky, lots of corruption going on. And that’s creating a big inefficiency in delivering quality healthcare especially to the low-income. Because the high-income people just go to Alexander-Forbes, Jubilee insurance, all these international insurance. Get a good cover. When you are sick you go to 4 star, 5 star hospitals, the Nairobi hospitals, the Aga Khan hospitals. You get very good treatment or go abroad, get treatment and you are covered and then you come back and you are okay. The low-income what do they do? And a place like UG doesn’t have the NHIF, nothing even for the people on white collar jobs, nothing even for the civil servants. But Rwanda, you should read about Rwanda. Rwanda has an interesting model. Actually in the region their Social Health Insurance Fund works best. I think the

adoption rate is really high. I can't remember it at the top of my head but it's something close to 80 or something. 80% of the population is under the NSIF. That is where we would want us to go. [KEN-NP-6.2]

"it's not just drug quality that is bad, it's in everything quality is bad, diagnostic quality is bad, quality of equipment is bad, quality of roads is bad and so on right so uh... let's take malaria so we might say "well don't people know they're buying counterfeit and sub-standard malaria medicine" and on one hand the answer is yes they feel.. like if you talk to our patients and say why do you come and pay a dollar to our clinic instead of going down the street to a place that's substantially free, they very rarely will answer, and the answer is they say are "when i come here much out my child gets better" "uh... when i come here, I don't have to wait a long time i get served quickly" and "these people here are nice instead of being rude to me" this is some anecdotal things that people you know that that we've heard uh...

But but on the other hand if you think so there's some awareness of drug quality, but think about.... about half the drugs are sub-standard right and about half the time we found when people think that they have malaria that they don't. So people get a fever especially cyclical fever they think it's malaria, and so they go buy drug so you might say "how can they do that don't they.. isn't it so obvious to them the most the time there'll be a better" but say that's a that's roughly half half and half like, so i got a fever, half the time I actually have malaria, half the time I don't. but i always get malaria medicine say. And half the time i get malaria medicine and and i do have malaria it's good, So half the time I didn't have malaria i get better, half the time i did have malaria I get good drugs, seventy five percent of the time i get better from the supposed malaria, twenty five percent of the time maybe I don't. So the problem is not zero to a hundred like you don't get better all with bad drugs, it's that in the whole ecosystem with diagnosis and everything most of the time you do get better in a case like that. And so you really going from like seventy five two hundred in that case again the percentages you know uh... but the demands that is absolutely where the rubber meets the road on these things that there's a huge gap between any policy whether from the who or national policy whatever that says "these are the drugs are should be used, these are a should use them this is how you should store them, this is how it should be price" or any of these things get lost along the way of the value chain where every link of the chain is very compromised.

And by the end of the chain you have patients who don't want to take malaria test for whatever reason, you know, other drugs are used to taking, if you have a blister pack of drugs where there is two drugs they have to take, they don't take the partner drug 'cause that has side effects they don't want, i mean it's it's just chaos, so very difficult to uh..." [KEN-NP-6.7]

South Africa

"In South Africa, access to health care is, like so many other aspects of life, characterized by significant inequalities: While 17% of the population can afford to pay for private health care (usually of high quality), more than 8 out of 10 South Africans have no health insurance, and rely on an overburdened public sector to meet their health care needs." [SA-FP-7.9]

"While the state has begun the process of implementing ambitious plans to introduce a national health insurance scheme (NHI) for all South Africans, it lacks sufficient resources to provide quality, effective and affordable health care to all. As a result, there is a wide gap between the primary health care and medication needs of millions of poor South Africans and the available services. Market surveys indicate that a significant number of people in poor communities are able and willing to spend modest amounts for easier access to primary health care and medicines. This suggests that inclusive business models that combine commercial models with a strong social impact can help fill the gap that currently exists in access to primary health care and medicines for low-income communities, while at the same time alleviating the financial and logistical burden on over- burdened public health care facilities." [SA-FP-7.9]

"The inequalities that permeate South African society are equally present when it comes to access to health care and primary health care, with significant discrepancies between the tax-

funded public health care system and the private health care sector in terms of cost, spend per patient, and quality of care. While a minority of affluent South Africans is able to afford high quality private health care, 83 per cent of the population, a total of 41.7 million people out of South Africa's total population of 50 million, rely on public health care services, which are often understaffed and under-resourced.

The gap between the state and the private sector is perhaps most obvious when measured in average spending per patient: At R 8,250 per head (approximately US \$ 1,090), it is 6 times higher in the private sector than in the public sector, where the average annual spend is R 1,372 (approximately US \$ 181). This level of discrepancy feeds on itself, as the resource gap between public and private health care sectors tends to drive qualified medical staff, especially specialized staff (pharmacists, dentists, optometrists, qualified nurses) away from the public sector.

Poor South Africans rely mainly on the public health care network because of its relative affordability: Access to the public health care network is nominally free for children under the age of 6 and breastfeeding mothers, and available at very low fees (usually around R 20, the equivalent of US \$2.60) for outpatients. Since April 2006, primary health care is free for all in South Africa, one of the biggest achievements in public health care since the advent of democracy. This achievement does not, however, take into account the indirect costs for patients, such as transport to get to a public health facility (especially in remote rural areas), or lost income as a result of many hours and sometimes days waiting in queues.

One important factor that contributes to the reliance on the public health care network is that with generally low levels of education, many people in low-income communities are reluctant to self-medicate, and seek treatment from already overburdened public health care facilities, at a very high cost to the public health care system.

There remains, therefore, significant demand for primary health care at the base of the economic pyramid in South Africa, most significantly the 41% of the South African population earning or spending less than R 20 or the equivalent of US \$ 3 per day, as well as the "middle of the pyramid", i.e. those citizens who are on an income of between R 20 and R 140 per day (see Box II).

Against this background, and given the unmet demand for primary health care and medicines, the gap in the market tends to be filled by private alternatives. There is some evidence, for instance, suggesting that illegal health clinics often operate in townships, and that people are prepared to pay for such services despite the obvious risks: One recent report put a standard medical consultation in an illegal health clinic at R 190 (approximately US \$ 25). The fact that illegal health care services exist at all is a strong indication that people are willing to pay for alternatives to public health facilities if the perceived benefits outstrip the visible and invisible costs. Legal private clinics in the same areas can cost up to R 250.

While it is difficult to estimate the size of this market with any real precision, national household surveys provide useful rough estimates. According to Statistics South Africa (the country's main national statistical institute), the average annual consumption expenditure of poor Black African households is R 30,509 (approximately US \$ 4,060 per year per household, with an average of 4 people per household). An estimated 1.5% of that annual expenditure goes to health care, amounting to R 458 per annum per household. (...)

Based on approximately 8 million households, it is estimated that the total underserved market at the base of the pyramid represents a monetary value of R 3.2 billion per year (approximately US \$ 430 million at March 2012 exchange rates). This figure is most likely an underestimate: A global study of the BoP market in 2007 estimated that measured in purchasing power parity terms, the overall health care market at the Base of the Pyramid in Africa alone represented US \$ 18 billion at purchasing power parity rates." [SA-FP-7.9]

"In summary, healthcare is distributed via three major sectors: private, public and NGO. These sectors, through various different factors, distribute health unequally and in a manner that is unsustainable. The numbers show that SA is behind peer countries and backs up the unsustainable, unequal health outcomes that the current system produces. Additionally, SA has a

significant current pandemic of HIV/Aids coupled with a growing yet understated chronic non-communicable disease burden for the long term.” [SA-FP-7.20]

“The original business model conceptualisation included informal traders (e.g. spazas). This association of micro-entrepreneurs from the informal sector is a major characteristic of almost any inclusive BoP business model and a key feature of the benefits for poor people. However, management had no direct experience with accessing this channel, so they elected to go into partnership with a company that was already supplying this informal network with other products like mobile pre-paid airtime. [The former manager] originally contracted this company to supply the spaza shops with [medical supply in a box]. (...) This component of the pilot was very successful with demand far exceeding supply. (...) However, the company raised an important point: What is the legality of supplying medication without the package insert? And spaza shops owners in [Site 1] and [Site 2] echoed similar sentiments:

1) They were concerned with what impact this would have on their established logistics and distribution partners. Will involving themselves with [SA-FP] anger current supply chain partners? (...)

2) Assuming they accept this box, they have a very limited understanding of health ailments. They would not know where to begin advising people on what to use and purchase. Therefore, they will need additional training.

3) What if customers develop complications as a result of medicinal products that were sold to them (...)? How will the shop owner who sold the medication help? Will this type of event not lead to a negative backlash from the community on them and their stores? Did the box hold a potentially big risk to the store’s brand reputation in these stocking products?” [SA-FP-7.20]

“It is [the government’s] inherent role [to provide free health care], but they don’t. Most of what governments do, and not only in South Africa, when they do their budgets, they say the budget for health this year is that much, but they also have to identify where all that money has to come from. And some of that money they expect to come from partners. [SA-FP-8.5]

Bibliography

- Abouharb, M. R., & Cingranelli, D. (2007). *Human Rights and Structural Adjustment*. Cambridge University Press.
- Agyemang, G., Awumbila, M., Unerman, B., & O'Dwyers, B. (2009). NGO Accountability and Aid Delivery. The Association of Chartered Certified Accountants, Research report 110, London.
- Albert, S., & Whetten, D. A. (1985). Organizational identity. *Research in Organizational Behavior*, 7, 263–295.
- Alexander, J., Nank, R., & Stivers, C. (1999). Implications of Welfare Reform: Do Nonprofit Survival Strategies Threaten Civil Society? *Nonprofit and Voluntary Sector Quarterly*, 28(4), 452–475.
- Alter, K. S. (2007). Social Enterprise Typology. Virtue Ventures LLC.
- Andriopoulos, C., & Lewis, M. W. (2009). Exploitation-Exploration Tensions and Organizational Ambidexterity: Managing Paradoxes of Innovation. *Organization Science*, 20(4), 696–717.
- Ansari, S., Munir, K., & Gregg, T. (2012). Impact at the 'Bottom of the Pyramid': The Role of Social Capital in Capability Development and Community Empowerment. *Journal of Management Studies*, 49(4), 813–842.
- Arellano, C., Bulf, A., Lane, T., & Lipschitz, L. (2009). The dynamic implications of foreign aid and its variability. *Journal of Development Economics*, 88(1), 87–102.
- Arnold, D. G., & Valentin, A. (2013). Corporate social responsibility at the base of the pyramid. *Journal of Business Research*, 66(10), 1904–1914.
- Arora, S., & Romijn, H. (2011). The empty rhetoric of poverty reduction at the base of the pyramid. *Organization*, 19(4), 481–505.
- Arthur L. Stinchcombe. (1965). Social structure and organizations. In J.G. March (Ed.), *Handbook of Organizations* (pp. 142–193). Chicago, IL: Rand McNally.
- Asian Venture Philanthropy Network. (2014). Getting Started in Venture Philanthropy in Asia - A Practical Guide to Establishing and Operating a Venture Philanthropy or Social Investment Organisation.
- Ataguba, J. E., & McIntyre, D. (2012). Paying for and receiving benefits from health services in South Africa: is the health system equitable? *Health Policy and Planning*, 27(suppl 1), i35–i45.
- Babb, S. (2005). The Social Consequences of Structural Adjustment: Recent Evidence and Current Debates. *Annual Review of Sociology*, 31, 199–222.
- Baker, T., & Nelson, R. E. (2005). Creating Something from Nothing: Resource Construction through Entrepreneurial Bricolage. *Administrative Science Quarterly*, 50(3), 329–366.
- Banerjee, A. V., & Duflo, E. (2011). *Poor Economics: A Radical Rethinking on the Way to Fight Global Poverty*. Public Affairs.
- Battilana, J. (2012). In Search of the Hybrid Ideal (SSIR). Retrieved on 06.09.2013 http://www.ssireview.org/articles/entry/in_search_of_the_hybrid_ideal

- Battilana, J., & D'Aunno, T. (2009). Institutional Work and the Paradox of Embedded Agency. In *Institutional Work: Actors and Agency in Institutional Studies of Organizations* (pp. 31–58). Cambridge, UK: Cambridge University Press.
- Battilana, J., & Dorado, S. (2010). Building Sustainable Hybrid Organizations: The Case of Commercial Microfinance Organizations. *Academy of Management Journal*, 53(6), 1419–1440.
- Battilana, J., Leca, B., & Boxenbaum, E. (2009). How Actors Change Institutions: Towards a Theory of Institutional Entrepreneurship. *The Academy of Management Annals*, 3(1), 65–107.
- Battilana, J., & Lee, M. (2014). Advancing Research on Hybrid Organizing – Insights from the Study of Social Enterprises. *The Academy of Management Annals*, 8(1), 1–44.
- Barney, J. (1991). Firm Resources and Sustained Competitive Advantage. *Journal of Management*, 17(1), 99–120.
- Baxter, P., & Jack, S. (2008). Qualitative Case Study Methodology: Study Design and Implementation for Novice Researchers. *The Qualitative Report*, 13(4), 544–559.
- Beckert, J. (1999). Agency, Entrepreneurs, and Institutional Change. The Role of Strategic Choice and Institutionalized Practices in Organizations. *Organization Studies*, 20(5), 777–799.
- Beckert, J. (2010). How do fields change? The interrelations of institutions, networks, and cognition in the dynamics of markets. *Organization Studies*, 31(5), 605–627.
- Benson, J. K. (1977). Organizations: A Dialectical View. *Administrative Science Quarterly*, 22(1), 1–21.
- Berelowitz, D., Horn, J., Thornton, A., Leeds, I., & Wong, D. (2013). Identifying Replicable Healthcare Delivery Models with Significant Social Benefit - Research and Analysis for GlaxoSmithKline by The International Centre for Social Franchising. International Centre for Social Franchise, Glaxo Smith Kline, Said Business School.
- Bernard, A., Helmich, H., & Lehning, P. B. (1998). Civil Society and International Development. OECD - Development Centre Studies.
- Besharov, M., & Smith, W. (2013). Multiple Logics in Organizations: Explaining Their Varied Nature and Implications. *Academy of Management Review*, Vol. 39(3), 364–381.
- Berger, P. L., & Luckmann, T. (1967). *The Social Construction of Reality: A Treatise in the Sociology of Knowledge*. New York: Anchor.
- Billis, D. (2010). *Hybrid Organizations and the Third Sector: Challenges for Practice, Theory and Policy*. London, New York: Palgrave Macmillan.
- Bishop, M. & M. G., & Green, M. (2008). *Philanthrocapitalism: How the Rich Can Save the World* (First Edition). New York: Bloomsbury Press.
- Bloom, G. (2004). Private Provision in Its Institutional Context - Lessons from Health. London: DFID Health Systems Resource Centre Issues Paper.
- Bloom, G., Champion, C., Standing, H., Lucas, H., & Peters, D. (2009). Making Health Markets Work Better for Poor People: Improving Provider Performance - Working Paper 6. Future Health Systems - Innovations for equity.

- Boeije, H. (2009). *Analysis in Qualitative Research*. Los Angeles: SAGE Publications Ltd.
- Bonilla-Chacín, M. E., & Aguilera, N. (2011). The Mexican Social Protection System in Health - UNICO Studies Series 1. The World Bank, Washington DC.
- Bourdieu, P. (1977). *Outline of a Theory of Practice*. Cambridge University Press.
- Bourdieu, P. (2005). *The Social Structures of the Economy* (1st Edition). Cambridge, UK ; Malden, MA: Polity Press.
- Bossert, T., Chawla, M., Bowser, D., Beauvais, J., Giedion, U., Arbalaez, J. J., & Lopez Villan, A. (2000). Applied Research on Decentralization of Health Systems in Latin America - Colombia Case Study.
- Boxenbaum, E., & Jonsson, S. (2008). Isomorphism, Diffusion and Decoupling, in Greenwood, R., Oliver, C., Suddaby, R., & Sahlin-Andersson, K. (Eds.) *The Sage handbook of organizational institutionalism* (pp. 78–98). London, UK: SAGE Publications.
- Bozeman, B. (1987). All Organizations are Public: Comparing Public and Private Organizations. Washington: Beard Books.
- Bracker, J. (1980). The Historical Development of the Strategic Management Concept. *Academy of Management Review*, 5(2), 219–224.
- Bresser, R., & Millonig, K. (2004). *Institutional Capital: Competitive Advantage In Light Of The New Institutionalism In Organization Theory* (SSRN Scholarly Paper No. ID 550742). Rochester, NY: Social Science Research Network.
- Brohman, J. (1995). Universalism, Eurocentrism, and ideological bias in development studies: from modernisation to neoliberalism. *Third World Quarterly*, 16(1), 121–140.
- Brown, L. K., & Troutt, E. (2007). Reporting Does Not Equal Accountability! The Importance of Funding Characteristics and Process on Accountability. *International Journal of Public Administration*, 30, 209–225.
- Bruton, G. D., Ketchen Jr., D. J., & Ireland, R. D. (2013). Entrepreneurship as a solution to poverty. *Journal of Business Venturing*, 28(6), 683–689.
- Calderisi, R. (2006). *The Trouble with Africa - Why Foreign Aid Isn't Working*. Houndmills, UK: Palgrave MacMillan.
- Carrin, G. (2007). Health financing reform in Kenya - Assessing the social health insurance proposal. *South African Medical Journal*, 2(97), 130.
- Castellacci, F. (2015). Institutional Voids or Organizational Resilience? Business Groups, Innovation, and Market Development in Latin America. *World Development*, 70, 43–58.
- Carroll, D. A., & Stater, K. J. (2009). Revenue Diversification in Nonprofit Organizations: Does it Lead to Financial Stability? *Journal of Public Administration Research and Theory*, 19(4), 947–966.
- Chakrabarty, S. (2009). The influence of national culture and institutional voids on family ownership of large firms: A country level empirical study. *Journal of International Management*, 15(1), 32–45.
- Chakrabarty, S., & Bass, A. E. (2013). Encouraging Entrepreneurship: Microfinance, Knowledge Support, and the Costs of Operating in Institutional Voids. *Thunderbird International Business Review*, 55(5), 545–562.

- Chakrabarty, S., & Bass, A. E. (2014). *Institutionalizing Ethics in Institutional Voids: Building Positive Ethical Strength to Serve Women Microfinance Borrowers in Negative Contexts* (SSRN Scholarly Paper No. ID 2391044). Rochester, NY: Social Science Research Network.
- Chen, K. K., & O'mahony, S. (2006). The Selective Synthesis of Competing Logics. *Academy of Management Proceedings*, 2006(1), L1–L6.
- Coase, R. H. (1937). The Nature of the Firm. *Economica*, 4(16), 386–405.
- Cohen, L. E. (2012). Assembling Jobs: A Model of How Tasks Are Bundled Into and Across Jobs. *Organization Science*, 24(2), 432–454.
- Collier, P. (2008). *The Bottom Billion: Why the Poorest Countries are Failing and What Can Be Done About It*. Oxford, UK: Oxford University Press.
- Cooney, K. (2006). The Institutional and Technical Structuring of Nonprofit Ventures: Case Study of a U.S. Hybrid Organization Caught Between Two Fields. *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, 17(2), 137–155.
- Coovadia, H., Jewkes, R., Barron, P., Sanders, D., & McIntyre, D. (2009). The health and health system of South Africa: historical roots of current public health challenges. *The Lancet*, 374(9692), 817–834.
- Coronado, E., Kretzecoc, C., & Lu, Y. (2007). *What Works: Mi Farmacita Nacion*. World Resources Institute.
- Crilly, D., Zollo, M., & Hansen, M. (2012). Faking it or Muddling Through? Understanding Decoupling in Response to Stakeholder Pressures. *Academy of Management Journal*.
- Cull, R., Demirgüç-Kunt, A., & Morduch, J. (2009). Microfinance Meets the Market. *The Journal of Economic Perspectives*, 23(1), 167–192.
- Dacin, Dacin, & Matear, (2010). Social Entrepreneurship: Why We Don't Need a New Theory and How We Move Forward From Here. *The Academy of Management Perspectives*, 24(3), 37-57.
- Dart, R. (2004a). Being "Business-Like" in a Nonprofit Organization: A Grounded and Inductive Typology. *Nonprofit and Voluntary Sector Quarterly*, 33(2), 290–310.
- Dart, R. (2004b). The legitimacy of social enterprise. *Nonprofit Management & Leadership*, 14(4), 411–424.
- D'Aunno, T., Succi, M., & Alexander, J. A. (2000). The Role of Institutional and Market Forces in Divergent Organizational Change. *Administrative Science Quarterly*, 45(4), 679–703.
- Davis, G. F., McAdam, D., Scott, W. R., & Zald, M. N. (2005). *Social Movements and Organization Theory*. Cambridge, UK: Cambridge University Press.
- Davis, J. E. (2012). *Stories of Change: Narrative and Social Movements*. SUNY Press.
- Deephouse, D. L., & Suchman, M. C. (2008). Legitimacy in Organizational Institutionalism. In *The SAGE Handbook of Organizational Institutionalism* (pp. 49–77). London: SAGE.
- De Groot, T., De Paepe, P., & Unger, J.-P. (2005). Colombia: in vivo test of health sector privatization in the developing world. *International Journal of Health Services: Planning, Administration, Evaluation*, 35(1), 125–141.

- Delmas, M. A., & Toffel, M. E. (2008). Organizational Responses to Environmental Demands: Opening the Black Box. *Strategic Management Journal*, 29(10), 1027–1055.
- Desa, G. (2011). Resource Mobilization in International Social Entrepreneurship: Bricolage as a Mechanism of Institutional Transformation. *Entrepreneurship Theory and Practice*, 36(4), 727–751.
- Desa, G., & Basu, S. (2013). Optimization or Bricolage? Overcoming Resource Constraints in Global Social Entrepreneurship. *Strategic Entrepreneurship Journal*, 7(1), 26–49.
- Dichter, S., Katz, R., Koh, H., & Karamchandani, A. (2013). Closing the Pioneer Gap, Stanford Social Innovation Review, Retrieved on 13.5.2014
http://ssir.org/articles/entry/closing_the_pioneer_gap
- DiMaggio, P. (1988). Interest and agency in institutional theory. In Zucker, L. (Ed.) *Institutional Patterns and Organizations: Culture and environment* (pp. 3–22).
- DiMaggio, P. J., & Powell, W. W. (1983). The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields. *American Sociological Review*, 48(2), 147–160.
- DiMaggio, P., & Powell, W. W. (1991). *The New Institutionalism in Organizational Analysis* (2nd Edition). Chicago, US: University of Chicago Press
- Doherty, B., Haugh, H., & Lyon, F. (2014). Social Enterprises as Hybrid Organizations: A Review and Research Agenda. *International Journal of Management Reviews*, 16(4), 417–436.
- Dorado, S. (2005). Institutional Entrepreneurship, Partaking, and Convening. *Organization Studies*, 26(3), 385–414.
- Easterly, W. (2006). *The White Man's Burden: Why the West's Efforts to Aid Have Done So Much Ill and So Little Good* (First Edition). New York, US: Penguin Press
- Easterly, W. (2010). Democratic Accountability in Development: The double standard. *Social Research*, 77(4), 1075–1104.
- Ebrahim, A. (2003). Making Sense of Accountability: Conceptual Perspectives for Northern and Southern Nonprofits. *Nonprofit Management & Leadership*, 14(2), 191–212.
- Ebrahim, A., Battilana, J., & Mair, J. (2014). The governance of social enterprises: Mission drift and accountability challenges in hybrid organizations. *Research in Organizational Behavior*, 34, 81–100.
- Edwards, M. (2008). *Just Another Emperor? The Myths and Realities of Philanthrocapitalism* (1st edition). New York, US: Demos: A Network for Ideas & Action.
- Edwards, M. (2009). Gates, Google, and the Ending of Global Poverty: Philanthrocapitalism and International Development. *Brown Journal of World Affairs*, 15(2), 35–42.
- Eikenberry, A. M., & Kluver, J. D. (2004). The Marketization of the Nonprofit Sector: Civil Society at Risk? *Public Administration Review*, 64(2), 132–140.
- Eisenhardt, K. M., & Graebner, M. E. (2007). Theory Building From Cases: Opportunities And Challenges. *Academy of Management Journal*, 50(1), 25–32.
- Eisenstadt, S. N. (1980). Cultural Orientations, Institutional Entrepreneurs, and Social Change: Comparative Analysis of Traditional Civilizations. *American Journal of Sociology*, 85(4), 840–869.

- Ellis, R. P., & McGuire, T. G. (1993). Supply-Side and Demand-Side Cost Sharing in Health Care. *The Journal of Economic Perspectives*, 7(4), 135–151.
- El Tiempo. (2012). Se agrava crisis de las EPS del régimen subsidiado. Retrieved on 03.05.2013 <http://www.eltiempo.com/archivo/documento/CMS-12019682>
- Emerson, J. (2003). The Blended Value Proposition: Integrating Social and Financial Returns. *California Management Review*, 45(4), 35–51.
- Escobar, A. (1992). Imagining a Post-Development Era? Critical Thought, Development and Social Movements. *Social Text*, (31/32), 20–56.
- Estrin, S., Korosteleva, J., & Mickiewicz, T. (2013). Which institutions encourage entrepreneurial growth aspirations? *Journal of Business Venturing*, 28(4), 564–580.
- Estrin, S., Mickiewicz, T., & Stephan, U. (2013). Entrepreneurship, Social Capital, and Institutions: Social and Commercial Entrepreneurship Across Nations. *Entrepreneurship Theory and Practice*, 37(3), 479-504.
- Evers, A. (2005). Mixed Welfare Systems and Hybrid Organizations: Changes in the Governance and Provision of Social Services. *International Journal of Public Administration*, 28(9-10), 737–748.
- Ewick, P., & Silbey, S. (2002). The Structure of Legality: The Cultural Contradictions of Social Institutions. In Kagan, R. A., Krygier, M., & Winston, K. (Eds.) *Legality and community: On the intellectual legacy of Philip Selznick*: (pp. 149–166). Lanham, MD: Rowman & Littlefield.
- Fairbourne, J. S., Gibson, S. W., & Dyer, W. G. (2007). *MicroFranchising: Creating Wealth at the Bottom of the Pyramid*. Cheltenham, UK: Edward Elgar Publishing.
- Feyerabend, P. (1993). *Against Method: Outline of an Anarchistic Theory of Knowledge* (3rd Edition). London/ New York: Verso.
- Fiss, P. C., & Zajac, E. J. (2006). The Symbolic Management of Strategic Change: Sensegiving via Framing and Decoupling. *Academy of Management Journal*, 49(6), 1173–1193.
- Fligstein, N. (1996). Markets as Politics: A Political - Cultural Approach to Market Institutions, *American sociological review*, 656-673
- Fligstein, N. (2002). *The Architecture of Markets*. Princeton, US: Princeton University Press.
- Fligstein, N., & McAdam, D. (2011). Toward a General Theory of Strategic Action Fields. *Sociological Theory*, 29(1), 1–26.
- Fligstein, N., & McAdam, D. (2012). *A theory of fields*. Oxford, UK: Oxford University Press.
- Foreman, P., & Whetten, D. A. (2002). Members' Identification with Multiple-Identity Organizations. *Organization Science*, 13(6), 618–635.
- Fox-Wolfgramm, S. J., Boal, K. B., & Hunt, J. G. (Jerry). (1998). Organizational Adaptation to Institutional Change: A Comparative Study of First-Order Change in Prospector and Defender Banks. *Administrative Science Quarterly*, 43(1), 87–126.
- Friedland, R., & Alford, R. (1991). Bringing Society Back In: Symbols, Practices and Institutional Contradictions. In W. Powell & P. Dimaggio (Eds.), *The New Institutionalism in Organizational Analysis* (pp. 232–263). Chicago, US: University Of Chicago Press.

- Galaskiewicz, J., & Wasserman, S. (1989). Mimetic Processes Within an Interorganizational Field: An Empirical Test. *Administrative Science Quarterly*, 34(3), 454–479.
- Garud, R., Hardy, C., & Maguire, S. (2007). Institutional Entrepreneurship as Embedded Agency: An Introduction to the Special Issue. *Organization Studies*, 28(7), 957–969.
- Gephart Jr., R. P. (2004). Qualitative Research and the Academy of Management Journal. *Academy of Management Journal*, 47(4), 454–462.
- Giddens, A. (1979). *Central Problems in Social Theory: Action, Structure, and Contradiction in Social Analysis*. University of California Press.
- Given, L. M. (2008). *The SAGE Encyclopedia of Qualitative Research Methods*. SAGE Publications.
- Glassman, A. L., Escobar, M.-L., Giuffrida, A., & Giedion, U. (2009). From Few to Many: Ten Years of Health Insurance Expansion in Colombia. International Finance Corporation.
- Glaxosmithkline. (2014). GSK Developing Countries Unit. Retrieved on 11.03.2014, von <http://www.developingcountriesunit.gsk.com/Home>
- Glynn, M. A., & Lounsbury, M. (2005). From the Critics' Corner: Logic Blending, Discursive Change and Authenticity in a Cultural Production System. *Journal of Management Studies*, 42(5), 1031–1055.
- Gomez-Dantes, O., Frenk, J., & Knaul, F. M. (2009). The democratization of health in Mexico: financial innovations for universal coverage. *Bulletin of the World Health Organization*, 87(7), 542–548.
- Goodrick, E., & Salancik, G. R. (1996). Organizational Discretion in Responding to Institutional Practices: Hospitals and Cesarean Births. *Administrative Science Quarterly*, 41(1), 1–28.
- Gopal, A., Koka, B. R., & Rand, W. (2013). Pure Versus Hybrid Strategies: On Exploring the Limits of Adaptability Using an Agent-Based Model. *Academy of Management Proceedings*, 2013(1), 12762.
- Gore, C. (2013). The New Development Cooperation Landscape: Actors, Approaches, Architecture. *Journal of International Development*, 25(6), 769–786.
- Gradl, C., Sobhani, S., Bootsman, A., & Gasnier, A. (2008). Understanding the Markets of the Poor: A Market System Approach to Inclusive Business Models. In Kandachar, P., & Halme, M. (Eds.) *Sustainability Challenges and Solutions at the Base of the Pyramid: Business, Technology and the Poor* (pp. 29–50). London, UK: Greenleaf Publishing.
- Granovetter, M. (1985). Economic Action and Social Structure: The Problem of Embeddedness. *American Journal of Sociology*, 91(3), 481–510.
- Greenaway, D., & Morrissey, O. (1993). Structural Adjustment and Liberalisation in Developing Countries: What Lessons Have We Learned? *Kyklos*, 46(2), 241–261.
- Greenwood, R., & Hinings, C. R. (1993). Understanding Strategic Change: the Contribution of Archetypes. *Academy of Management Journal*, 36(5), 1052–1081.
- Greenwood, R., & Hinings, C. R. (1996). Understanding Radical Organizational Change: Bringing together the Old and the New Institutionalism. *The Academy of Management Review*, 21(4), 1022–1054.

- Greenwood, R., Oliver, C., & Suddaby, R. (2008). *The Sage Handbook of Organizational Institutionalism*. London: Sage Publications
- Greenwood, R., Raynard, M., Kodeih, F., Micelotta, E. R., & Lounsbury, M. (2011). Institutional Complexity and Organizational Responses. *The Academy of Management Annals*, 5(1), 317–371.
- Greenwood, R., Suddaby, R., & Hinings, C. R. (2002). Theorizing Change: The Role of Professional Associations in the Transformation of Institutionalized Fields. *Academy of Management Journal*, 45(1), 58–80.
- Greve, H. R. (1998). Managerial cognition and the mimetic adoption of market positions: what you see is what you do. *Strategic Management Journal*, 19(10), 967–988.
- Gwatkin, D. R., Wagstaff, A., & Yazbeck, A. (2005). *Reaching the Poor with Health, Nutrition, and Population Services What Works, What Doesn't, and Why*. Washington, DC: World Bank.
- Hall, J., Matos, S., Sheehan, L., & Silvestre, B. (2012). Entrepreneurship and Innovation at the Base of the Pyramid: A Recipe for Inclusive Growth or Social Exclusion? *Journal of Management Studies*, 49(4), 785–812. [htt](#)
- Halme, M., Lindeman, S., & Linna, P. (2012). Innovation for Inclusive Business: Intrapreneurial Bricolage in Multinational Corporations. *Journal of Management Studies*, 49(4), 743–784.
- Hamermesh, R. G., García-Cuellar, R., & Margulies, L. (2011). Primedic - Providing Primary Health Care in Mexico.
- Hammond, A. L., Kramer, W. J., Katz, R. S., Tran, J. T., & Walker, C. (2007). The next 4 billion: Market size and business strategy at the base of the pyramid. World Resources Institute, International Finance Corporation.
- Hanley, L. M., Wachner, A. M., & Weiss, T. (2015). Taking the Pulse of the Social Enterprise Landscape in Developing and Emerging Economies. Zeppelin University and Siemens Stiftung.
- Haque, M. S. (1999). The Fate of Sustainable Development Under Neo-Liberal Regimes in Developing Countries. *International Political Science Review*, 20(2), 197–218.
- Hart, S. L. (2007). *Capitalism at the Crossroads: Aligning Business, Earth, and Humanity (2nd Edition): Aligning Business, Earth and Humanity (2nd Edition)*. Upper Saddle River, NJ: Pearson Prentice Hall.
- Haveman, H. A., & Rao, H. (1997). Structuring a Theory of Moral Sentiments; Institutional and Organizational Coevolution in the Early Thrift Industry. *American Journal of Sociology*, 102(6), 1606–1651.
- Heidhues, F., & Obare, G. (2011). Lessons from Structural Adjustment Programmes and their Effects in Africa. *Quarterly Journal of International Agriculture*, 50, 55–64.
- Henisz, W. J., Zelner, B. A., & Guillén, M. F. (2005). The Worldwide Diffusion of Market-Oriented Infrastructure Reform, 1977–1999. *American Sociological Review*, 70(6), 871–897.
- Higgins, M. C. (2005). *Career Imprints: Creating Leaders Across An Industry*. San Francisco, CA: Jossey-Bass.
- Hillman, A. J., Withers, M. C., & Collins, B. J. (2009). Resource Dependence Theory: A Review. *Journal of Management*.

- Hoffman, A. J., & Ocasio, W. (2001). Not All Events Are Attended Equally: Toward a Middle-Range Theory of Industry Attention to External Events. *Organization Science*, 12(4), 414–434.
- Homedes, N., & Ugalde, A. (2005). Why neoliberal health reforms have failed in Latin America. *Health Policy*, 71(1), 83–96.
- Hoskisson, R. E., Eden, L., Lau, C. M., & Wright, M. (2000). Strategy in Emerging Economies. *The Academy of Management Journal*, 43(3), 249–267.
- Hudson Institute - Center for Global Prosperity. (2013). The Index of Global Philanthropy and Remittances 2013 . With a Special Report on Emerging Economies. Hudson Institute.
- Hwang, H., & Powell, W. W. (2009). The Rationalization of Charity: The Influences of Professionalism in the Nonprofit Sector. *Administrative Science Quarterly*, 54(2), 268–298.
- International Finance Corporation. (2007). The Business of Health in Africa - Partnering with the Private Sector to Improve People's Lives.
- International Finance Corporation. (2011). Guide for Investors in Private Health Care in Emerging Markets.
- International Labour Office. (1976). Employment, growth and basic needs: A one-world problem.
- Jacob, F. (2016). The Role of M-Pesa in Kenya's Economic and Political Development. In Koster, M. M., Kithinji, M. M., & Rotich, J. P. (Eds.) *Kenya After 50: Reconfiguring Education, Gender, and Policy* (1st Edition), pp. 89–100. New York, US: Palgrave MacMillan.
- Jaiswal, A. K. (2008). The Fortune at the Bottom or the Middle of the Pyramid? *Innovations: Technology, Governance, Globalization*, 3(1), 85–100.
- Jansen, S. A. (2012). Wer macht was? Gesellschaftsspiele des Guten Vermessungsversuche der Spiele und Spieler einer Zivilgesellschaft des 21. Jahrhunderts. In Jansen, S. A., Schröter, E. & Stehr, N. (Eds), *Bürger. Macht. Staat?* (pp. 15–35). Wiesbaden, GER: Springer Fachmedien.
- Jay, J. (2013). Navigating Paradox as a Mechanism of Change and Innovation in Hybrid Organizations. *Academy of Management Journal*, 56(1), 137–159.
- Jarzabkowski, P., Lê, J., & Ven, A. H. V. de. (2013). Responding to competing strategic demands: How organizing, belonging, and performing paradoxes coevolve. *Strategic Organization*, 1476127013481016.
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3(4), 305–360.
- Jones, M. B. (2007). The multiple sources of mission drift. *Nonprofit and Voluntary Sector Quarterly*, 36(2), 299-307.
- Joumard, I., Andre, C., & Nicq, C. (2010). *Health Care Systems: Efficiency and Institutions* (SSRN Scholarly Paper No. ID 1616546). Rochester, NY: Social Science Research Network.
- Kandachar, P., & Halme, M. (2008). *Sustainability challenges and solutions at the base of the pyramid*. Sheffield, UK: Greenleaf Publishing.

- Kapoor, A., & Goyal, S. (2013). Inclusive healthcare at base of the pyramid (BoP) in India. *International Journal of Trade and Global Markets*, 6(1), 22–39.
- Karnani, A. (2006). The Mirage of Marketing to the Bottom of the Pyramid: How the Private Sector Can Help Alleviate Poverty. *California Management Review*, 94(4), 90 – 111.
- Karnani, A. (2011). „Doing Well by Doing Good“: The Grand Illusion. *California Management Review*, 53(2), 69–86.
- Kearns, K., P. (1994). The Strategic Management of Accountability in Nonprofit Organizations: An Analytical Framework. *Public Administration Review*, 54(2), 185–192.
- Keating, C., & Schmidt, T. (2008). Opportunities and challenges for multinational corporations at the base of the pyramid. In *SustainAbility Challenges and Solutions at the Base of the Pyramid: Business, Technology and the Poor* (pp. 387–409). Sheffield: Greenleaf Publishing.
- Khanna, T., & Palepu, K. G. (2006). Emerging Giants: Building World-Class Companies in Developing Countries. *Harvard Business Review*, 84(10), 60–69.
- Khavul, S. (2010). Microfinance: Creating Opportunities for the Poor? *Academy of Management Perspectives*, 24(3), 58–72.
- Killick, T. (1995). Structural Adjustment and Poverty Alleviation: An Interpretative Survey. *Development and Change*, 26(2), 305–330. <http://doi.org/10.1111/j.1467-7660.1995.tb00554.x>
- Kistruck, G. M., & Beamish, P. W. (2010). The Interplay of Form, Structure, and Embeddedness in Social Intrapreneurship. *Entrepreneurship Theory and Practice*, 34(4), 735–761.
- Kistruck, G. M., Webb, J. W., Sutter, C. J., & Ireland, R. D. (2011). Microfranchising in Base-of-the-Pyramid Markets: Institutional Challenges and Adaptations to the Franchise Model. *Entrepreneurship Theory and Practice*, 35(3), 503–531.
- Kistruck, G., Sutter, C., Lount, R., & Smith, B. (2012). Mitigating Principal-Agent Problems in Base-of-the-Pyramid Markets: An Identity Spillover Perspective. *Academy of Management Journal*, amj.2011.0336.
- Knaul, F. M., González-Pier, E., Gómez-Dantés, O., García-Junco, D., Arreola-Ornelas, H., Barraza-Lloréns, M., Sandoval, R., Caballero, F., Hernández-Avila, M., Juan, M., Kershenovich, D., Nigenda, G., Ruelas, E., Sepúlveda, J., Tapia, R., Soberón, G., Chertorivski, Salomón, Frenk, J. (2012). The quest for universal health coverage: achieving social protection for all in Mexico. *The Lancet*, 380(9849), 1259–1279.
- Knutsen, W. L. (2012). Adapted Institutional Logics of Contemporary Nonprofit Organizations. *Administration & Society*, 44(8), 985–1013.
- Koh, H., Karamchandani, A., & Katz, R. (2012). From Blueprint to Scale: The Case for Philanthropy in Impact Investing. Monitor. Produced by Monitor Group in collaboration with Acumen Fund created with Funding From the Bill & Melinda Gates Foundation
- Kolk, A., Rivera-Santos, M., & Rufin, C. (2013). Reviewing a Decade of Research on the „Base/Bottom of the Pyramid“ (BOP) Concept. *Business & Society*.
- Kraatz, M. S., & Block, E. S. (2008). Organizational Implications of Institutional Pluralism. In Greenwood, R., Oliver, C., Suddaby, R., & Sahlin-Andersson, K. (Eds.) *The Sage handbook of organizational institutionalism* (pp. 244–275). London, UK: SAGE Publications.

- Kutzin, J. (2001). A descriptive framework for country-level analysis of health care financing arrangements. *Health Policy*, 56(3), 171–204.
- Lasprogata, G. A., & Cotton, M. N. (2003). Contemplating „enterprise“: The Business and Legal Challenges of Social Entrepreneurship. *American Business Law Journal*, 41(1), 67–113.
- Laterveer, L., Niessen, L. W., & Yazbeck, A. S. (2003). Pro-poor health policies in poverty reduction strategies. *Health Policy and Planning*, 18(2), 138–145.
- Lawrence, T. B. (1999). Institutional Strategy. *Journal of Management*, 25(2), 161–187.
- Lawson, T., Collier, A., Bhaskar, R., Archer, M., & Norrie, A. (1998). *Critical Realism: Essential Readings*. London ; New York: Routledge.
- Leblebic, H., Salancik, G. R., Copay, A., & King, T. (1991). Institutional Change and the Transformation of Interorganizational Fields: An Organizational History of the U.S. Radio Broadcasting Industry. *Administrative Science Quarterly*, 36(3), 333–363.
- Leca, B., & Naccache, P. (2006). A Critical Realist Approach To Institutional Entrepreneurship. *Organization*, 13(5), 627–651.
- Lee, M., & Battilana, J. (2013). *How the Zebra Got its Stripes: Imprinting of Individuals and Hybrid Social Ventures* (SSRN Scholarly Paper No. ID 2291686). Rochester, NY: Social Science Research Network.
- Leon, D., & Walt, G. (2000). *Poverty, Inequality, and Health*. Oxford, UK: Oxford University Press.
- Lévi-Strauss, C. (1966). *The Savage Mind*. Chicago, US: University of Chicago Press.
- Lewis, M. W. (2000). Exploring Paradox: Toward a More Comprehensive Guide. *Academy of Management Review*, 25(4), 760–776.
- Liao, M., Foreman, S., & Sargeant, A. (2001). Market versus societal orientation in the nonprofit context. *International Journal of Nonprofit and Voluntary Sector Marketing*, 6(3), 254–268.
- Lindgreen, A., & Swaen, V. (2010). Corporate Social Responsibility. *International Journal of Management Reviews*, 12(1), 1–7.
- London, T., & Hart, S. L. (2004). Reinventing strategies for emerging markets: beyond the transnational model. *Journal of International Business Studies*, 35(5), 350–370.
- Lüscher, L. S., & Lewis, M. W. (2008). Organizational Change and Managerial Sensemaking: Working Through Paradox. *Academy of Management Journal*, 51(2), 221–240.
- Makinen, M., Waters, H., Rauch, M., Almagambetova, N., Bitran, R., Gilson, L., ... Ram, S. (2000). Inequalities in health care use and expenditures: empirical data from eight developing countries and countries in transition. *Bulletin of the World Health Organization*, 78(1), 55–65.
- Maclean, T. L., & Behnam, M. (2010). The Dangers of Decoupling: The Relationship Between Compliance Programs, Legitimacy Perceptions, and Institutionalized Misconduct. *Academy of Management Journal*, 53(6), 1499–1520.
- Maguire, S., Hardy, C., & Lawrence, T. B. (2004). Institutional Entrepreneurship in Emerging Fields: HIV/AIDS Treatment Advocacy in Canada. *Academy of Management Journal*, 47(5), 657–679.
- Mair, J., & Marti, I. (2009). Entrepreneurship in and around institutional voids: A case study from Bangladesh. *Journal of Business Venturing*, 24(5), 419–435.

- Mair, J., Martí, I., & Ventresca, M. J. (2012). Building Inclusive Markets in Rural Bangladesh: How Intermediaries Work Institutional Voids. *Academy of Management Journal*, 55(4), 819–850.
- Manning, B. (2007). Book Review: The Social Structures of the Economy by Pierre Bourdieu. *Journal of Sociology*, 43(4), 443–445.
- Manor, J. (1993). Politics and the Neo-liberals. In *States or Markets? Neo-liberalism and the Development Policy Debate* (First Edition), pp. 306–320. Oxford, UK; New York, US: Oxford University Press.
- March, J. G., & Olsen, J. P. (1984). The New Institutionalism: Organizational Factors in Political Life. *The American Political Science Review*, 78(3), 734–749.
- Marquis, C., & Tilcsik, A. (2013). Imprinting: Toward a Multilevel Theory. *The Academy of Management Annals*, 7(1), 195–245.
- Marwell, N. P., & McInerney, P.-B. (2005). The Nonprofit/For-Profit Continuum: Theorizing the Dynamics of Mixed-Form Markets. *Nonprofit and Voluntary Sector Quarterly*, 34(1), 7–28.
- Maxwell, J. A. (2012). *Qualitative Research Design: An Interactive Approach*. London, UK: SAGE Publishing.
- McDonald, D. A., & Ruiters, G. (2012). *Alternatives to Privatization: Public Options for Essential Services in the Global South*. London, UK: Routledge.
- McGregor, J. (1988). Bargaining Advantages and Coercion in the Market. *Philosophy Research Archives*, 14, 23–50.
- McMullen, J. S. (2011). Delineating the Domain of Development Entrepreneurship: A market-based approach to Facilitating Inclusive Economic Growth. *Entrepreneurship Theory and Practice*, 35(1), 185–193.
- Mendoza, R. L. (2011). Merit Goods at Fifty: Reexamining Musgrave's Theory in the Context of Health Policy. *Review of Economics & Business Studies*, 4(2), 275–284.
- Mendoza, R. U., & Thelen, N. (2008). Innovations to Make Markets More Inclusive for the Poor. *Development Policy Review*, 26(4), 427–458.
- Meyer, J. W., & And Others. (1980). Institutional and Technical Sources of Organizational Structure Explaining the Structure of Educational Organizations. Institute for Research on Educational Finance and Governance, Stanford University.
- Meyer, J. W., & Rowan, B. (1977). Institutionalized Organizations: Formal Structure as Myth and Ceremony. *American Journal of Sociology*, 83(2), 340–363.
- Meyer, R. E., & Hammerschmid, G. (2006). Changing Institutional Logics and Executive Identities A Managerial Challenge to Public Administration in Austria. *American Behavioral Scientist*, 49(7), 1000–1014.
- Miles, M. B., Huberman, A. M., & Saldana, J. (2013). *Qualitative Data Analysis: A Methods Sourcebook* (3rd edition). Thousand Oaks, California: Sage Publications Ltd.
- Minkoff, D. C. (2002). The Emergence of Hybrid Organizational Forms: Combining Identity-Based Service Provision and Political Action. *Nonprofit and Voluntary Sector Quarterly*, 31(3), 377–401.

- Mizruchi, M. S., & Fein, L. C. (1999). The Social Construction of Organizational Knowledge: A Study of the Uses of Coercive, Mimetic, and Normative Isomorphism. *Administrative Science Quarterly*, 44(4), 653–683.
- Moizer, J., & Tracey, P. (2010). Strategy making in social enterprise: The role of resource allocation and its effects on organizational sustainability. *Systems research and behavioral science*, 27(3), 252–266.
- Montenegro Torres, F., & Bernal Acevedo, O. (2013). Colombia Case Study: The Subsidized Regime of Colombia's National Health Insurance System. The World Bank - Human Development Network.
- Mosquera, M., Zapata, Y., Lee, K., Arango, C., & Varela, A. (2001). Strengthening user participation through health sector reform in Colombia: a study of institutional change and social representation. *Health Policy and Planning*, 16(Suppl. 2), 52–60.
- Moyo, D. (2010). *Dead Aid: Why aid is not working and how there is another way for Africa*. (1st Edition) London, UK: Penguin.
- Musgrave, R. A. (1987). Merit Goods. In *The New Palgrave: A Dictionary of Economics* 3, p. 452.
- Nicholls, A. (2009). 'We do good things, don't we?': 'Blended Value Accounting' in social entrepreneurship. *Accounting, Organizations and Society*, 34.
- Nicholls, A. (2010a). Institutionalizing social entrepreneurship in regulatory space: Reporting and disclosure by community interest companies. *Accounting, Organizations and Society*, 35(4), 394–415.
- Nicholls, A. (2010b). The Institutionalization of Social Investment: The Interplay of Investment Logics and Investor Rationalities. *Journal of Social Entrepreneurship*, 1(1), 70–100.
- Nicholls, A. (2010c). The legitimacy of social entrepreneurship: reflexive isomorphism in a pre-paradigmatic field. *Entrepreneurship theory and practice*, 34(4), 611–633.
- Nicholls, A., & Murdock, A. (Eds.). (2012). *Social Innovation: Blurring Boundaries to Reconfigure Markets*. London, New York: Palgrave Macmillan.
- North, D. C. (1990). *Institutions, Institutional Change and Economic Performance*. Cambridge, UK: Cambridge University Press.
- Novogratz, J. (2007). Meeting Urgent Needs with Patient Capital. *Innovations: Technology, Governance, Globalization*, 2(1-2), 19–30.
- Oliver, C. (1991). Strategic Responses to Institutional Processes. *The Academy of Management Review*, 16(1), 145–179.
- Oliver, C. (1997). Sustainable Competitive Advantage: Combining Institutional and Resource-Based Views. *Strategic Management Journal*, 18(9), 697–713.
- Organization for Economic Cooperation and Development (OECD). (2005a). The Paris Declaration on Aid Effectiveness: Five Principles for Smart Aid.
- OECD. (2005b). OECD Reviews of Health Systems: Mexico. Organization for Economic Cooperation and Development.
- Open Capital. (2012). The next 33,000,000: How the private sector is reforming Kenya's health system.

- O'Reilly, C. A., & Tushman, M. L. (2008). Ambidexterity as a dynamic capability: Resolving the innovator's dilemma. *Research in organizational behavior*, 28, 185-206.
- Pache, A.-C., & Santos, F. (2010). When Worlds Collide: The Internal Dynamics of Organizational Responses to Conflicting Institutional Demands. *Academy of Management Review*, 35(3), 455-476.
- Pache, A., & Santos, F. (2012). Inside the Hybrid Organization: Selective Coupling as a Response to Conflicting Institutional Logics. *Academy of Management Journal*.
- Pache, A.-C., & Santos, F. (2013). Embedded in Hybrid Contexts: How Individuals in Organizations Respond to Competing Institutional Logics. *Research in the Sociology of Organizations*, 39 Part B, 3-35.
- Palmås, K. (2012). Re-assessing Schumpeterian assumptions regarding entrepreneurship and the social. *Social Enterprise Journal*, 8(2), 141-155.
- Pan American Health Organization (PAHO). (2007). *Social Protection in Health Schemes for Mother, Newborn and Child Populations: Lessons Learned from the Latin American Region*. Pan American Health Org.
- Paul, J. (2005). Private Sector Strategies for Providing Healthcare at the Base of the Pyramid.
- Peng, M. W. (2003). Institutional Transitions and Strategic Choices. *Academy of Management Review*, 28(2), 275-296.
- Peters, D. H., Garg, A., Bloom, G., Walker, D. G., Brieger, W. R., & Hafizur Rahman, M. (2008). Poverty and Access to Health Care in Developing Countries. *Annals of the New York Academy of Sciences*, 1136(1), 161-171.
- Pfeffer, J., & Salancik, G. (1978). *The External Control of Organizations: A Resource Dependence Perspective*. Stanford University Press.
- Pieterse, J. N. (2001). *Development Theory: Deconstructions/Reconstructions*. London, UK; Thousand Oaks, US: Sage Publication Inc.
- PharmAccess Foundation. (2014). PharmAccess Foundation. Retrieved on 11.03.2014, von <http://www.pharmaccess.org/RunScript.asp?page=261&p=ASP\Pg261.asp>
- Platteau, J.-P., & Gaspart, F. (2003). The Risk of Resource Misappropriation in Community-Driven Development. *World Development*, 31(10), 1687-1703.
- Poole, M. S., & Van de Ven, A. H. (1989). Using Paradox to Build Management and Organization Theories. *Academy of Management Review*, 14(4), 562-578.
- Powell, M. A. (2007). Understanding the mixed economy of welfare. Bristol, UK: Policy Press/Social Policy Association.
- Powell, W. W. (1987). Hybrid Organizational Arrangements: New Form or Transitional Development? *California Management Review*, 30(1), 67-87.
- Puffer, S. M., McCarthy, D. J., & Boisot, M. (2010). Entrepreneurship in Russia and China: The Impact of Formal Institutional Voids. *Entrepreneurship Theory and Practice*, 34(3), 441-467.
- Prahalad, C. K. (2004). *The Fortune at the Bottom of the Pyramid*. Upper Saddle River, NJ: Wharton School Publishing.

- Prahalad, C. K., & Hammond, S. (2002). Serving the world's poor, profitably. *Harvard Business Review*, 80, 48–57.
- Prahalad, C. K., & Hart, S. L. (2002). The Fortune at the Bottom of the Pyramid. *strategy+business*, 26, 1-13.
- Reay, T., & Hinings, C. R. (2009). Managing the Rivalry of Competing Institutional Logics. *Organization Studies*, 30(6), 629–652.
- Reynolds, P. D., Camp, S. M., Bygrave, W. D., Autio, E., & Hay, M. (2001). Global entrepreneurship monitor gem 2001 summary report. Global Entrepreneurship Monitor.
- Rhodes, R. a. W. (1994). The Hollowing Out of the State: The Changing Nature of the Public Service in Britain. *The Political Quarterly*, 65(2), 138–151.
- Robinson, M. S. (2001). *The Microfinance Revolution: Sustainable Finance for the Poor*. World Bank Publications.
- Rodrik, D. (2006). Goodbye Washington Consensus, Hello Washington Confusion? A Review of the World Bank's „Economic Growth in the 1990s: Learning from a Decade of Reform“. *Journal of Economic Literature*, (4), 973.
- Ruef, M., & Scott, W. R. (1998). A Multidimensional Model of Organizational Legitimacy: Hospital Survival in Changing Institutional Environments. *Administrative Science Quarterly*, 43(4), 877–904.
- Sachs, J. D. (2006). *The End of Poverty: Economic Possibilities for Our Time*. New York, US: Penguin Books.
- Sachs, W. (Ed.). (1992). *The Development Dictionary: A Guide to Knowledge as Power*. London; Atlantic Highlands, N.J: St. Martin's Press.
- Salamon, L. M. (1994). The Rise of the Nonprofit Sector. *Foreign Affairs*, 73(4), 109–122.
- Salamon, L. M. (2000). The New Governance and the Tools of Piublic Action: An Introduction. *Fordham Urban Law Journal*, 28(5), 1611–1674.
- Salamon, L. M. (2014). *Leverage for Good: An Introduction To The New Frontiers Of Philanthropy And Social Investment*. Oxford ; New York: Oxford University Press.
- Schneiberg, M. (2005). Combining New Institutionalisms: Explaining Institutional Change in American Property Insurance. *Sociological Forum*, (1), 93.
- Schwab, K., & Sala-i-Martin, X. (Eds.). (2014). *The Global Competitiveness Report 2013 – 2014*. World Economic Forum.
- Schumpeter, J. A. (1949). *Theory of Economic Development* (Auflage: New edition). London, UK; New York, US: Oxford University Press.
- Scott, W. R. (1983). Healthcare organizations in the 80s: The convergence of public and professional control systems. In Meyer, J. W. & Scott, W.R. (Eds.) *Organizational environments: Ritual and rationality* (pp. 99–114). Beverly Hills, CA: Sage.
- Scott, W. R. (1987). The Adolescence of Institutional Theory. *Administrative Science Quarterly*, 32(4), 493–511.
- Scott, W. R. (1995). *Institutions and Organizations*. London, UK: SAGE.

- Scott, W. R. (2003). Institutional carriers: reviewing modes of transporting ideas over time and space and considering their consequences. *Industrial and Corporate Change*, 12(4), 879–894.
- Scott, W. R. (2004). Institutional Theory: Contributing to a Theoretical Research Program. In K. G. Smith & M. A. Hitt (Eds.), *Great minds in management: 460 – 484*. Oxford, UK: Oxford University Press.
- Scott, W. R. (2008). Approaching adulthood: the maturing of institutional theory. *Theory and Society*, 37(5), 427–442.
- Scott, W. R., Ruef, M., Mendel, P. J., & Caronna, C. A. (2000). *Institutional Change and Healthcare Organizations: From Professional Dominance to Managed Care*. Chicago, US: University of Chicago Press.
- Sen, A. (1988). *The Standard of Living*. Cambridge, UK: Cambridge University Press.
- Sen, A. (2001). *Development as Freedom* (1st Ed). Oxford, UK: Oxford University Press.
- Seo, M.-G., & Creed, W. E. D. (2002). Institutional Contradictions, Praxis, and Institutional Change: A Dialectical Perspective. *Academy of Management Review*, 27(2), 222–247.
- Shahriar, A. Z. M., Schwarz, S., & Newman, A. (2015). Profit orientation of microfinance institutions and provision of financial capital to business start-ups. *International Small Business Journal*, 0266242615570401.
- Simanis, E. (2012). Reality Check at the Bottom of the Pyramid. Retrieved on 21.01.2015 <https://hbr.org/2012/06/reality-check-at-the-bottom-of-the-pyramid>
- Simanis, Hart, S. L., & Duke, D. (2008). The Base of the Pyramid Protocol: Beyond „Basic Needs“ Business Strategies. *Innovations*, 3(1), 57 – 84.
- Sindzingre, A. (2012). Theoretical Criticisms and Policy Optimism: Assessing the Debates on Foreign Aid. Department of Development Studies, University of Vienna, Working Paper No. 1.
- Smith, B. H. (2014). *More Than Altruism: The Politics of Private Foreign Aid*. Princeton, US: Princeton University Press.
- Smith, W., Gonin, M., & Besharov, M. (2013). Managing Social-Business Tensions: A Review and Research Agenda for Social Enterprise. *Business Ethics Quarterly*, 23(03), 407–442.
- Smith, W. K., Besharov, M. L., Wessels, A. K., & Chertok, M. (2012). A Paradoxical Leadership Model for Social Entrepreneurs: Challenges, Leadership Skills, and Pedagogical Tools for Managing Social and Commercial Demands. *Academy of Management Learning & Education*, 11(3), 463–478.
- Smith, W. K., & Lewis, M. W. (2011). Toward a Theory of Paradox: A Dynamic Equilibrium Model of Organizing. *Academy of Management Review*, 36(2), 381–403.
- Standing, H., & Bloom, G. (2002). Beyond Public and private? Unorganised markets in health care delivery. „Making Services Work for Poor People“ World Development Report (WDR) 2003/04 Workshop held at Eynsham Hall, Oxford.
- Suchman, M. C. (1995). Managing Legitimacy: Strategic and Institutional Approaches. *Academy of Management Review*, 20(3), 571–610.

- Sunley, P., & Pinch, S. (2012). Financing social enterprise: social bricolage or evolutionary entrepreneurialism?. *Social Enterprise Journal*, 8(2), 108-122.
- Swedberg, R. (2000). *Entrepreneurship: The Social Science View*. Oxford ; New York: Oxford University Press, U.S.A.
- Sydow, J., Schreyögg, G., & Koch, J. (2009). Organizational Path Dependence: Opening the Black Box. *Academy of Management Review*, 34(4), 689–709.
- Tangri, R., & Southall, R. (2008). The Politics of Black Economic Empowerment in South Africa. *Journal of Southern African Studies*, 34(3), 699–716.
- Taylor, M. (2011). 'Freedom from Poverty is Not for Free': Rural Development and the Microfinance Crisis in Andhra Pradesh, India. *Journal of Agrarian Change*, 11(4), 484–504.
- Teasdale, S. (2010). Explaining the multifaceted nature of social enterprise: impression management as (social) entrepreneurial behaviour. *Voluntary Sector Review*, 1(3), 271–292.
- Teasdale, S. (2012). Negotiating Tensions: How Do Social Enterprises in the Homelessness Field Balance Social and Commercial Considerations? *Housing Studies*, 27(4), 514–532.
- The New York Times. (2012). „Yunus Was Right,“ SKS Microfinance Founder Says. *India Ink*. Retrieved on 22.04.2015, <http://india.blogs.nytimes.com/2012/02/27/yunus-was-right-sks-microfinance-founder-says/>
- Thornhill, S., & White, R. E. (2007). Strategic purity: A multi-industry evaluation of pure vs. hybrid business strategies. *Strategic Management Journal*, 28(5), 553–561.
- Thornton, P. H., & Ocasio, W. (1999). Institutional Logics and the Historical Contingency of Power in Organizations: Executive Succession in the Higher Education Publishing Industry, 1958 - 1990. *American Journal of Sociology*, 105(3), 801–843.
- Thornton, P. H., Ocasio, W., & Lounsbury, M. (2012). *The Institutional Logics Perspective: A New Approach to Culture, Structure, and Process*. Oxford, UK: Oxford University Press.
- Tiryakian, E. A. (1981). The Sociological Import of a Metaphor: Tracking the Source of Max Weber's "Iron Cage". *Sociological Inquiry*, 51(1), 27–33.
- Townsend, D. M., & Hart, T. A. (2008). Perceived Institutional Ambiguity and the Choice of Organizational Form in Social Entrepreneurial Ventures. *Entrepreneurship Theory and Practice*, 32(4), 685–700.
- Tracey, P., Phillips, N., & Jarvis, O. (2011). Bridging Institutional Entrepreneurship and the Creation of New Organizational Forms: A Multilevel Model. *Organization Science*, 22(1), 60–80.
- Tracey, S. L. P., & Phillips, P. N. (2011). Entrepreneurship in Emerging Markets. *Management International Review*, 51(1), 23–39.
- Travis, P., Bennett, S., Haines, A., Pang, T., Bhutta, Z., Hyder, A. A., Pielemeier, N.R., Mills, A., Evans, T. (2004). Overcoming health-systems constraints to achieve the Millennium Development Goals. *The Lancet*, 364(9437), 900–906.
- Tudor Hart, J. (1971). The Inverse Care Law. *The Lancet*, 297(7696), 405–412.

- UNDP. (2008). *Creating Value for All: Strategies for Doing Business with the Poor*. New York: UNDP.
- UNDP. (2014). *Human Development Report 2014 - Sustaining Human Progress: Reducing Vulnerabilities and Building Resilience*.
- U.S. Department Of State. (2013). *Investment Climate Statement Kenya 2013* (Report). Department Of State. The Office of Website Management, Bureau of Public Affairs. Retrieved on 30.9.2014, <http://www.state.gov/e/eb/rls/othr/ics/2013/204669.htm>
- Walton, J. K., & Seddon, D. (1994). *Free Markets and Food Riots: The Politics of Global Adjustment* (1 edition). Oxford, UK ; Cambridge, Mass: Wiley-Blackwell.
- Webb, J. W., Tihanyi, L., Ireland, R. D., & Sirmon, D. G. (2009). You Say Illegal, I Say Legitimate: Entrepreneurship in the Informal Economy. *SSRN eLibrary*.
- Weber, M. (1978). *Economy and Society: An Outline of Interpretive Sociology*. Berkeley, US: University of California Press.
- Weber, M. (2012). *The Protestant Ethic and the Spirit of Capitalism*. Lexington, US: CreateSpace Independent Publishing Platform.
- Weisbrod, B. A. (2004). The Pitfalls of Profits. *Stanford Social Innovation Review*, 2(3), 40–47.
- Westphal, J. D., & Zajac, E. J. (2001). Decoupling Policy from Practice: The Case of Stock Repurchase Programs. *Administrative Science Quarterly*, 46(2), 202–228.
- Wilson, F., & Post, J. E. (2013). Business models for people, planet (& profits): exploring the phenomena of social business, a market-based approach to social value creation. *Small Business Economics*, 40(3), 715–737.
- Wooten, M., & Hoffman, A. J. (2008). Organizational Fields: Past, Present and Future. In *The SAGE Handbook of Organizational Institutionalism* (pp. 130–147). London, UK: SAGE.
- World Bank. (2002). *World Development Report 2002: Building Institutions for Markets*. Oxford, UK: Oxford University Press.
- World Health Organization. (2013a). WHO Constitution. Retrieved on 17.12.2013, <http://www.who.int/governance/eb/constitution/en/>
- World Health Organization. (2013b). World health report 2013: Research for universal health coverage. Retrieved on 17.12. 2013, <http://www.who.int/whr/en/>
- World Health Organization. (2013c). World Health Statistics 2013.
- Yin, R. K. (2008). *Case Study Research: Design and Methods* (4th Edition). London, UK: Sage Publications, Inc.
- Yunus, M. (2006). *Nobel Lecture*. Gehalten auf der The Nobel Peace Prize 2006. Retrieved on 02.09.2013, http://www.nobelprize.org/nobel_prizes/peace/laureates/2006/yunus-lecture-en.html
- Zilber, T. B. (2007). Stories and the Discursive Dynamics of Institutional Entrepreneurship: The Case of Israeli High-tech after the Bubble. *Organization Studies*, 28(7), 1035–1054.
- Zucker, L. G. (1977). The Role of Institutionalization in Cultural Persistence. *American Sociological Review*, 42(5), 726–743.