The Impact of Internationalization on Performance in Hybrid Organization

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To my parents

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Table of Contents

(The list of contents is updated based on the headings used in the document)

List of studies in the dissertation

1. Sommeno, T. W, Mersland, R., & Randøy, T. The impact of liability of foreignness on performance in hybrid organizations. Major revision due October 2021, in *Journal of International Management.*

2. Sommeno, T. W. The best of both worlds in hybrid organizations: An international board and an insider CEO. Under review in *International Business Review.*

3. Sommeno, T. W, Mersland, R., & Randøy, T. The impact of international debt on efficiency in hybrid organizations: A global survey of microfinance. Major revision due July 2021, in *Journal of World Business.*

OVERVIEW OF THE DISSERTATION:
THE IMPACT OF INTERNATIONALIZATION ON PERFORMANCE IN HYBRID ORGANIZATIONS

1. Introduction

With the growing demand for socially and environmentally conscious products and services, hybrid organizations that address social and environmental issues with a market-based solution are gaining widespread significance (Haigh et al., 2015; Miller et al., 2012; Hockerts, 2015). Hybrid organizations, or “social enterprises” or “the fourth sector” as they are sometimes called, appear to present a sustainable solution to a myriad of social causes such as unemployment, poor health, illiteracy, etc. (Haigh and Hoffman, 2011; Battilana and Lee, 2014). Hybrid organizations are an innovative solution to the institutional voids arising from governments facing resource constraints and unable to sustainably address the scores of social problems seen around the world (Mair and Marti, 2009). In this regard, hybrid organizations are of interest to policymakers, investors, and scholars worldwide. In particular, policymakers are increasingly adjusting legal frameworks to accommodate the hybrid organization model (Brakman Reiser and Dean, 2017). Global impact investors (investors seeking both social and financial returns) are increasingly investing in hybrid organizations (Bugg-Levine, Kogut, and Kulatilaka, 2012), and recent reports show that the global market size of these investors is worth more than $700 billion US dollars (Financial Times, 2020). Scholars, particularly international business scholars, are also calling for more research on hybrid organizations, as evidenced by the recent special issue of the Journal of World Business (Alon et al., 2020).

International business scholars are describing a growing internationalization of hybrid organizations (Alon et al., 2020; Zahra et al., 2008). For example, they point to the increased capital commitment of international investors (Chen, Saarenketo, and Puumalainen, 2018; Xing, Liu, and Lattemann, 2020), the growing presence of international board members (Mersland, Randøy, and Strøm, 2011), and the rising phenomenon of international debt sourcing (Bugg-Levine et al., 2012) in hybrid organizations. While research on the internationalization of hybrid organizations is growing, it is still in a nascent stage (Alon et al., 2020). In particular, the question of how internationalization benefits hybrid organizations in pursuit of their uniquely dual social and financial goals remains little understood.

Recent literature argues that part of the reason for the limited research on the internationalization of hybrid organizations is that hybrid organizations have strong local community embeddedness and, as a result, they are not expected to internationalize (Angulo-Ruiz, Pergelova, and Dana, 2020). Nevertheless, it is important to understand how or to what extent the different aspects of internationalization (such as international boards and international debt) benefit hybrid organizations, while taking into account their strong community ties and embeddedness. Specifically, international boards and international debtholders are limited in their understanding of hybrid organizations' local market context because of the organizations' strong local market embeddedness. Thus, it remains unclear how internationalization actually contributes to the social and financial performance of these organizations. Moreover, the expansion of hybrid organizations beyond national borders gives rise to a competitive paradox in the sense that the contextual nature of hybrid organizations commonly makes their foreign-country operation a daunting task (Yang and Wu, 2015; Angulo-Ruiz et al., 2020). In this regard, it is also important to understand how being a foreign hybrid organization influences the attainment of the dual goals in a host country. In particular, when one considers the unique characteristics of hybrid organizations, i.e., their coupling of potentially conflicting dual goals, it is not clear whether foreignness weakens or strengthens the ability of hybrid organizations to attain the two goals, or whether it results in a trade-off between the two goals.

In response to the limited research in the area, this dissertation presents three essays that build on the hybrid organization literature and the international business literature to explore how the various aspects of internationalization influence the performance of hybrid organizations. Specifically, the first essay examines the impact of liability of foreignness on hybrid organizations, by comparing the financial and social performance of foreign versus domestically originated hybrid organizations. The second essay examines the impact of an international board on hybrid organizations, by comparing the financial and social performance of hybrid organizations with and without a governance structure that combines an international board and an insider CEO. Finally, the third essay examines the impact of international debt on the cost efficiency of hybrid organizations, by explicitly assessing whether institutional distance and institutional quality of the borrowing organization's country matter for the impact.

The rest of this introductory chapter is organized as follows. Section 2 presents an overview of hybrid organizations. Section 3 presents the internationalization of hybrid organizations. Section 4 discusses the relevant theories used in this dissertation. Section 5 describes the empirical context and the data. Section 6 presents the research design. Section 7 summarizes the three studies. Finally, Section 8 outlines the contributions of the dissertation and highlights avenues for future research.

2. Understanding Hybrid Organizations

Hybrid organizations are organizations that combine multiple institutional logics (Pache and Santos, 2013; Battilana and Lee, 2014). In their most typical form, hybrid organizations combine social and financial goals (Haigh et al., 2015). Although such organizations are alternatively labeled as "social enterprises" or "the fourth sector," the term "hybrid organization" has gained more international currency than the other terms as it best captures the heterogeneity of these dual-purpose organizations[1] (Alberti and Garrido, 2017; Haigh and Hoffman, 2014; Holt and Littlewood, 2015). Notable examples of well-recognized studies that use the term "hybrid organization" include Battilana and Dorado (2010), Haigh et al. (2015), Hockerts (2015), and Santos, Pache, and Birkholz (2015). However, some studies also argue that hybrid organizations are not limited to organizations that combine social and financial goals but can also include public-private partnerships that combine goals set by the state, the market, and civil society (Jay, 2013; Pache and Santos, 2013). In this dissertation, hybrid organization is used in the narrow sense of an organization that combines social and financial goals.

Hybrid organizations seek to address many of the world's sustainable development challenges such as poverty, inadequate health care, illiteracy, unemployment, and pollution (Doherty, Haugh, and Lyon, 2014; Seelos and Mair, 2005; Smith, Gonin, and Besharov, 2013). Most of these social and environmental ills are the result of

[1] For example, Holt and Littlewood (2015) indicate that the "for profit" social enterprise model in some countries has led to a large debate on whether such organizations are social enterprises. However, "hybridity" as a definition is largely claimed to encompass organizations that take for-profit legal forms while simultaneously having a social mission as a core objective (Holt and Littlewood, 2015)

market and government failure (Tabares, 2021). Since hybrid organizations use an innovative business model to tackle these institutional voids in a sustainable way, they have attracted great interest among scholars, investors, and policymakers.

The growing interest in hybrid organizations parallels the growing presence of the hybrid sector around the world. According to the British Council, there were about 55,000 hybrid organizations in Ethiopia in 2016, of which 75% were established since 2010. Similarly, there were about 20,749 hybrid organizations in Malaysia in 2015. The growth of the hybrid sector is taking place not only in developing countries but also in developed one. For example, the number of hybrid organizations in the Netherland grew by more than 2,000 showing more than 70% increment in the country between 2010-2015 (Keizer et al., 2016).

Notwithstanding their phenomenal worldwide growth, hybrid organizations are not governed by a universal legal framework (Ebrahim, Battilana, and Mair, 2014). It has been shown that hybrid organizations lie at the intersection of for-profit and non-profit legal frameworks since they embody the market principles of the former and the societal and environmental initiatives of the latter (Haigh and Hoffman, 2014; Holt and Littlewood, 2015). For this reason, new legal frameworks that better accommodate the dual objectives of hybrid organizations are being developed in some countries[2] (Santos et al., 2015; Lasprogata and Cotten, 2003; Ebrahim et al., 2014). Although the traditional for-profit vs. non-profit divide does not entirely fit the hybrid organizations model, some of these organizations have also been incorporated in either side of the two traditional legal forms (Holt and Littlewood, 2015; Mair, Mayer, and Lutz, 2015). In general, however, hybrid organizations can be found to exist globally under a variety of legal frameworks (Santos et al., 2015).

Despite deriving principles from both for-profit and non-profit organizations, it is important to note that hybrid organizations are different from both for-profit and non-profit organizations. On the one hand, the social mission in hybrid organizations is different from corporate social responsibility (CSR) in regular firms (Peredo and McLean, 2006). While hybrid organizations pursue a social mission as a primary

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[2] Examples include the low-profit limited liability company (L3C) and the benefit corporation in the United States and the community interest company (CIC) in the United Kingdom.

objective, regular firms engage in CRS as a secondary objective relative to their main objective of profit maximization (Wilson and Post, 2013; McWilliams and Siegel, 2000). Moreover, hybrid organizations pursue a social mission as the main reason for their existence (raison d'être), and it is inextricably intertwined into their business model (Ebrahim et al., 2014). By contrast, regular firms engage in CRS for less existential reasons, such as promoting the firm's marketing activity and legitimacy or complying with specific government regulations (Pisani et al., 2017).

On the other hand, unlike non-profit organizations, hybrid organizations need to be financially sustainable in the long run (Santos, 2012). Thus, hybrid organizations do not exclusively depend on donations or charity like non-profit organizations[3] (Chen, Saarenketo, and Puumalainen, 2017). Although hybrid organizations do fund parts of their operation through donations, they depend on their business income or commercial funding sources to meet their explicit goal of financial sustainability (Santos, 2012; Chen et al., 2017). In general, hybrid organizations are different from both traditional for-profit and non-profit organizations. Notably, hybrid organizations are founded on the principle that neither the for-profit model nor the non-profit model has sufficiently provided a lasting solution to global societal and environmental problems (Haigh and Hoffman, 2011).

While the coupling of a social goal and a financial goal constitutes the uniqueness of hybrid organizations, it simultaneously reflects the complexity of such organizations (Miller et al., 2012). Specifically, aligning "ostensibly contradictory organizational goals" (Miller et al., 2012: 619) can create tensions and trade-offs where one goal may be achieved at the cost of the other goal (Wry and Zhao, 2018). Furthermore, aligning social and financial goals is linked to aligning the interests of multiple groups such as donors, investors, and clients (Battilana and Lee, 2014; Mair et al., 2015). Aligning the interests of these multiple groups is in turn linked to obtaining different types of information and resources (Ebrahim et al, 2014). In particular, hybrid organizations need local market information and external resources in order to achieve their goals.

[3] In fact, there are cases of non-profit organizations constrained by limited philanthropic funds that have had to start generating their own income (Chen et al., 2017). However, non-profit organizations do not engage in such activities for the sake of long-term financial sustainability and their earned incomes do not sufficiently cover their operating costs (Goerke, 2003).

To this end, they must build contacts with local market players such as clients, beneficiaries, and domestic partners, on the one hand (Dacin, Dacin, and Tracy, 2011), and external stakeholders such as investors, donors, and umbrella organizations, on the other (Low, 2006). In sum, hybrid organizations are highly dependent on both the local and the international environment. It is therefore important for one to understand the complexity of hybrid organizations when researching and analyzing them.

3. Internationalization of Hybrid Organizations

Research indicates that hybrid organizations are becoming increasingly international (Alon et al., 2020; Zahra et al., 2008). A growing number of hybrid organizations have expanded their operations beyond their national borders (Zahra et al., 2008), engaged in cross-border delivery of their products or services through franchising arrangements (McKague, Menke, and Arasaratnam, 2014; Wang, Alon, and Kimble, 2015), accessed funds outside their home country (Mersland and Urgeghe, 2013), formed partnerships with international network organizations (Mersland et al., 2011), and have an international supervisory board where at least one of the board members is of a different nationality (Golesorkhi et al., 2019a). These developments indicate the need to complement the literature on hybrid organizations with the well-established international business literature in order to gain a nuanced understanding of the various aspects of the internationalization of hybrid organizations.

In this dissertation, I address the impact of three aspects of internationalization on the performance of hybrid organizations: international inception, international board membership, and international debt. These three aspects of internationalization are widely recognized in the literature on hybrid organizations. The literature on international inception of hybrid organizations widely recognized the cross-border establishment of hybrid organization (Zahra et al., 2008). These studies can be traced back for decades to the international inception of the Grameen Bank of Bangladesh (Alon et al., 2020). Thus, it necessitates understanding the extent to which being a foreign organization influence the dual performance of these organizations in the host country. Second, the literature on international board membership widely indicated the strong presence of international boards in the hybrid sector (e.g., Mersland et al., 2011; Mori et al., 2015). The literature studies the extent to which an international board impacts the performance of hybrid organizations. Of particular concern is the question of whether the new insights and resources of an international board can be of benefit to contextually embedded organizations that are not easily understood by international actors such as international boards who lack information about and roots in the local market. Finally, the literature on international sourcing of debt by hybrid organizations, particularly by microfinance institutions in capital-constrained countries, widely recognized hybrid organizations' international debt access (Bugg-Levine et al., 2012; Brière and Szafarz, 2015). To illustrate the importance of this aspect of internationalization, CGAP (2019) reported that around half of the $42 billion US dollar international cash flow to the global microfinance industry was international debt. Given that hybrid organizations are expanding their funding sources from subsidies and donations, which were reported to create inefficiency in the borrowing hybrid organizations, to international debt, it is essential to understand whether international debt also creates inefficiency in the borrowing hybrid organizations. In what follows, I will discuss each of the three aspects of internationalization in the hybrid sector in turn.

International inception

The literature on international inception is mostly focused on regular firms (Zahra et al., 2008). In this respect, the literature often addresses the international inception of firms from the perspective of maximizing financial returns while absorbing cross-national market imperfections (Alon et al., 2020). In particular, literature explains the international inceptions of firms from the perspective of maximizing financial returns by leveraging firm-specific advantages, locational advantages, and internalization advantages (Dunning, 1977, 1980; Buckley and Casson, 1976). However, since hybrid organizations desire to simultaneously pursue social and financial goals, explaining the international inception of hybrid organizations from merely a financial return maximization angle cannot offer a nuanced understanding of the phenomenon (Alon et al., 2020).

An increasing number of studies underline that traditional theories only partly explain the various aspects of international inception of hybrid organizations, such as internationalization motive (Zahra et al., 2008; Scuotto et al., 2020; Chen, 2012), international market selection (Mersland, Nyarko, and Sirisena, 2020; Drori et al., 2020), and mode of entry selection (Xing et al., 2020). Zahra et al. (2008) suggest that the international inception of hybrid organizations is related to the pervasiveness, relevance, urgency, and radicalness of social needs and to the inaccessibility of social remedies. Scuotto et al. (2020) show that the international inception of five hybrid organizations from China to different host countries largely relates to the identification of social needs and social opportunities in the host countries. Other studies highlight that the international inception of hybrid organizations is often observed in resource-poor countries, institutionally weak countries, and culturally and socioeconomically distant countries (Zahra et al., 2008; Mersland et al, 2020). Although hybrid organizations often choose not to expand to the most problematic countries in order to avoid financial risks, their desire to keep a balance between financial and social goals often pushes them to expand to countries with institutional voids where regular firms normally fail (Mersland et al., 2020; Marshal, 2011; Alon et al., 2020). Overall, research shows that given the dual goals of hybrid organizations, the internationalization of hybrid organizations is not fully explained by the usual profit maximization or transaction cost minimization motive.

Although hybrid organizations are internationalizing to solve social issues beyond their national borders, research also highlights that such a move contradicts the typical nature of hybrid organizations (Angulo-Ruiz et al., 2020). One of the reasons is that the social goal of hybrid organizations is often designed to solve local community problems by harnessing local resources and connections (Mair and Martí, 2006). Accessing these local resources and solving such context-dependent social issues is typically daunting for an internationalized hybrid organization in a host country (Yang and Wu, 2015). With limited local networks and embeddedness in the host country, an international hybrid organization may not gain enough legitimacy to operate in the host country (Angulo-Ruiz et al., 2020). In addition, given the context-dependent nature of hybrid organizations, tailoring both firm-specific assets and a strategy of deepening social performance in the host country is both costly and time-consuming (Ambos, Fuchs, and Zimmermann, 2020; Chen et al., 2017).

The internationalization of *The Big Issue* from its home country (UK) to its host country (US), documented by Dacin et al. (2011) and Angulo-Ruiz et al. (2020), illustrates some of these barriers to internationalization. In particular, it exemplifies the challenges related to lack of legitimacy or acceptance and embeddedness in the host country. *The Big Issue* is a street magazine intended for sale by homeless people so that they can earn an income. When *The Big Issue* internationalized into Los Angeles, the organization encountered strong resistance from Jennafer Waggoner, an ex-homeless person in the city who had established a local street newspaper in the city. Waggoner, utilizing her local social network, legitimacy, and embeddedness, launched a harsh and fierce campaign against *The Big Issue*. In particular, she ran a campaign that characterized *The Big Issue* as an exploitative multinational that was internationalizing not for the sake of addressing social issues but for taking advantage of the local homeless community. As a result, *The Big Issue* was forced to abort its international expansion into Los Angeles and incurred financial losses.

To summarize, the contextual nature of hybrid organizations can make their internationalization a formidable task. As a result, hybrid organizations that cross national borders can encounter challenges to achieving their twofold objective in the host country. The international business literature explains the challenges facing foreign organizations in a host location using the liability of foreignness concept (Zaheer, 1995; Zaheer and Mosakowski, 1997). According to this concept, a foreign organization, compared to a local organization, faces disadvantages such as greater unfamiliarity with and lack of embeddedness in the host country, lack of legitimacy in the host country, coordination costs, and transportation costs (Zaheer, 1995). Thus, liability of foreignness can be detrimental to foreign hybrid organizations in host countries. After all, hybrid organizations constrained by their limited resources encounter tension in their dual goals (Wry and Zhao, 2018). Hence, foreign organization cannot afford to encounter foreignness obstacles to achieve their dual goals. In the first essay of this dissertation, I examine the impact of foreignness on the social and financial performance of hybrid organization. In doing so, I examine how foreign hybrid organizations experiencing the liability of foreignness can potentially drift toward one of these goals.

International board

The second aspect of internationalization that I address in this dissertation is international board membership. The international business literature widely recognizes the role of an international board as a source of resource (information, competence, and connections) (Estélyi and Nisa, 2016), incentive systems (Mori et al., 2015), and enhanced monitoring (Ramaswamy and Li, 2001). These in turn lead to better corporate governance systems that enhance the performance of a firm (Oxelheim and Randøy, 2003). On the other hand, the literature also highlights that international board members may be frequently unavailable to gather information and monitor the firm's performance effectively (Masulis, Wang, and Xie, 2012). In this regard, Masulis et al. (2012) show that international boards are associated with significantly poorer financial performance in US-based firms. Thus, the impact of an international board on a firm's performance is inconclusive.

With regard to hybrid organizations, specifically in the global microfinance industry, the literature indicates that an international board is associated with lower financial performance (Mersland et al., 2011). The poor financial performance can be explained by the foreignness constraint on international board members and the contextual nature of hybrid organizations. Specifically, given that hybrid organizations are normally embedded in local culture and networks, an international board can lack an understanding of the organization in its local market context (Dacin et al., 2011). Moreover, due to spatial distance barriers, international board members may be frequently unavailable to acquire information and deliver cost-effective advice to the organization (Jacobs, Mbeba, and Harrington, 2007; Mbeba, and Harrington, 2007). The spatial distance barrier is even more critical in a hybrid organization context because board members often come from the global North and sit on boards of hybrid organizations in the global South (Mersland et al., 2011).

Since a board has frequent interaction with the CEO, it is possible that an international board is best complemented by an internally hired CEO. While an international board provides insight and resources, an insider CEO is normally acknowledged for his or her superior organization-specific knowledge and internalization of the hybrid organization mission (Mersland, Beisland, and Pascal, 2019; Battilana and Dorado, 2010). In the second essay of this dissertation, I theoretically and empirically investigate whether a governance structure that combines an international board and an insider CEO benefits the social and financial performance of hybrid organizations.

International debt

The third aspect of internationalization that I address in this dissertation is the international sourcing of debt by hybrid organizations (Bugg-Levine et al., 2012). In the past, only regular commercial firms and multinational enterprises had access to international debt (Fernandes, 2011; Filatotchev, Bell, and Rasheed, 2016). In recent years, hybrid organizations have also gained access to international debt largely due to global impact investment funds (investment funds managed by investors seeking social and financial returns). For example, the microfinance industry has gained access to international funds through the emergence of microfinance investment vehicles (MIVs) (pooled investment funds from institutional investors and individuals) (Dorfleitner, Röhe, and Renier, 2017). As of 2019, there were more than 120 MIVs, with total assets valued at more than $15 billion US dollars (Symbiotics, 2019). Most MIVs offer debt primarily to the microfinance industry (Briere and Szafarz, 2015). They also have varying degrees of orientation toward a social versus a financial goal and offer either subsidized or commercial debt (Goodman, 2004). Mersland and Urgeghe (2013) show that in the microfinance industry access to international subsidized debt aligns with stronger social performance, while access to international commercial debt aligns with stronger financial performance.

International debt enables hybrid organizations, particularly those in capital-constrained developing countries, to raise funds beyond donations, subsidies, or their own sources of funds (Swanson, 2008). Studies show that traditional funding sources such as donations and subsidies are less sustainable and "soft." (Hudon and Traca, 2011). Accordingly, such funding sources are associated with managerial slacking and lower efficiency in hybrid organizations (Morduch, 2000; Hudon and Traca, 2011). On the other hand, literature on regular firms acknowledges that debt creates "hard budget" constraints because debtholders can exert pressure on debt receivers to operate efficiently (Jensen, 1986; Berger and Di Patti, 2006). Thus, international debt may play a role in enhancing a hybrid organization's efficiency. However, the international business literature, and specifically studies on the concept of capital market liability of foreignness, cites the high information asymmetry of debtholders that finance an organization in institutionally distant locations (Bell, Filatotchev, and Rasheed, 2012; Filatotchev et al., 2016). Thus, international debt not necessarily lead to the higher cost efficiency of the borrowing organizations. In the third essay of this dissertation, I examine the impact of international debt on the cost efficiency of hybrid organizations, by closely investigating whether the institutional distance between the borrowing organization's country and the debtholder's country and the institutional quality of the borrowing organization's country matter for the impact.

4. Applicable Theories

Liability of foreignness

Liability of foreignness is a concept that explains the disadvantages of foreign firms compared to their domestic counterparts in a host country (Zaheer, 1995). Specifically, the concept refers to "all additional costs a firm operating in a market overseas incurs that a local firm would not incur" (Zaheer, 1995: p. 343). These costs may arise from at least the following sources: lack of host market information, unfamiliarity with and lack of embeddedness in a host environment, differential treatment due to host- and home-country policy restrictions, lack of legitimacy in a host country, and spatial distance barriers that involve travel costs and coordination costs (Zaheer, 1995; Zaheer and Mosakowski, 1997).

Liability of foreignness is a central concept in international business research. Denk, Kaufmann, and Roesch (2012) review the additional costs that foreign regular firms bear relative to their indigenous counterparts in host markets. Mezias (2002) shows that foreign firms face a higher number of US labor lawsuits than their domestic competitors. Miller and Parkhe (2002) show foreign banks in 13 host countries have lower efficiency than domestic banks. In the first essay of this dissertation, I extend the concept of liability of foreignness from for-profit firms to hybrid organizations that combine financial and social goals. Research shows that hybrid organizations are contextually dependent businesses (Mair and Martí, 2006; Peredo and McLean, 2006). That is, hybrid organizations need to leverage local resources and build local networks in order to sustain their operations (Dacin et al., 2011). Accordingly, I argue that foreign hybrid organizations, typically having limited local embeddedness in the host country, can experience a negative foreignness impact on their performance.

Resource dependency theory

Resource dependency theory conceptualizes the firm as an open system that depends on the external environment (Pfeffer and Salancik, 1978). In particular, the theory suggests that the success of a firm depends not only on the firm's ability to manage its resources, but also on its ability to garner relevant resources from the external environment (Pfeffer and Salancik, 1978; Pfeffer, 1972). To this end, supervisory board members are considered an essential means of securing resources (new insights and information, legitimacy, networks, expertise, etc.) that enhance the success of the firm (Pfeffer and Salancik, 1978).

Several scholars have applied resource dependency theory to explain what impacts the characteristics of the supervisory board have on a firm. Chen, Hsu, and Chang (2016) explain that independent boards with industry-specific, international experience and interlock ties provide appropriate strategic knowledge and expertise to advise top managers and facilitate a firm's access to critical resources, which in turn helps to reduce the firm's uncertainty about internationalization and thereby increase its willingness to internationalize. Hillman (2005) explains that politicians on the board of a firm reduce the firm's uncertainty about the external environment, thereby enhancing the firm's performance.

In the second essay of this dissertation, I use resource dependency theory to explain the joint effect of an international board and an insider CEO on the performance of a hybrid organization. The international business literature shows that an international board brings performance-enhancing resources and expertise to a firm (Oxelheim and Randøy, 2003); however, such a board lacks detailed insight into the organization and its local context (Miletkov, Poulsen, and Wintoki, 2017; Lewis, 2004). On the other hand, the management literature shows that an insider CEO has in depth organization-specific knowledge (Zhang and Rajagopalan, 2004); however, such a CEO lacks novel and innovative ideas and a penchant for change (Datta and Guthrie, 1994). Given these information asymmetries, I argue that the performance of a hybrid organization can be augmented by having an international board and an insider CEO. In particular, I maintain that higher performance is possible because the international board can provide a broader perspective that enhances the strategic capability of the CEO, while the CEO can compensate for the limited local knowledge of the international board.

The performance-enhancing interaction of an international board and an insider CEO is particularly relevant for hybrid organizations. To see this, it is important to recall the strengths and weaknesses of an international board. In particular, the ability of an international board to provide resources is beneficial to a hybrid organization since such organizations are vitally dependent on the external environment for resources like funds and expertise (Low, 2006). At the same time, the inability of an international board to understand a hybrid organization in its local market context is even daunting in a hybrid organization because such organizations are embedded in their local community. As a result of this tension, it cannot be expected that the resources of an international board will easily trickle down to the organization and augment its performance. Moreover, it has been argued that an internally hired CEO better understands the multifaceted nature of a hybrid organization in its local market context (Mersland et al., 2019a; Randøy et al., 2018). As a result, an insider CEO can compensate for an international board's lack of familiarity with and embeddedness in the host environment, while converting the new external insight gained from the international board into feasible and effective strategic options. Accordingly, using resource dependency theory, I argue that the joint effect of an international board and an insider CEO can enhance the performance of a hybrid organization.

Agency theory

Agency theory highlights an agency relationship between two or more parties where one ("the agent") has more information and acts on behalf of the other ("the principal") (Ross, 1973). Examples of agency relationships include shareholder (principal) and manager (agent) or debtholder (principal) and shareholder (agent). The theory assumes that both the agent and the principal are self-interested and boundedly rational (Eisenhardt, 1989). According to the theory, agency problems (agency costs) can arise when the agent does not act in accordance with the goals set by the principal. In such situations, agency costs can be mitigated by implementing monitoring and incentive alignment systems.

Agency theory has been used to explain the role of the board in monitoring managers to act in accordance with the organization's goals (Hartarska, 2005; Mersland and Strøm, 2009a), the role of debt in bringing additional monitoring pressure to bear on managers to operate efficiently (Jensen, 1986), and the impact of CEO ownership (power) on performance (Galema, Lensink, and Mersland, 2012).

I use agency theory in two essays of this dissertation. Specifically, in essay two to explain the combined impact of an international board and an insider CEO on the performance of hybrid organization, and in essay three to explain the impact of international debt on efficiency of hybrid organization.

The management literature has shown that an insider CEO may become strongly entrenched in an organization (Shen and Cannella, 2002; Mobbs and Raheja, 2012), and consequently develop a rigid commitment to the status quo (Shen and Cannella, 2002; Mobbs and Raheja, 2012). In such a scenario, an international board can enhance the performance of the organization because of the superior monitoring it brings to the organization (Ramaswamy and Li, 2001). Accordingly, in essay two, I argue for the positive interaction effect of an international board and an insider CEO on the performance of an organization.

In essay three, I highlight that international debt can set up hard budget constraints since debtholders impose a monitoring and performance standard that pushes the organization to operate efficiently.

The superior monitoring of an international board (essay two) or international debt (essay three) is particularly relevant in hybrid organizations. This is because in hybrid organizations, the dual goals imply that an opportunistic manager can conceal a poor performance in one goal by referring to the other goal (Galema et al., 2012). Moreover, in hybrid organizations, international connections often occur between international board members or international debtholders from high-income countries to hybrid organizations in low-income countries (Mersland et al., 2011; Golesorkhi et al., 2019a). Given the strong institutional systems of high-income countries, such a board or a debtholder can potentially bring better monitoring or control systems that enhance the organization's performance.

Capital market liability of foreignness

Capital market liability of foreignness is an extension of the concept of liability of foreignness from product markets to international finance markets (Bell et al., 2012). Examples of international finance markets include international debt markets, international equity markets, and international venture capital markets (Filatotchev et al., 2016). According to the theory, international finance providers that finance a firm in an overseas location encounter a considerable challenge when accessing and interpreting relevant information about the firm and the market where the firm operates. Specifically, an international finance provider faces higher information asymmetry, unfamiliarity, an institutional and cultural differences when financing a firm in an overseas location (Bell et al., 2012). As a result, a firm that attempts to access funds from an international finance provider will be at a disadvantage compared to other firms in the finance provider's home country (Filatotchev et al., 2016).

One explanation for capital market liability of foreignness is that firms approaching international equity or international debt markets encounter home bias on the part of the international finance provider (Chan, Covrig, and Ng, 2005; Lau and Yu, 2010). Home bias in this context is a phenomenon where an international finance provider prefers the securities or bonds of a domestic firm over those of a foreign firm (Filatotchev et al., 2016; Bell et al., 2012). As a result, an international finance provider often accepts a lower initial rating when investing in a bond or a security of a foreign firm (Bell et al., 2012). Moreover, international finance providers usually charge a higher cost of debt when financing firms from an institutionally distant country (Gu et al., 2019).

In the third essay of this dissertation, I use the concept of capital market liability of foreignness to explain the impact of international debt after an organization acquires an international debt. Once an organization receives an international debt the high information asymmetry associated with institutional distance can also make debtholders' monitoring difficult and result in inefficient decision-making in the borrowing hybrid organization. The information asymmetry of the debtholder can be particularly pronounced due to the contextual nature of a hybrid organization. Debtholders from institutionally distant places lack sufficient embeddedness in the borrowing hybrid organization's country to grasp the necessary local knowledge needed to understand the organization's business practices. In such a situation, the disciplinary role of international debt and the associated agency cost reduction are hardly realized. Instead, the large cash flow associated with international debt can create a limited incentive for cost-cutting and lower efficiency in the borrowing hybrid organization.

Table 1. Summary of the Applied Theories

Theory	**How is the theory used in the dissertation?**	**Limitations and Challenges**
The concept of liability of foreignness	*Essay 1:* Foreign hybrid organizations are at a disadvantage compared to their domestic counterparts in the host country. Therefore, foreign hybrid organizations have lower financial and social performance compared to local hybrid organizations in the host country.	Foreign hybrid organizations are not always at a disadvantage, and they also have advantages over their domestic competitors in the host country. In most studies, including in this essay, it is difficult to quantify each disadvantage separately and see their effects. The difficulty is due to insufficient data and measurement issues.
Resource dependency theory	*Essay 2:* An international board brings performance-enhancing resources and connections to an organization but lacks detailed insight into the organization, which can be compensated for by an insider CEO's superior knowledge of the organization. Therefore, an international board and an insider CEO jointly enhance a	The type of resource and the concrete measure of each resource are not investigated in detail. Resource dependency theory does not consider the monitoring roles of boards. As outsiders, international board members can objectively

	hybrid organization's performance.	monitor the CEO to ensure that he or she acts in accordance with the goals of the organization. This role of the international board is accounted for by agency theory.
Agency theory	*Essay 2:* The superior monitoring capability of an international board can mitigate an insider CEO's entrenched commitment to the status quo. Therefore, an international board and an insider CEO positively interact to enhance an organization's performance. *Essay 3:* International debt can enhance efficiency because debtholders impose a monitoring and performance standard that pushes the organization to operate efficiently.	The theory assumes that a self-interested CEO maximizes his or her personal goals unless he or she is checked by monitoring mechanisms. This is a simplifying assumption since CEOs are not always opportunistic and can have socially derived interests. Similarly, shareholders are not always opportunistic and economic goal maximizers. In addition, the principal (shareholders) does not necessarily encounter information asymmetry about the agent (CEO). According to the theory, corporate governance actors such as an international board are believed to bring control

		and incentive systems to the organization. However, such actors can also bring performance-enhancing resources and insight to the organizations and these roles are not accounted for by agency theory but rather by resource dependency theory. Application of agency theory is also a challenge in hybrid organizations setting for the following reasons: Unlike regular firms, hybrid organizations do not necessarily have legal owners. Although some hybrid organizations have shareholders, the shareholders do not necessary claim dividends. A hybrid organization has also dual social and financial goals instead of just the latter. Various sets of investors and resource providers can also act as a principal in hybrid organizations. Thus, boards are accountable to multiple (competing) stakeholders in

		hybrid organizations and responsible for overseeing and ensuring the achievement of both goals. Overall, since hybrid organizations have dual goals and most do not have defined ownership, it is not possible to assign performance valuation criteria based on the owner's performance expectations. This limits the potential of agency theory to resolve the question of accountability in a hybrid organization.
The concept of capital market liability of foreignness	*Essay 3:* Institutionally distant debtholders face high information asymmetry in monitoring hybrid organizations that are commonly embedded in their local market context. As a result, international debt flow creates a limited incentive for cost-cutting and lower efficiency of the borrowing hybrid organization.	The level of information asymmetry and the associated monitoring challenges are not measured. Concretely measuring each and using each as a mediator in the international debt-efficiency relationship can provide an additional overview or verification. With data availability, such concerns can be addressed in future research.

5. Empirical Context and Data Sources

Context

In this dissertation, I use the global microfinance industry as an empirical context for several reasons. Microfinance institutions (MFIs) provide a sustainable business solution to financial inclusion by extending financial services to segments of the populations that are commonly excluded from the mainstream financial sectors. For this reason, MFIs are typical hybrid organizations that concurrently combine a social and a financial objective (Battilana and Dorado, 2010). In this regard, Hathaway and Wry (2019) show that for a number of scholars, the microfinance industry is a fruitful context to study, understand, and theorize about hybrid organizations that operate under dual goal systems (see, e.g., Battilana and Dorado, 2010; Zhao and Lounsbury, 2016; Doering and Wry, 2018)

In addition to the growing number of researchers that recognize the unique hybrid model of microfinance, the global community of policymakers and practitioners widely acknowledges the commitment of microfinance to development issues (Hudon, Labie, and Szafarz, 2019). Notably, the United Nations declared 2005 as an international year of microcredit in recognition of the contribution of microfinance to sustainable development. Moreover, the Nobel Peace Prize Committee awarded the 2006 Nobel Peace Prize to the pioneer of microfinance, Muhammad Yunus and his Grameen Bank, for creating economic and social opportunities for the underprivileged segment of the Bangladeshi population. In general, the global public is widely attracted to the novel and innovative hybrid model of microfinance (Mersland and Strøm, 2009a).

The growing popularity of the microfinance industry has resulted in a wide range of international influence in the industry (Mersland et al., 2011; Mersland et al., 2019b). Evidence suggests that an increasing number of international investors are establishing greenfield microfinance institutions across different foreign market locations (Cull et al., 2015). A large number of microfinance institutions also have an international board where at least one of the supervisory board members are a foreign national from a country other than the home country of the microfinance institution (Mersland et al., 2011). In addition, international investors, who until recently limited their investments to regular firms, are now viewing microfinance as an attractive investment opportunity (Brière and Szafarz, 2015). This has opened up cash flows of international funds like international debt and international equity investments to microfinance institutions (Mersland et al., 2011). Moreover, pro-social organizations in high-income countries are lending their support to low-income countries by strengthening the microfinance sectors of these countries (Mersland et al., 2020; Golesorkhi et al., 2019b). In some cases, the support takes the form of providing a range of services such as training, technical assistance, and teaching of international best practices through international network organizations such as Opportunity International and Women's World Banking (Mersland et al., 2011). In general, the microfinance industry is one of the most internationalized hybrid sectors with several cross-border partners such as shareholders, investors, directors, donors, lenders, and technical service providers (Mersland et al., 2019b).

The extensive internationalization of the industry has also attracted specialized rating agencies and international institutional donors such as the World Bank's microfinance unit, the Consultative Group to Assist the Poor (CGAP), to facilitate the transparency and disclosure of information among microfinance stakeholders (Beisland, Mersland, and Randøy, 2014). Based on the reports of these rating agencies, it is also possible to access well-scrutinized and high-quality data on the global microfinance industry, which is seldom the case for other types of hybrid organizations.

Data sources

This dissertation uses a global unbalanced panel sample of 655 MFIs with 3676 firm-year observations operating in 77 countries between 1998 and 2015. The dataset is compiled from the reports of five rating agencies specialized in microfinance (MicroRate, Microfinanza, Planet Rating, CRISIL, and M-CRIL). The five rating agencies were originally supported and approved by the World Bank's microfinance unit (CGAP). The data in the report is hand-collected by a specialized expert from the rating agency through onsite visits to each of the MFIs. While collecting the data, the specialized expert also audits the financial statement of the MFI to further increase the accuracy and reliability of the data. The reports are 10 to 40 pages in length, and their content is not standardized. For this reason, the number of observations retrieved from the reports may vary over time and across variables and MFIs. Thus, depending on the variables used in the study, the number of observations in each study also varies. Yet, since there are no systemic differences between the rating reports, the retrieved data from the reports can be regarded random. The retrieved data from the reports is also particularly relevant to this study, as it includes but is not limited to the following: the MFIs' international characteristics, financial performance, social performance, governance, legal type, size, and tenure.

Table 1 presents the number of MFIs per year for which the dataset has information. The minimum number of MFIs observed in a given year was 7 MFIs in 1998 and the maximum number of MFIs was 399 MFIs in 2006. The majority of the observations are from the years 2001 to 2012. There is limited information outside of this year range, with less than 100 MFIs observed per year.

Table 1: Distribution of MFIs by year

Year	Frequency (# of MFIs)	Percent
1998	7	0.19
1999	30	0.82
2000	80	2.18
2001	151	4.11
2002	204	5.55
2003	279	7.59
2004	348	9.47
2005	388	10.55
2006	399	10.85
2007	376	10.23
2008	329	8.95
2009	319	8.68
2010	273	7.43
2011	211	5.74
2012	143	3.89
2013	80	2.18
2014	48	1.31
2015	11	0.3
Total	**3676 (MFI-year)**	**100**

The dataset is continuously updated. A previous version of the dataset has been used in prominent published studies (e.g., Golesorkhi et al., 2019b; Hartarska, Shen, and Mersland, 2013), as well as in several PhD theses (Zamore, 2018; Nyarko, 2020). Together with other PhD students, I have directly participated in the updating procedure under the guidance of Professor Roy Mersland, who originally developed the dataset.

In addition to the MFI-level data, this dissertation uses data from the World Bank, the United Nations Development Program (UNDP), and the Worldwide Governance Indicator database developed by Kaufmann, Kraay, and Mastruzzi (2009). For example: I obtained data on gross national income (GNI) per capita from the World Bank, the human development index (HDI) from UNDP, and governance indicators from the Worldwide Governance Indicators database.

6. Research Design

In scientific work, the researcher takes a philosophical position in the process of writing. Under this philosophical position, the researcher makes assumptions about the nature of reality (ontology) and the creation of knowledge about this reality (epistemology) (Piekkari and Welch, 2018). One's philosophical position can be located along a continuum, at one end of which is positivism (objectivism) and at the other end of which is constructivism (subjectivism). In between these extremes is critical realism.

The positivist believes in a single, objective, quantifiable "reality" (or "truth") that is independent of the observer (Antwi and Hamza, 2015; Yin, 2014). Positivism is the most common philosophical position in the social sciences (Piekkari, Welch, and Paavilainen-Mäntymäki, 2009). Positivism is "concerned with the testing, confirmation and falsification, and predictive ability of generalizable theories about an objective, readily apprehended reality" (Wynn and William, 2012: 788). By contrast, the constructivist believes in socially constructed and multiple realities (Welch et al., 2011). In other words, constructivism is concerned with richly understanding and explaining a particular phenomenon in all its particularity instead of generalizing it (Stake, 1995). Finally, the critical realist believes in an independent and stratified reality (Bhaskar, 1975). A stratified reality is a big “structure” with internally related entities, and it incorporates “mechanisms,” “events,” and “experiences” (Sayer, 1992), where the mechanism under certain conditions generates the event and the event that is observable is an experience (Wynn and William, 2012). Critical realism aims to provide in depth causal explanations, with a particular emphasis on identifying the mechanism of how and why such associations occur in a particular context (Wynn and William, 2012).

In all the three essays of this dissertation, I am concerned with objectively analyzing the relation between internationalization and performance variables by developing testable hypotheses founded on theory. Therefore, I follow the positivist perspective in aiming at generalizability.

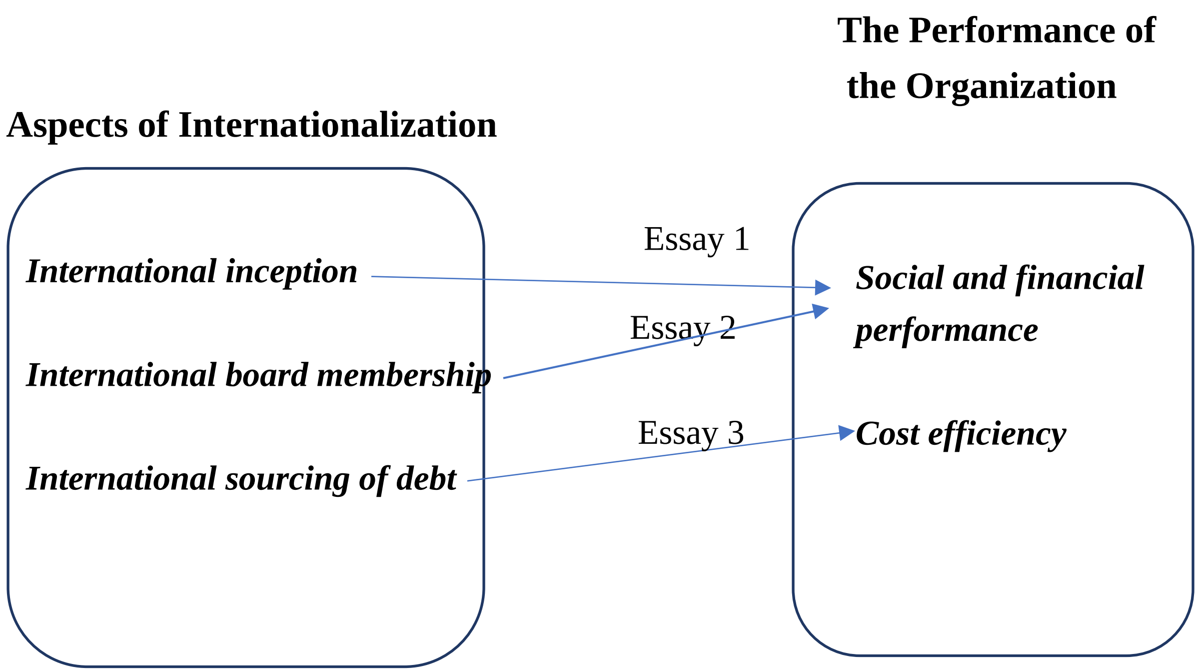
In all three essays, I apply a quantitative analytical approach because of the quantitative nature of the dataset. In this regard, I use a range of techniques such as seemingly unrelated regressions, conditional mixed process (CMP) model, panel-data methods (random effects, fixed effects, generalized method of moments), and stochastic frontier analysis. Appropriate model selection is conducted based on the nature of the variables (particularly the dependent variables) and on specification tests such as the Hausman specification test and the Breusch–Pagan test of independence.

7. Summary of Studies

This dissertation contains three essays. The essays are titled “The impact of liability of foreignness on performance in hybrid organizations,” “The best of both worlds in hybrid organizations: An international board and an insider CEO,” and “The impact of international debt on cost efficiency in hybrid organizations: A global survey of microfinance.” All the three essays were presented in several academic conferences, seminars, and doctoral consortiums or colloquiums, for getting new perspectives and enhance the quality of the papers. At present, all the three essays are submitted to and are under review in international scientific journals. The first essay is under review in Journal of International Management, the second essay is under review in

International Business Review, and the third essay is under review in Journal of World Business. In what follows, I summarize each of the three essays in turn.

Figure 1. Illustration of the focus area of the essays



Paper 1. The impact of liability of foreignness on performance in hybrid organizations

Despite their strong local community orientation, hybrid organizations are increasingly operating beyond their national borders (Angulo-Ruiz et al., 2020). In particular, they are internationalizing into institutionally weak countries in order to address various social issues there (Zahra et al., 2008; Mersland et al., 2020). Yet, given that hybrid organizations often require local market information and networks in order to operate, the liability of foreignness challenge can be an important issue for foreign hybrid organizations in a host country. In the first essay, we explore the liability of foreignness in hybrid organizations by closely examining the social and financial performance of foreign versus domestic hybrid organizations in a host country.

Our empirical results show that the liability of foreignness is apparent in the financial performance of hybrid organizations, but not in their social performance. Instead of being a liability, the foreignness of a hybrid organization is associated with a better social performance. Given the evidence from existing research about the trade-off between the two goals (e.g., Wry and Zhao, 2018), the fact that foreignness has the opposite effect on each of the two goals implies that foreignness accounts for part of the trade-off between them. This foreignness-related trade-off is further manifested in the early stage of internationalization by the negative interaction effect of foreignness and social performance on the financial performance of hybrid organizations. This result may be due to the fact that challenges of foreignness such as: lack of familiarity, legitimacy, or embeddedness in the host country are more acute in the early stage of internationalization than in the late stage of internationalization (Johanson and Valhne, 1977, 2009). The foreignness-related drift toward social performance is also more apparent in institutionally weaker countries. Although institutionally weaker countries have more social needs, which is also the main reason for the establishment of foreign hybrid organizations in those countries (Zahra et al., 2008; Chen, 2012), those countries are more costly for foreign organizations due to the greater challenges posed by liability of foreignness, such as lack of familiarity with and embeddedness in the host country (London and Hart, 2004). Finally, the findings also highlight the role of size and tenure in mitigating the liability of being a foreign hybrid organization, in line with the international business literature on regular firm (Zaheer and Mosakowsk, 1997; Claessens, and Van Horen, 2012).

To conclude, the essay shows how the literature on the liability of foreignness informs the understanding of international hybrid organizations. In so doing, the essay shows in depth the effect of liability of foreignness on performance of hybrid organizations. In this regard, the essay enriches our understanding of both international hybrid organizations and the concept of liability of foreignness.

Paper 2. The best of both worlds in hybrid organizations: An international board and an insider CEO

Although hybrid organizations depend on local market players for legitimacy, acceptance, and cooperation, they also depend on external market players for expertise, technical assistance, and funding (Low, 2006; Mair and Martí, 2006). This complex contextual embeddedness poses corporate governance challenges that require a knowledge of both the local environment and the external(beyond the organization and its local context) and/or global environment (Ebrahim et al., 2014; Low, 2006). In this regard, I explore whether the social and financial performance of hybrid organizations can be augmented by a governance structure that combines an international board and an insider CEO.

My results indicate that the combined effect of an international board and an insider CEO augments financial performance. This evidence supports the hypothesis I set out to test based on resource dependency theory and agency theory. On the one hand, insider CEOs have knowledge of the organization and the local market in which the organization operates, which helps them to precisely assess new opportunities and optimize resource allocation (Mersland et al., 2019a); however, such CEOs lack a broader external perspective (Menon and Pfeffer, 2003). On the other hand, international boards have external resources such as knowledge of best practices and financial resources (Mori et al., 2015; Datta, Musteen, and Herrmann, 2009; Oxelheim and Randøy, 2003); however, such boards lack a local internal perspective (Miletkov et al., 2017). In such a scenario, an insider CEO can fill the organization-specific and local knowledge gap of an international board, while an international board can fill the corporate-governance and external or global knowledge gap of an insider CEO. Therefore, my findings indicate that the combined effect of an international board and an insider CEO can be a cost-effective strategic decision that augments the financial performance of an organization. However, my findings also show that the same combined effect does not augment social performance. This limited support means that given social performance requires deep-local knowledge and connection, an insider CEO cannot provide an international board with firm- and market-specific knowledge to the degree necessary to bring about a better joint effect on social performance.

Overall, the study shows that the combined knowledge of an international board and an insider CEO can be beneficial for hybrid organizations, by shedding light on their performance-augmenting interdependency. In so doing, the study extends Mersland and Strøm (2009b), who indicate a complementarity between a board's characteristics and a CEO's characteristics in hybrid organizations and call for further research on the performance-enhancing interaction between these governing bodies. Finally, the study enriches the limited number of studies on international board in the hybrid organization's context and also extends the scope of the studies from being merely on the isolated effects (Mersland et al., 2011).

Part 3. The impact of international debt on cost efficiency in hybrid organizations: A global survey of microfinance

Traditionally, hybrid organizations have relied on own sources of funds, donations, and subsidies, all of which can create "soft" budget constraints and lower organizational efficiency (Hudon and Traca, 2011). In recent years, however, hybrid organizations, particularly those in capital-constrained developing countries, have increasingly accessed international debt markets (Bugg-Levine et al., 2012; Callaghan et al., 2007). When receiving international debt, hybrid organizations are subject to additional monitoring by the debtholders that exerts pressure on the borrowing organization to operate efficiently (Jensen, 1986). However, the hybrid organizations may operate in countries with underdeveloped institutional systems, with large institutional difference from their debtholders', and the resulting information asymmetry in the international debt transaction can limit the efficiency-supporting monitoring role of the international debt provider (Petersen and Rajan, 2002; Le and Phan, 2017). In the present essay, we investigate the effect of international debt on the cost efficiency of hybrid organizations. We also closely examine whether the effect of international debt on cost efficiency depends on the institutional distance between the debtholder's country and the borrowing organization's country. Finally, we explore whether the effect of international debt on cost efficiency depends on the institutional quality of the borrowing hybrid organization's country.

The results indicate that international debt is related to lower cost efficiency in hybrid organizations. These results support the argument that the debtholder's informational disadvantage in international debt transactions can encourage inefficient organizational practices in the borrowing hybrid organization. The lower cost efficiency associated with international debt is also more pronounced as the institutional distance between the debtholder's country and the borrowing organization's country increases. Moreover, the lower cost efficiency associated with international debt is partly pronounced when the borrowing hybrid organization is located in an institutionally weaker country.

Overall, the essay support that when debtholders are institutionally far away, the resulting information asymmetry in an international debt transaction can encourage managerial discretion and produce lower cost efficiency. Moreover, the informational disadvantage discussed in essay two in relation to international boards applies to international debtholders as well: the lower cost efficiency of hybrid organizations is highly likely because international debtholders lack the knowledge of the organization and its local market context that they need to effectively monitor such contextually embedded organizations.

8. Conclusion

This dissertation contributes to the research on the internationalization of hybrid organizations by focusing on the performance impact of three different aspects of internationalization: 1) international inception, 2) international board membership, and 3) international debt. Regarding the first aspect, the dissertation, closely investigating the concept of liability of foreignness in the hybrid organization's context, shows that foreignness accounts for part of the trade-off between the social and financial goals of hybrid organizations. Regarding the second aspect, the dissertation shows the performance benefit of integrating the external or global knowledge of an international board and the superior organization-specific local knowledge of an insider CEO. It thus enriches the argument that the internationalization of a hybrid organization is best leveraged when combined with a strong sense of local awareness of the hybrid organization's context. Regarding the third aspect, the dissertation underlines that the institutional distance and institutional quality of a hybrid organization's country moderate the impact of international debt on the cost efficiency of the hybrid organization. In particular, regarding the third aspect, the dissertation contributes to the literature on capital market liability of foreignness by connecting it to the literature on hybrid organizations. By doing so, it shows that institutional distance in international debt transactions not only creates debtholders' home bias as indicated in most past studies in the area (e.g., Gu et al., 2019; Chan et al., 2005; Lau and Yu, 2010), but also creates cost inefficiency in the borrowing organization as indicated in this dissertation in a hybrid context.

The dissertation also has important practical implications. Regarding the first aspect, the dissertation, implies that expanding a hybrid organization across national borders requires more than readiness to address development challenges and operate in institutional voids. Foreign hybrid organizations should be aware of the impact of liability of foreignness on their financial performance, and that this impact can be stronger in institutionally weak countries. To mitigate the impact of liability of foreignness on their performance, foreign hybrid organizations can scale up or increase their tenure in the host country.

Regarding the second aspect, the dissertation suggest that hybrid organizations should be aware of the impact of international diversity in their supervisory board. To mitigate the lack of firm-specific knowledge of an international board, hybrid organizations can engage the services of an internally hired CEO who can better inform the board about the organization and local market context of the organization. In such a way, an internally hired CEO having better knowledge about organizations and its cost-effective strategic options can better translate the resources from an international board in a cost-effective way. In other words, benefit of an international board can be harnessed best when combined with the superior organization's specific knowledge of an insider CEO. In this respect, hybrid organizations that have international board members can establish a staffing strategy that encourages insider CEO succession.

Finally, concerning the third aspect, the dissertation also highlights that although international debt addresses part of the funding needs of many hybrid organizations, its detrimental effect on the efficiency of hybrid organizations needs considerations.

Especially, the dissertation indicates that such detrimental effect on efficiency needs a particular attention when the hybrid organization is located in institutionally distance country compared to its debtholder's country, and when the hybrid organization located in institutionally weak country. Mitigating this negative effect requires the policy attention of both international debt providers and debt-seeking organizations.

I suggest that findings of the dissertation can guide future research on the internationalization of hybrid organizations. Specifically, the performance impact of each aspect of internationalization may depend on different country-level and organization-level factors. For example, past studies on hybrid organizations highlight the role of the cultural norms of the host country and the characteristics of the CEO in shaping the organization's strategy and performance (Drori et al., 2020; Pascal, Mersland, and Mori, 2017). In this respect, future studies can more closely examine whether the findings of this dissertation further depend on the cultural norms of the hybrid organization's host country and the characteristics of the hybrid organization's CEO or top managements. Future studies can also pursue similar studies in hybrid organizations beyond the microfinance sector (e.g., aid sector, the education sector, etc). Future comparative studies of hybrid organizations and regular firms in the area can also provide more insight into whether the findings of this dissertation are specific to hybrid organizations. Moreover, future studies can investigate the impact of other aspects of internationalization that are not addressed in this dissertation, e.g., the impact of international franchising, international networking, etc. Future studies can ask whether the impact of internationalization on performance is affected by various intermediate outcomes or mechanisms, such as staff productivity, governance structure. Finally, it has been shown that internationalization brings along resources that benefit other hybrid organizations in the host market (Meyer et al., 2009). In this respect, future studies can investigate the country-level consequences of internationalization by exploring what impact internationalization brings to hybrid organizations in the same host market.

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