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Managing Social Business Hybrids in Global Contexts: The Case of Impact Sourcing Service Providers

Chacko George Kannothra
University of Massachusetts Boston

MANAGING SOCIAL BUSINESS HYBRIDS IN GLOBAL CONTEXTS: THE CASE OF IMPACT SOURCING SERVICE PROVIDERS

A Dissertation Presented

by

CHACKO GEORGE KANNOTHRA

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Approved as to style and content by:

____
Stephan Manning, Associate Professor
Chairperson of Committee

____
Nardia Haigh, Associate Professor
Member

____
Sumit K. Kundu, Professor
Florida International University
Member

____
Nardia Haigh, Program Director
Ph.D. in Business Administration

____
Alessia Contu, Chairperson
Department of Management

ABSTRACT

MANAGING SOCIAL BUSINESS HYBRIDS IN GLOBAL CONTEXTS: THE CASE OF IMPACT SOURCING SERVICE PROVIDERS

May 2018

Chacko George Kannothra, B.Tech., University of Kerala
MBA, Indian Institute of Foreign Trade
Ph.D., University of Massachusetts Boston

Directed by Stephan Manning, Associate Professor

This dissertation consists of three related essays that seek to understand the core contingencies and strategies of managing social-business hybrids (SBHs) in global contexts. SBHs are also known as hybrid organizations that run commercial operations with the goal of addressing a social (or environmental) problem. I focus on the empirical case of Impact Sourcing Service Providers (ISSPs) which are SBHs that operate in the global business services industry. These organizations hire and train staff from disadvantaged communities to provide services to regional and international business clients. The first essay contributes to the growing interest in how hybrid organizations manage paradoxical social-business tensions. This study identifies two major growth orientations - ‘community-focused’ and ‘client-focused’ growth - their inherent tensions and ways that hybrids manage them. The former

favors slow growth and manages tensions through highly-integrated client and community relations; the latter promotes faster growth and manages client and community relations separately. Both growth orientations address social-business tensions in particular ways, but also create latent constraints that manifest when entrepreneurial aspirations conflict with the current growth path. The second essay examines the strategic potential of hybrid business models in the face of Africa's persistent difficulties with catching up in established markets. Focusing on the global business services industry in Kenya and South Africa and the practice of impact sourcing, this study argues that while regular providers struggle to compete with global peers, hybrid model adopters manage to access underutilized labor pools through community organizations, and target less competitive niche client markets. In this context, critical industry, institutional and firm-level factors affecting hybrid model adoption are identified further. The third essay investigates the variation in business model configurations of SBHs as a function of the background and aspirations of the social entrepreneur, and the level of domestic competition and global client expectations. This study further introduces the concept of liability of embeddedness, which relates to risks and costs facing hybrids targeting business clients outside of the geographic context within which their social mission is highly valued. This study contributes to research on international social ventures and international business, in specifying antecedents and contingencies of targeting international vs. domestic business clients as a social venture.

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CHAPTER 1

INTRODUCTION

Purpose of Thesis

This thesis investigates *social business hybrids* (SBHs) in an international context. SBHs are typically defined as ‘organizations that run commercial operations with the goal of addressing a societal problem, thus adopting a social or environmental mission’ (Santos et al., 2015). SBHs have become increasingly important organizational forms (Haigh et al., 2015; Battilana and Dorado, 2010). They are sometimes referred to as ‘*hybrid organizations*’ or ‘*social enterprises*.' In this study, I use these terms interchangeably. SBHs bridge traditional organizational forms of commercial business and philanthropic charities corresponding to private and non-profit sectors (Battilana and Lee, 2014; Battilana et al., 2012; Billis, 2010). Previous studies have investigated hybrid organizations like Work Integration Social Enterprises or WISEs (Pache and Santos, 2013), microfinance enterprises (Battilana and Dorado, 2010), public-private partnerships (Jay, 2013), etc. The SBHs I investigate for this study- *impact sourcing service providers* or ISSPs- employ and train disadvantaged youths, people with disabilities, minorities, etc. (beneficiaries) in business process outsourcing jobs. They serve both international and local firms (business clients) as a part of their revenue generating business model. Such hybrid organizations have been considered critical in promoting social innovation while also pursuing viable and durable business models.

SBHs combine multiple institutional logics- the business logic of revenue and profit generation by providing commercial goods or services, and the logic of societal welfare by offering services that positively affect social and ecological systems (Smith et al. 2013). Social business hybrids integrate social missions into a feasible business model (Jay 2013; Porter and Kramer 2011; Haigh and Hoffman, 2014; Yunus et al., 2010). This social business model can be viewed ideally as a constrained optimization model (Weerawardena and Sullivan Mort, 2006), where profit has to be optimized to meet the social mission of the organization. Balancing dual missions may translate into challenges, as social and commercial concerns compete for resources in growth efforts (Pache and Santos 2013; Jay 2013). While many organizations face conflicting stakeholder and institutional demands (e.g., Pache and Santos 2010), it is pronounced among hybrids due to their plural goals (Battilana and Lee 2014; Smith et al. 2013).

Prior research has pointed out that hybrids face a fundamental tension between business and social logics which may over time constrain their operation (Andre and Pache, 2016), and lead to '*mission drift*' (Battilana et al., 2012; Ebrahim et al. 2014). While various organizational approaches to addressing this tension have been discussed in general (Greenwood et al., 2011), I seek to add nuance to this conversation by shifting emphasis to hybrid organizations and related challenges in increasingly important global contexts. That is, whereas prior research has predominantly studied hybrids in local (e.g., Cambridge Energy Alliance by Jay, 2013) or national contexts (e.g., French Work Integration Social Enterprises by Pache and Santos, 2013), I seek to understand core contingencies of managing hybrid organizations in global contexts – specifically in the context of global business-to-business relations. In particular, I am interested in how hybrid organizations balance demands and expectations from global business clients with needs of often locally embedded communities. Thus, the research question guiding the thesis is: *What are core strategies and contingencies of managing social-business hybrids in global contexts?*

Empirical Motivation for the Research

The empirical context of my research is global outsourcing in general and the so-called trend of 'impact sourcing' in particular. The global outsourcing industry is arguably one of the fastest growing sectors worldwide, specifically around the IT-enabled outsourcing of IT and business processes (Manning et al., 2008). Clients in particular from developed countries increasingly outsource business processes to specialized, typically lower-cost vendors operating mostly out of developing countries (Farrell, 2005). Whereas for a long time, the outsourcing industry has been a primarily business-driven sector, more recently some service providers have adopted so-called 'impact sourcing' business models. Impact Sourcing (IS) refers to the training and hiring of people from disadvantaged and marginalized groups, e.g., physically handicapped, minorities, or people from remote or impoverished areas, for outsourcing related jobs (Rockefeller Foundation, 2013; Bulloch and Long, 2012). In this context, so-called impact sourcing service providers (ISSPs) operate as hybrid organizations marketing their services to global and domestic clients, while aiming to make a social impact in the local communities by providing inclusive training and employment opportunities. The particular case of ISSPs, on the one hand, allows us to illustrate and study operational challenges of hybrid organizations in global contexts. On the other hand, it adds nuance to prior discussions on the role of growth aspirations, client relations and entrepreneurial networks in affecting the adoption of social hybrid business models, management of tensions, and how these social business models vary depending on structural conditions. Data for this study includes a series of interviews and secondary data collected in different field contexts, including the U.S., India, Kenya and South Africa.

The remainder of this introductory chapter is organized into three parts. First, to place the thesis into a broader context, the theoretical perspective applied in this thesis is presented. Second, the research design including the empirical foundation is presented, and finally, the specific motivation and core findings of the three research papers are introduced.

Contextualizing the Thesis

Hybrid Organizations: Constitution and Challenges

Extant research has made significant contributions to understanding how hybrid organizations navigate paradoxical tensions when they combine multiple organizational forms, institutional logics, etc. More importantly, prior research has looked into the activities, structures, and processes that constitute the key areas of organizational life of hybrid organizations. This thesis seeks particularly to draw and build on the research on hybrid organizations.

Hybrid organizations are often defined as organizations that combine (multiple) established organizational forms (Haveman and Rao, 2006, Hoffman et al. 2010, Pache and Santos, 2013). Organizational forms consist of clusters of features common to organizations that enact that form (Hannan and Freeman, 1986;

Romanelli, 1991). Other organizational scholars have defined hybrid organizations as combining multiple institutional logics (Greenwood et al, 2011; Battilana and Dorado, 2010), where institutional logics are defined as taken for granted beliefs and practices that guide actors' behaviors in their fields of activity (Friedland and Alford, 1991; Thornton and Ocasio, 1999). Hybrids have thus been described as organizations combining multiple organizational identities, organizational forms or institutional logics depending on the unit of analysis (Battilana and Lee, 2014). These different conceptions often are interrelated. While logics are constituted at an institutional level, they give the cultural materials through which organizational forms are constructed and reproduced (Greenwood and Hinings, 1993).

Specifically, prior research has focused on hybrid enterprises that combine business endeavors with social missions (Haigh et al., 2015). In other words, many organizations that are associated with hybrids follow and particularly combine two specific logics of action: the market logic of revenue generation (this may also include profit-making, professional services, etc.) and the logic of social welfare (this may include targeted social and ecological impact). In so far, hybrid organizations resemble what many would call 'social enterprises' or 'social business hybrids.' Some scholars even regard social enterprises as a particular type of hybrid organization (Battilana and Lee, 2014). I will focus on this type of hybrid organizations.

Hybrid organizations have gained popularity as both the state and conventional firm-level approaches have been facing limitations in addressing pressing social problems, such as labor conditions, environmental protection, and social inclusion. As for the role of the *state*, budget cuts, lack of legitimacy and lack of resources and coordination capacity have limited the ability of state agencies and the public sector to adequately address social problems in recent years (Matten and Crane, 2005; Scherer and Palazzo, 2007). The limited role of the state has been an issue in particular in liberal market economies which rely a lot on market-based coordination for education, healthcare, and other domains (Soskice and Hall, 2001); but the role of the state has also been challenged or limited for other reasons (e.g., lack of political stability) in other economies, not least in the developing world. Relatedly, on a transnational level, governments and inter-governmental regimes have been severely limited in protecting human rights, protecting the environment, etc. (Haas, 2004).

This has given rise to new models of governance of social issues involving corporations and entrepreneurial efforts (see also Khanna and Palepu, 2000; Scherer and Palazzo, 2007). *Corporations* have been involved in multiple ways, including cross-sector partnership projects (Vurro, Dacin, and Perrini, 2010; Selsky and Parker, 2005), voluntary standard-setting (Reinecke, Manning, and Von Hagen, 2012) and corporate social responsibility (CSR) processes (Matten and Crane, 2005). As for the latter, prior research has focused in particular on corporate initiatives, in response to pressure from activists and stakeholders, to incorporate ethical and philanthropic activities in addition to regular business conduct (Carroll, 1999; Doh and Guay, 2006). However, more recent studies suggest that CSR programs often take the risk of becoming 'add-on' activities (Porter and Kramer, 2011), and that CSR has been incorporated into a business logic of action where there is a considerable gap between stated intentions and actual implementation (Utting, 2007; Sood and Arora, 2006). For example, while the working conditions of the core workforces of many companies have improved since they embraced CSR, the circumstances under which the employees of their sub-contractors work have not changed much (Utting, 2007).

In the face of limitations of both state-governed and private initiatives in tackling social and environmental problems, some scholars have shifted attention to a ‘third' approach: new organizational forms, including ‘social enterprises' and ‘hybrid organizations', that blur the traditional profit/non-profit divide by adopting commercially viable business models aimed at positive social and environmental impact (Haigh and Hoffman, 2012; Haigh et al., *2015;* Porter and Kramer, 2011). Examples include combinations of business and charity forms (Pache and Santos, 2013), microfinance organizations combining banking and development forms (Battilana et al., 2012), and work integration social enterprises (WISE) (Battilana et al., 2015).

More specifically, hybrid organizations have been argued to possess distinctive advantages compared to regular business enterprises in their ability to address social issues (see, e.g., Haigh and Hoffman, 2014). First, they can address sustainability issues at the firm and industry level through choosing their growth orientation, a different set of performance indicators, internalized priority to social and ecological impact, etc. when compared to mainstream firms (Haigh and Hoffman, 2014). Second, hybrids that started with a social mission can ensure sustainability of their mission through adopting a business model to generate revenue. The prior experience or familiarity of the organizational members with for-profit logics (environmental imprinting) may aid in this process (Jay, 2013). Third, hybrids that were formed due to changing economic conditions – e.g. reduced public funding of non-profits, adoption of new legal forms of organizing, public intervention to promote inclusive labor markets through Work Integration Social Enterprises (Pache and Santos, 2010, Defourny and Nyssens, 2008), public-private alliances (Jay, 2013) etc. – can better access public sources of funding while maintaining market based operations to generate revenue.

Those advantages are also reflected in the various motivations of and facilitating conditions for entrepreneurs behind starting hybrid organizations. Prior research suggests that environmental imprints of the entrepreneurs –especially previous work experience in a commercial environment, functions as an antecedent to the creation of new hybrid forms (Lee and Battilana, 2013). Professional education of the entrepreneurs and the indirect influence of their parents' work experience has also been found to have influenced the creation of hybrid organizational forms.

In spite of various motivations and potential advantages of starting a hybrid organization, prior research also indicates that hybrid organizations face permanent tensions, arising in particular from the potentially competing social welfare and commercial logics of action (Pache and Santos, 2013; Jay, 2013). Notably, many organizations face conflicting demands from multiple stakeholders and institutional environments (Pache and Santos, 2010; Smith and Tushman, 2005); however, this is particularly pronounced in the context of hybrid organizations (Battilana and Lee, 2014). Besides, hybrid organizations are "multiple things to multiple people" which comes with an additional set of challenges (Kraatz and Block, 2008).

More specifically, prior studies suggest that hybrid organizations experience tensions at multiple levels and in multiple forms. First, hybrids experience various internal tensions (Pache and Santos, 2010), including different individual and organizational identities leading to interpersonal conflicts (Glynn, 2000). Hiring from different sectors may reinforce such conflicts (Battilana et al., 2012). Second, hybrids may be confronted with paradoxes of performance as viewed through the lens of dominant institutional logics (Jay, 2013). The outcomes of such hybrid organizations appear as both successes and failures when viewed from a client service or public service perspective. These paradoxes need to be recognized by the organizational members under multiple definitions of success- an interpretative process in which people often invent new ways to frame their organization (Jay, 2013). Third, members may face power struggles due to dominant institutional logic resulting in one logic overshadowing the other (Thornton and Ocasio, 1999).

Also, one major challenge facing hybrid organizations is so-called ‘mission drift.' When entrepreneurs depend on a commercial logic to support their social mission, there often arises a situation described by Battilana et al. (2012) as a "focus on profits to the detriment of the social good." When products and services of hybrid organizations are valuable to both customers and beneficiaries, hybrid organizations may seek profit-making over social mission by targeting wealthier and more profitable market segments. Mission drift may also occur when organizations grow and the influence of the entrepreneur (whose dedication and passion may have resulted in the founding of the organization) over the new staff decreases (Battilana et al., 2012).

In the face of these various tensions, prior literature has investigated various organizational and operational practices of managing tensions. Prior research has emphasized for example different ways in which hybrid organizations selectively combine, balance or decouple practices and structures to meet competing demands (see also Battilana and Lee, 2014; Pache and Santos, 2013). Some studies argue that maintaining hybrid models may require “decoupling” in terms of internalizing some and symbolically adopting other practices to demonstrate external legitimacy (Aurini, 2006). Some hybrid organizations may be able to strike a balance by selectively combining practices from both logics (Pache and Santos, 2013), or by developing entirely new practices (Battilana and Dorado, 2010).

Hybrid Organizations in Global Context

My dissertation is designed to contribute to the important conversation on contingencies and challenges of hybrid organizations. More than previous research, I seek to shift emphasis to a largely neglected, yet increasingly important context for hybrid organizations: the global economic and institutional environment. Interestingly, most research on hybrid organizations has been focused on specific local or national settings. For example, Cambridge Energy Alliance studied by Jay (2013) combines the logics of public service and client service in a local context. Similar studies of hybrid organizations include the Work Integration Social Enterprises of France (Pache and Santos (2013), and Bolivian microfinance organizations (Battilana and Dorado, 2010; Battilana et al., 2012), etc. where the hybrid organizations are limited to a national setting.

With increasing economic exchanges, interdependencies and integration across national borders (Giddens, 2013; Ghemawat, 2011), more and more hybrid organizations operate across geographic boundaries as well. For example, the eye glasses company Warby Parker based out of New York City donates one pair of eye glasses in developing countries (through its partner organization Vision Spring) for every pair it sells (Marquis and Park, 2014). Warby Parker’s commercial operation takes place in US cities while its social mission is based in developing countries. Another example is the case of the Belgian organization Mobile School (Battilana et al., 2012) that provides educational materials to children who live on the streets all over the world. Mobile School engages in consulting and corporate training programs to generate revenues. My empirical focus, as I elaborate further below, are hybrid organizations in the global outsourcing industry.

Focusing on hybrid organizations in global contexts allows, on the one hand, to add nuance to established streams of research on hybrid organizations. Specifically, a global perspective draws further attention to a critical issue that hybrids encounter: the challenge of reconciling growth aspirations with maintaining social missions. Prior research suggests that as hybrid organizations scale up operations, they may be subject to "mission drift" (Ebrahim et al., 2014) and eventually lose their identity as a "social enterprise" (Andre and Pache, 2014). The challenge of growth seems particularly important as hybrid organizations expand beyond national borders or seek to acquire global clients. As hybrid organizations grow across borders, both the *way* and the *extent* to which they implement and integrate social and business aspects of organizing is likely to change (see in general Battilana and Lee, 2014). I seek to investigate this further.

Empirical Foundation of the Thesis

Impact Sourcing: Hybrid Business Models in Global Outsourcing

The empirical context of this dissertation is global outsourcing – one of the fastest growing sectors in today's economy. In particular, I focus on global outsourcing of IT and business processes, including IT infrastructure, payroll, tech support, call centers, software testing, and engineering support. Such services are increasingly being outsourced to specialized service providers who typically operate outside the home country of clients (Manning et al., 2008). Within this context, so-called impact sourcing service providers (ISSPs) have emerged who specialize in hiring and training staff from disadvantaged groups in society for outsourcing jobs – a practice called impact sourcing (IS).

To better understand this relatively new practice I introduce drivers and effects of global outsourcing in general briefly. Global outsourcing has been facilitated by increasing digitalization and commoditization of business processes (Davenport, 2005). It is mainly driven by cost, speed, access to talent and other strategic advantages (Manning et al., 2008; Lewin et al, 2009) which have led Western client firms, from the U.S. and Western Europe in particular, to increasingly outsource business processes to specialized service providers abroad (Ethiraj, et al 2005, Athreye, 2005; Dossani and Kenney, 2007). Providers include both large full-service providers, e.g., Accenture, IBM Business Services, Infosys, Genpact, and Wipro, and smaller, more specialized vendors. Many providers are headquartered or at least operate from developing regions, e.g., India, China, and Eastern Europe. Developing countries, not least the outsourcing pioneer economy India, have soon realized potential benefits of the outsourcing industry for local economic development and growth (Bresnahan et al., 2001; Reddy, 1997; Patibandla and Petersen, 2002). For example, local industrial policies have targeted funding to establish a suitable IT infrastructure and highly trained workforce to attract outsourcing projects and to eventually provide new employment and career opportunities, in particular for young scientists and engineers (Freeman, 2006). With a similar mindset, other regions, e.g., Africa and Latin America, have tried to follow the Indian example and develop an outsourcing industry as a way to promote economic development (Manning, 2013). However, these efforts have typically focused on a certain segment of urban, highly trained professionals (Freeman, 2006), while neglecting less privileged groups (e.g., rural, unskilled, disadvantaged) of the population. From the perspective of businesses, it has been observed, even for a highly advanced outsourcing market like India, that firms located outside urban IT hubs lack the formal and institutional networking opportunities available to those located within these hubs (Nanda and Khanna, 2007). Therefore, it can be concluded that with many countries and regions (especially, African countries) being bypassed from the new wave of IT offshoring, the benefits accrued from it have been limited (Levy, 2005). Even for an IT hub like Bangalore, low wages, underemployment, higher prices, and reduced governmental services (Waldman, 2004) are still persistent.

To promote more inclusive development, a number of development initiatives, in particular, the Impact Investing Initiative of the Rockefeller Foundation, have focused efforts to establish a new practice called ‘Impact Sourcing' (IS). Following pilot projects in Kenya, Ghana, South Africa and Nigeria, the IS Conference formally introduced IS in 2011 as a new model of global service outsourcing that focuses on providing employment opportunities to disadvantaged groups in society. According to the International Labor Organization (2011), "disadvantaged refers not just to economic factors, such as income poverty, or lack of experience in and poor understanding of the formal job market, but also social factors such as gender, racial, ethnic or migrant background, and geographical isolation with poor access to quality education and job opportunities." In practice, this includes people with limited access to education and income, which prevents them from access to decent livelihoods and employment opportunities. It also includes people with physical disabilities, e.g., impaired hearing, whose access to regular jobs and careers is severely constrained.

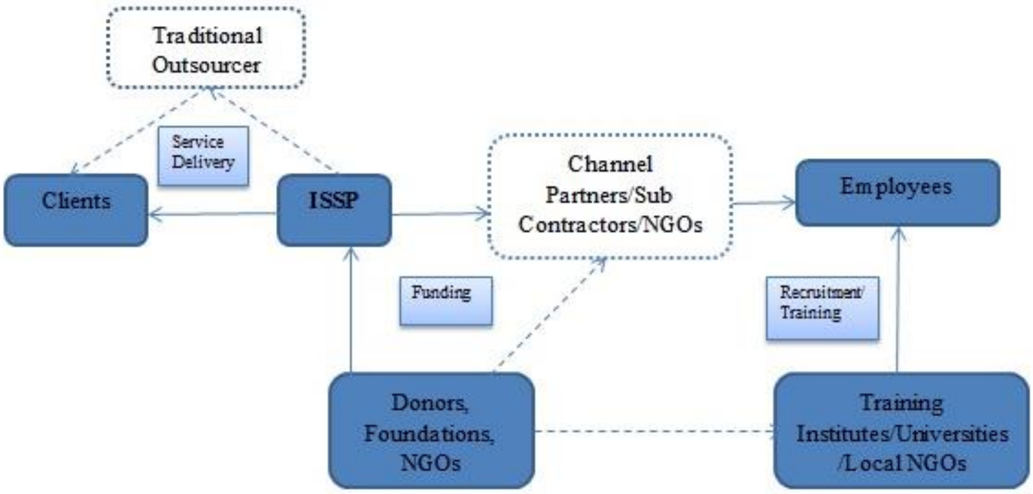
Providers that adopt IS models – so-called Impact Sourcing Service Providers (ISSPs) – are examples of hybrid organizations as they aim at offering profitable, high-quality services at competitive prices to global clients while at the same time making a developmental impact in the local community. One example is iMerit – an ISSP operating in a poor rural community in India. iMerit recruits youth through a non-profit local community organization which iMerit helped establish several years ago. Hires get trained by both iMerit and their partner organization to take on various tasks – from data management to digital publishing and service desk jobs – for various global clients. Another example is Cayuse Technologies, a U.S.-based sub-contractor of Accenture that operates in a Native American reservation. Focusing on business processing and IT-related jobs, Cayuse Technologies hires and trains Native Americans, whose employment prospects are limited to local casinos or temporary jobs, if any jobs are available at all.

ISSPs typically operate within a complex network of *stakeholders* with partially conflicting demands. Figure 1 displays a generalized IS stakeholder network. Next, I introduce in particular four stakeholders: global clients, employees, community organizations, and foundations.

Global clients. Global clients include private sector firms, telecommunication providers, government organizations, large NGOs, universities, charitable organizations and in some cases large business process outsourcing firms. In general, clients are concerned about cost savings, but also high service quality, data security and reliability (Bulloch and Long, 2012). While the rather new practice of IS has been mainly driven by providers rather than clients, the latter show an increasing interest in IS, in particular when IS leads to cost reduction further, as indicated by recent studies.

Also, according to a recent survey by International Association of Outsourcing Professionals (IAOP, 2012), more and more large clients consider corporate social responsibility (CSR) as part of their outsourcing decisions, which may facilitate further adoption of IS. However, as of today, clients select providers – no matter if mainstream or ISSPs – mainly based on their ability to cut costs and provide high-quality services in a reliable fashion.

Figure 1 Impact Sourcing Stakeholder Network



Employees and their communities. Other important stakeholders are the actual employees and their communities. ISSP employees are typically challenged by poor access to sustainable sources of livelihood, and lack of formal education. For most ISSP staff, this is their first job in a "professional" environment. In addition to learning technical skills required for the job, they also learn soft skills like working in a team, negotiation, networking, etc. which may help them in their professional careers. Some ISSPs allow their employees to pursue a college degree simultaneously with the work that they do, thereby ensuring better future employability. Also, many

ISSPs encourage their employees to participate in community development programs actively. Along with the employees, the local communities also benefit from IS with more community members getting employed, as well as improved education and infrastructure facilities.

Local community organizations. One crucial stakeholder is local, often non-profit community organizations that serve as subcontractors or ‘channel partners.' They play a major role in recruiting, and training (Information Technology skill development) of employees and therefore need extensive knowledge about the local population. Their primary mandate is to serve and represent the interests of the local community in general, and the interests of particular target groups, such as disadvantaged youth, in particular. ISSPs may also partner up with various other supporting organizations, such as local universities and training institutes. Community organizations are often supported by industry associations and state IT boards which formulate ICT (Information Communication and Technology) friendly policies to support employment and industry development.

Foundations. Apart from operational partners, various funding organizations may be involved. For example, the Rockefeller Foundation played a significant role not only in conceptualizing and popularizing IS through its Poverty Reduction through Information and Digital Employment (PRIDE) initiative, and in disseminating IS practices but also in funding feasibility studies and IS adopters. Also, philanthropic organizations and consulting firms may serve as funding institution, e.g., by providing training grants.

Comparison of ISSPs to Work Integration Social Enterprises

Organizations similar to ISSPs have been studied in the context of hybrid organizations previously. For example, Pache and Santos (2013, 2010) analyzed how hybrid organizations incorporate elements of competing logics and navigate the paradoxical outcomes that they usually encounter through comparative case studies of Work Integration Social Enterprises (WISE). These organizations developed in the late 1970s with the specific mandate to hire and train long-term unemployed individuals in fields as varied as construction, catering, or temp work. They were conceived as economic entities with a primary focus on the social mission. Revenues of WISEs came from the sales of products and services that the employees generated as well as public subsidies as long as they maintain their social mission.

Similarly, most ISSP entrepreneurs consider themselves commercial entities and professional organizations with a mandate to make a social impact on local communities. At a broader level, the drivers of social impact varied from knowledge of the local conditions, altruistic intentions and even knowledge of funding sources for social enterprises. Much like hybrid organizations where commercial imprints acquired by its founders from previous work experiences function as antecedents to the creation of hybrids (Lee and Battilana, 2013), preliminary empirical evidence points out that the ISSP founders' past work experiences have influenced the establishment of these organizations. Thus, ISSPs rely on market-based principles to serve their social mission, and hence these organizations are hybrids that incorporate competing social welfare and commercial logics.

Organization of the Thesis

This thesis consists of three distinct research papers that each investigates particular research questions relating to the core contingencies of managing hybrid organizations in global contexts. Each paper is written to be self-contained and can be read separately. In the following section, the research design and data collection of the thesis are elaborated on before the individual research papers are introduced and summarized.

Research Design and Data Collection

Research Design

To better understand contingencies and challenges of managing ISSPs as examples of hybrid organizations operating in global contexts I employ primarily qualitative methods. The *emergent* nature of qualitative research aids the researcher's growing knowledge about the project (Rallis and Rossman, 1998), especially when a new phenomenon like Impact Sourcing is explored with theorizing in mind. The *iterative* and *interpretive* nature of conducting qualitative research (Rallis and Rossman, 1998) further helps in navigating the differing logics present in hybrid organizations and understanding and representing the motivations and actions of the individuals and organizations present in the field.

The case study method is particularly useful in examining contemporary processes in which the investigator has little or no control over the associated behavioral events (Yin, 2008:18). Also, this method is preferred over others because it has a more explanatory orientation for situations in which the phenomenon is closely embedded to the context (Yin, 2008). Impact Sourcing is situated in the context of long-established outsourcing and offshoring services operations and is intended to benefit a new set of beneficiaries-disadvantaged groups in the society. The growing interest of local and global entrepreneurs, global clients, impact investors and philanthropic foundations each adds a different dimension to the multifaceted context in which Impact Sourcing is situated.

Specifically, a *multiple case study design approach* (Yin, 2008) is employed to analyze the challenges and contingencies of hybrid organizations in a global context. This allows to elaborate and add nuance to theoretical implications of findings beyond one particular case, aiming for a ‘generalization in small steps’ (Diesing, 1971). Specifically, I apply what Yin (2008) calls a ‘replication logic.' I thereby combine literal and theoretical replication. *Literal* replication, according to Yin (2008), means that the case analysis is replicated for similar cases to increase the robustness of findings. For example, I selected multiple ISSP cases in the same economic and institutional context, as well as with other similar critical features (see further below). *Theoretical* replication aims to expand the variety of cases along relevant criteria. In particular, as elaborated below, cases where also selected across different economic contexts, as well as across different founding conditions, sizes, and orientations. This allows differentiating findings along theoretically useful criteria (Eisenhardt, 1989; Eisenhardt and Graebner, 2007).

Specifically, I studied ISSPs in the U.S., India, Kenya and South Africa. These contexts are both similar and different along important dimensions which I elaborate further below. Second, I selected ISSP cases from a population of providers both within and across these country contexts, to allow for variety along a number of dimensions, in particular, their distance and governance relation with clients, size, entrepreneurial background, etc. I elaborate on these criteria further below. Such an embedded case study research design adds operational detail to the cases thereby enhancing the insights derived and allowed for multi-level explanations (Yin, 2008:50).

Data collection: Interviews and archival data

Multiple sources of empirical evidence were utilized to explore and support research findings (Yin, 2008; Eisenhardt, 1989). The most important sources were interviews and secondary archival data. As part of each field study, multiple interviews were conducted with ISSP entrepreneurs, incubators, policy-makers, training institutions and others. These were *in-depth interviews* where respondents were asked about the facts of a matter as well as their opinions about the events (Yin, 2008:107). The interviews were conducted in multiple rounds- initially, after a review of archival data and research reports available. Policymakers, industry association executives, foundation executives, etc. were interviewed to obtain useful information about developments in the field. This group of interviewees became the key informants and helped to identify some of the potential interviewees in the second round of the interview process. That is, to identify valuable interview partners in all four empirical contexts, I followed a snowball approach by first consulting major foundations/business associations (Rockefeller Foundation, NASSCOM, BPeSA), and by screening prior literature on ISSPs (Rockefeller Foundation, 2011, 2013).

Table 1 gives an overview of all interviews conducted (n=38). In Kenya, overall, thirteen semi-structured interviews were conducted with ISSPs, incubators, and policy-makers in Kenya. In the U.S., four have been conducted with ISSPs as well as members of the Rockefeller Foundation. In India, nine interviews have been conducted with ISSPs and local organizations (two interviews were conducted with executives of the same organization). In South Africa, 13 interviews have been conducted with regular Business Process Outsourcing (BPO) and IS service providers, as well as with representatives of the government, especially an outsourcing promotion agency, local representatives of Rockefeller Foundation and the Maharishi Institute – training institution associated with a regional university.

Table 1 Overview of data source

Source	**Number**
Primary Data: semi-structured interview	
Kenya	
ISSP CEOs and managers	4
Regular CEOs and managers	5
Policy Makers	2
Experts	2
South Africa	
ISSP CEOs and managers	4
Regular CEOs and managers	3
Policy Makers	4
Experts	2
US	
ISSP CEOs and managers	2
Regular CEOs and managers	-
Policy Makers	2
Experts	-
India	
ISSP CEOs and managers	8
Regular CEOs and managers	-
Policy Makers	1
Experts	-
Total number of interviews	38
Secondary Data:	
Rockefeller Foundation (reports, articles, cases)	30
ISSP Websites	12
Accenture Development Partnership (report)	2
Avasant Consultants (report)	1
Digital Divide Data Impact Report	1
World Bank ICT Unit (report) IEEE Readynotes: Rural Sourcing & Impact Sourcing	1 1
Total number of secondary sources	48

In the interview process, we addressed issues of reliability and validity (Yin, 2008: 40). As for reliability in the data collection process, we used a standard procedure to increase reliability independent of interviewers. To increase external validity, a replication logic was applied as described earlier through multiple rounds of data collection. As for construct validity, emerging constructs were partly validated by confronting selected interviewers in the consecutive data collection with emerging findings. The constructs were defined in dialogue with concepts from the literature review. Also, the operational measures to capture these constructs were related to relevant literature (Yin, 2008:42).

To further increase the external validity of our findings, we have been collecting secondary data on ISSPs across the world, e.g., policy reports and practitioner articles, with focus on the business model of ISSPs and the implementation challenges. For example, the case of Samasource, a well-known ISSP, has been used in our analysis as a reference point (based on prior studies of this organization) to put our findings in perspective. Also, we keep track of self-reports of Rockefeller Foundation to capture ongoing trends related to Impact Sourcing as a business practice. Furthermore, we incorporate findings from consulting groups, such as Accenture, to complement our findings.

Motivation and Core Findings of the Research Papers

The three papers try to address the overarching research question: "*what are the core strategies and contingencies of managing social-business hybrids in global contexts?"*– specifically in the context of global business-to-business relations. The first paper seeks to better understand how hybrids operating in global markets manage paradoxical social-business tensions in the context of growth. The second paper identifies key industry, institutional and firm-level factors that affect hybrid model adoption. This paper illustrates the business potential of hybrid enterprises in latecomer economies like Sub-Saharan Africa and emphasizes the role of local community resources (e.g., labor, market ideas), community organizations giving access to such resources, and business-community alliances. The third paper investigates the variation in business model configurations of social business hybrids as a function of the background and aspirations of the social entrepreneur, and level of domestic competition and global client expectations. The three papers are summarized in Table 1.2 and are elaborated below.

Chapter 2: How Hybrids Manage Growth and Social-Business Tensions in Global Supply Chains: The Case of Impact Sourcing (co-authored with Stephan Manning and Nardia Haigh).

There has been growing interest in paradoxes, ‘‘contradictory yet interrelated elements that exist simultaneously and persist over time’’ (Smith and Lewis 2011)—elements that seem logical in isolation, but irrational when viewed simultaneously (Lewis 2000; Schad et al. 2016; Hahn et al., 2015). Hybrid organizations (or hybrids) are increasingly important organizational forms that embrace a central paradox: the simultaneous pursuit of social missions and financial objectives (Battilana and Lee, 2014). This paper examines examine how hybrids approach growth (their ‘‘growth orientations’’) while managing paradoxical social–business objectives. The guiding research question is: “How do hybrids in global supply chains balance growth opportunities and social–business tensions?”
Based on an inductive multi-case study of twelve ISSPs from around the world, I differentiate two major orientations toward growing and managing social–business

tensions: ‘‘community focused’’ and ‘‘client-focused’’ growth. Community-focused growth denotes an approach orchestrating slower growth within the constraints of integrated community and client relationships. ISSPs with this orientation often operate from rural areas and serve co-located or domestic clients that share the social context and support the social mission. Social–business tensions are managed by developing community-centered solutions, e.g., aligning client expectations with workforce capacity through training and sensitizing them about the community. In contrast, client-focused growth seeks faster growth driven by pressure and aspirations to expand while managing social missions independently. ISSPs with this orientation often cater to international clients from more developed, mostly urban areas, and tensions are managed through client-centered solutions, e.g., certifying the workforce to independent third-party standards. Importantly, entrepreneurial aspirations can be both a driver of growth orientations and a source of conflict. Conflicts may lead entrepreneurs to move from one growth orientation to another and therefore manage social–business tensions in new ways.

Chapter 3: The strategic potential of community-based hybrid models: The case of global business services in Africa (co-authored with Stephan Manning and Nichole K. Wissman- Weber).

While organizational scholars have considered some of the reasons behind the origins of social business hybrids, especially entrepreneurs’ antecedents like cognitive characteristics, the role of imprinting from past work experience etc. (Mair and Noboa, 2006; Robinson, 2006; Lee and Battilana, 2013), very few studies have looked at the industry conditions that favor the adoption of social business hybrid models. This paper adds to the debate on hybrid organizations by providing a more context-sensitive understanding of their adoption- certain industry conditions may allow smaller scale hybrids to emerge and put less focus on the need to scale up. This research is pertinent for late comer economies like sub-Saharan Africa where the ability of regular business models to 'catch-up' (Altenburg et al., 2008; Lorenzen and Mudambi, 2013) with global competition have been considered difficult (The Africa Report, 2012). This study investigates the research question- "*under what conditions is the adoption of hybrid models a feasible strategic opportunity for firms that operate in Sub-Saharan Africa and serve regional and global clients?* "

Using an extended version of *tripod model* of multilevel strategic analyses (Peng et al., 2008,2009), I analyze the interplay of institutional, industry and firm-level conditions in promoting certain strategic directions within firm populations. This study finds that community based hybrid business models can leverage community resources- like underutilized labor markets, local community organizations, and business ties with these organizations- to their advantage when compared to regular business models. I also find that this requires both institutional and firm level support to using community resources and serving niche markets rather than mainstream markets. This paper positions community based hybrid business models as an underutilized potential that may help in the catch-up process of sub-Saharan African countries.

Chapter 4: How Social Business Hybrids Vary in International Contexts: Founders' Aspirations, Client Expectations, and Liability of Embeddedness (co-authored with Stephan Manning, Nardia Haigh and Sumit K. Kundu).

Social business hybrids are complex business models (Smith et al., 2010) and the globalizing nature of these social businesses has added to this complexity and variability of these business models. Prior research has recognized that SBHs vary in their implementation (e.g. Battilana and Lee, 2014; Jay, 2013; Pache and Santos, 2013)- for example, core activities, workforce composition, organizational design etc. vary to different extent (integrated or differentiated) in the way they pursue social and commercial goals. It is important to consider the broader institutional context, competitors, customers, consumers, suppliers and other partners to understand this variation, especially when the social business hybrid operates in a business to business sector. This paper investigates the role of founders' background and aspirations, and the nature of competition affecting variation in business models of international SBHs. The research question that guides this study is *"how do founders' background and competitive conditions affect business model configurations of international social-business hybrids?"*

Through an inductive study of eleven ISSPs from India, Kenya and South Africa, I identify four business model configurations that differ in strategic focus and internal organization: strategically, ISSPs either serve international and domestic clients, or exclusively domestic clients, and they either prioritize the social mission or business opportunities. Organizationally, ISSPs either focus on low-cost (lower-skilled) or differentiated (higher-skilled) services, and they either integrate or decouple social mission and business operations. Findings reveal that, on the one hand, entrepreneurs with an international background are typically more social mission-driven and tend to invest into training beneficiary staff to be able to offer differentiated services, whereas domestic entrepreneurs are often more business opportunity-driven, invest little into staff development, and thus focus mostly on routine low-cost services. Client choice and management, on the other hand, are mainly explained by how entrepreneurs respond to 'liability of embeddedness', i.e. perceived disadvantages in trying to win clients outside the community in which their social mission is highly valued. For highly competitive environments and markets such as India (e.g., the business process outsourcing industry in India), this "liability" is particularly high, which is why ISSP founders often focus on domestic clients that buy into the social mission more easily. Such ISSPs also typically integrate social mission and business operations. On the other hand, in less developed and less competitive contexts, such as Africa, ISSP founders also target international clients. To meet global client expectations, ISSPs often decouple social mission and business operations, thus further mitigating liability of embeddedness.

Next, I summarize the three different studies that form a part of this thesis in Table 2.

Table 2 Summary of the 3 papers

Overarching Question	**What are core strategies and contingencies of managing social-business hybrids in global contexts?**		
Particular Questions	(1) How do hybrids in global supply chains balance growth opportunities and social–business tensions?	(2) Under what conditions are the adoption of hybrid models a feasible strategic opportunity for firms that operate in Sub-Saharan Africa and serve regional and global clients?	(3) How do founders' background and competitive conditions affect business model configurations of international social-business hybrids?
Data Collection	Multiple embedded case study design in the field of global outsourcing/impact sourcing: series of interviews with ISSP entrepreneurs, policy-makers, experts in India, US, Kenya, South Africa; secondary documents (consulting reports, reports of Rockefeller Foundation, …)		

Dependent Variables	Growth orientation and social-business tensions.	Adoption of Hybrid Models vis a vis regular business models in Sub-Saharan Africa.	Variation in business models of Social business hybrids.
Theoretical Lens/Framework	Paradox theory/paradox dynamics e.g., Schad et al. (2016); Smith and Lewis (2011)	Tripod Model of Strategic Analysis (Peng et al., 2008, 2009)	Social Business Models (Yunus et al., 2010); Globalization of Social Enterprises (Zahra et al., 2008, 2013);
Independent Variables	Location of business clients, community settings.	Economic and industry conditions, institutional conditions, firm resources, and capabilities.	Founders' prior experience and competitive positioning of regions.

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CHAPTER 2

HOW HYBRIDS MANAGE GROWTH AND SOCIAL-BUSINESS TENSIONS IN GLOBAL SUPPLY CHAINS: THE CASE OF IMPACT SOURCING

Introduction

Management scholars have increasingly examined how organizations manage tensions between differing objectives and stakeholder demands (Pache and Santos, 2010; Smith and Tushman, 2005; Oliver, 1991). More specifically, there has been growing interest in paradoxes, or 'contradictory yet interrelated elements that exist simultaneously and persist over time' (Smith and Lewis, 2011) – elements that seem logical in isolation, but irrational when viewed simultaneously (Lewis, 2000; Schad et al., 2016; Hahn et al. 2015). Hybrid organizations (or hybrids) are increasingly important organizational forms that embrace a central paradox: the simultaneous pursuit of social missions and financial objectives (Battilana and Lee, 2014). Tensions intensify when hybrids operate globally – simultaneously catering to international clients and local communities (Marquis and Battilana, 2009). We seek to better understand how hybrids operating in global markets manage this tension in the context of growth.

Prior studies have examined social-business tensions of hybrids and challenges of growth separately. On the one hand, scholars have emphasized ways that hybrids combine, balance or decouple practices and structures to meet social and commercial demands (Battilana and Lee, 2015; Pache and Santos, 2013). On the other hand, studies have investigated the challenges of growth in terms of entering new markets, acquiring new clients, and expanding the scale and scope of operations (Battilana & Dorado, 2010; Boyd et al., 2009; Lumpkin et al., 2013; Weerawardena & Mort, 2006). For example, scholars have discussed “mission drift” – when growing hybrids ‘drift away’ from social goals in favor of commercial goals (Haigh and Hoffman, 2012), but have also found that hybrids have managed growth and their pursuit of social and business objectives without tension (Haigh et al., 2015a).

In this paper, we examine how hybrids approach growth (their "growth orientations") while managing paradoxical social—business objectives. By growth orientations, we mean approaches to growth or ways of growing that include choices regarding the pace of growth, managing stakeholder relationships, and balancing competing demands. While growth orientations do not determine actual growth, they do prepare hybrids for managing growth in certain ways. Our guiding research question is: *How do hybrids in global supply chains balance growth opportunities and social—business tensions?*

We investigate this question for the empirical case of hybrid organizations operating in global supply chains (GSCs) within the global service outsourcing industry. Businesses operate within globally distributed production and service delivery systems connecting dispersed clients and suppliers (Gereffi et al., 2005; Mudambi, 2008). Global service outsourcing refers to companies sourcing services such as payroll, tech support, call centers, and software testing and engineering from specialized providers in other countries (Doh, 2005; Manning et al. 2008; Massini and Miozzo, 2012). Within this context, Impact Sourcing Service Providers (ISSPs) have recently emerged. ISSPs are an interesting example of hybrids operating in GSCs. ISSPs are similar to regular service providers like Infosys, Genpact, and Accenture in delivering low-cost, high-quality services to (predominantly) Western clients, but unlike them ISSPs promote inclusive employment through 'impact sourcing' (IS) - hiring and training people from disadvantaged groups in local communities (beneficiaries) (Rockefeller Foundation, 2011; 2013).

Hybrids serving global markets become 'embedded' in relationships with international/domestic clients and local communities (Uzzi, 1997; Gulati, 1995; Gulati & Gargiulo, 1999). Communities include rural and urban settings that are typically small-scale, geographically bounded, and have strong ties and common identities (Marquis & Battilana, 2009; Freeman and Audia, 2006; Portes and Sensenbrenner, 1993). Prior research (e.g., Kistruck & Beamish, 2010; Maak & Stoetter, 2012; Mair et al., 2012; Montgomery et al., 2012) has often focused on interactions of hybrids and communities without considering the client perspective, yet, hybrids operating in GSCs need to cater to local communities *and* sophisticated clients. Balancing these demands becomes particularly difficult with growth.

Based on an inductive multi-case study of twelve ISSPs from around the world, we differentiate two major orientations towards growing and managing social-business tensions: 'community-focused' and 'client-focused' growth. *Community-focused growth* denotes an approach orchestrating slower growth within the constraints of integrated community and client relationships. ISSPs with this orientation often operate from rural areas and serve co-located or domestic clients that share the social context and support the social mission. Social-business tensions are managed by developing community-centered solutions, e.g., aligning client expectations with workforce capacity through training and sensitizing them about the community. In contrast, *client-focused growth* seeks faster growth driven by pressure and aspirations to expand while managing social missions independently. ISSPs with this orientation often cater to international clients from more developed, mostly urban areas, and tensions are managed through client-centered solutions, e.g., certifying the workforce to independent third-party standards. Importantly, entrepreneurial aspirations can be both a driver of growth orientations and a source of conflict. Conflicts may lead entrepreneurs to move from one growth orientation to another and thereby manage social-business tensions in new ways.

Our findings have important theoretical and research implications. First, we discuss how being part of GSCs may affect hybrid growth strategies. We add to prior research by discussing the influence of rural vs. urban community settings and geographic distance to clients on growth opportunities and constraints. Second, we provide a more contextualized analysis of how paradoxical social—business tensions are perceived and managed. Based on the idea that paradoxical tensions can never be resolved completely (Smith and Lewis, 2011), we show that among hybrids in global supply chains, specific drivers, such as growth orientations and entrepreneurial aspirations, can turn latent into manifest social-business tensions and re-activate cycles of realizing and managing these tensions. We thus contribute to a more relational and contextual understanding of paradox dynamics (Schad et al., 2016), and suggest that paradox literature could benefit from a ‘spatial turn’ in its analysis of tensions. Third, we extend the prior debate on the social impact of outsourcing by discussing the growing importance of IS as a responsible practice.

We begin with a review of prior research on growth and management of tensions among hybrid organizations. We then discuss the need to study hybrids in GSCs and introduce the case of IS. This is followed by a presentation of our methods, case data and findings, and a discussion of theoretical and research implications.

Hybrid Organizations: Characteristics, Tensions, and Growth

In a broader sense, hybrid organizations are any "organizations that possess 'significant' characteristics of more than one sector (public, private and third)" (Billis, 2010: 3). For this study, we focus on hybrids operating in the private/third zone between traditional for-profit firms and third sector (non-profit) organizations. In further defining hybrids we note that practitioners and scholars have at various times considered social enterprises to be a type of hybrid or vice versa (e.g., Alter, 2007; Battilana and Lee, 2014). We follow others in using the terms interchangeably (e.g., Waddock and McIntosh, 2011; Haigh et al., 2015b; Santos et al., 2015). The hybrids on which we focus sit at intermediate points between for-profit firms with no social mission and non-profit charities sustained with grants and philanthropy. Their intermediate position gives hybrids flexibility to complement established organizational forms and practices to meet their social and business goals (Haveman and Rao, 2006, Pache and Santos, 2013), such as combinations of legal registration (for-profit and non-profit), revenue streams (philanthropic and earned), practices (particularly HR practices), and strategies.

The organizational forms adopted by hybrids arise from their multiple institutional logics (Greenwood et al., 2011; Battilana and Dorado, 2010), which are defined as taken-for-granted beliefs and practices that guide behavior (Friedland and Alford, 1991; Thornton and Ocasio, 1999). Logics provide the cultural materials through which organizational forms are constructed (Greenwood and Hinings, 1993). Hybrids often combine two specific logics: the business logic of revenue and profit generation by providing commercial goods or services, and the logic of societal welfare by providing services that positively affect social and ecological systems (Smith et al., 2013). More than other organizational forms, hybrids have the potential to integrate social missions into a feasible business model (Jay, 2013; Porter and Kramer, 2011; Haigh and Hoffman, 2014), yet this potential can also translate into challenges, as social and commercial concerns compete for resources in growth efforts (Pache and Santos, 2013; Jay, 2013). While many organizations face conflicting stakeholder and institutional demands (e.g., Pache and Santos, 2010), it is pronounced among hybrids due to their plural goals (Battilana and Lee, 2014; Smith et al., 2013).

Previous research suggests that hybrid organizations experience tension in multiple forms, and has used paradox theory to examine them. In line with Smith et al. (2013), our study particularly focuses on performing, learning and belonging tensions (see also Smith and Lewis, 2011). Performing refers to the need to simultaneously achieve goals in line with conflicting stakeholder expectations (see also Jay, 2013). Learning is about adjustments needed when moving from past to future, such as conflicting time horizons related to scalability, flexibility, and growing both impact and business. Belonging refers to conflicts between individual and organizational identities and objectives (see also Pache and Santos, 2010; Hahn et al. 2015; Battilana et al. 2012). Smith and Lewis (2011) argue that a major characteristic of paradoxical tensions is their persistence over time - the continuous dynamic between their manifestation, partial acceptance, and accommodation, which may trigger new manifestations. Yet, we lack an understanding of how such dynamics unfold in particular contexts (Schad et al. 2016). We seek to identify key mechanisms by which social-business tensions become salient especially in the context of GSCs, and how hybrids manage such tensions.

Prior studies have addressed several ways that hybrids manage social—business tensions, such as selectively combining, balancing or decoupling practices, identities, bottom lines, accountabilities, and structures (see Battilana and Lee, 2014; Mair et al., 2015; Pache and Santos, 2013; Tracey and Phillips, 2007). According to Aurini (2006), hybrids practice "decoupling" by internalizing some practices while symbolically adopting others to demonstrate external legitimacy. Some hybrids balance by selectively combining governance and/or operational practices from a single social or business logic (Mair et al., 2015) or multiple logics (Mair et al., 2015; Pache and Santos, 2013), by building mechanisms to connect to stakeholders (Tracey & Phillips, 2007), or by developing new governance or operational practices (Battilana and Dorado, 2010; Mair et al., 2015). However, Battilana and Lee (2014) argue that among hybrids there are differences in the *way* and *extent* to which they address social-business tensions. Also, some tensions appear persistent and are managed by maintaining space for them (Battilana et al., 2015) and their potential for paradoxical outcomes (Jay, 2013). A more contextualized analysis of hybrids and their tensions is needed that specifies how and when social-business tensions become manifest and subject to efforts to manage then, and the limitations of managing such tensions.

One critical and little-understood context within which managing social-business tensions becomes important is growth. Many prior studies have conceptualized growth of scale and scope in the context of hybrids as a challenge by itself (Battilana & Dorado, 2010; Boyd et al., 2009; Lumpkin et al., 2013; Weerawardena & Mort, 2006). However, in several sectors, such as global service outsourcing, being able to grow and develop business capabilities is almost a precondition for becoming visible by global clients (Mudambi, 2008; Kannothra and Manning, 2015). It is thus critical for hybrids in the global service outsourcing sector to balance growth opportunities and social-business tensions.

Previous work on hybrid growth has focused mainly on the pace of growth and related challenges. Some hybrids pursue slower growth, seeking to achieve just enough growth to enable them to remain economically viable while sacrificing the opportunity to grow quickly or exponentially (Boyd et al., 2009; Lumpkin et al., 2013). Other hybrids may be constrained by resources that are not available in large quantities, such as organically produced food or recycled plastics (Lee and Jay, 2015) or operate a business model where trainees constitute much of their workforce (Battilana and Dorado, 2010). For other hybrids, faster growth is possible and makes sense because sales correlate with the degree to which they can pursue their social mission. However, in doing so, hybrids often compete with larger firms (Lee and Jay, 2015), which is why fast growth often implies ‘mission drift' (Ebrahim et al., 2014) and loss of social identity (Andre and Pache, 2016).

We lack an integrated understanding of how hybrids approach growth *and* manage social-business tensions. We argue and show that, rather than dealing with 'mission drift' as a potential consequence of growth, hybrids develop 'growth orientations' that incorporate certain ways of managing social-business tensions. Choosing a certain growth orientation influences which social-business tensions become manifest and either 'accepted' or subject to certain managerial solutions. Thereby, tensions manifest themselves in context-specific ways. In global supply chains, hybrids manage social-business tensions between meeting local community and global client demands. We introduce this context next.

Hybrid Models in Global Supply Chains: The Case of Impact Sourcing

GSCs are embedded in and are established by complex client-supplier relationships (see, e.g., Henderson et al., 2002). Suppliers – both mainstream and hybrid – build relationships with both international clients and locally situated communities that provide access to important resources, such as labor, expertise, and process support. Research on mainstream suppliers suggests that two conditions are important to competing and growing within GSCs. First, suppliers may depend predominantly on local and domestic resource and competitive conditions (Porter, 1990, 2000). In this regard, suppliers benefit from being part of geographic clusters, where locally bounded concentrations of specialized firms and related institutions serve particular industry demands (Porter, 2000). Being part of such a cluster facilitates access to global clients, talent, and innovation, thus supporting growth (Humphrey and Schmitz, 2002), but can also increase competitive pressure (Pouder and St. John, 1996). Second, supplier growth strategies may be influenced by geographic and institutional distance to major clients (Yeung et al., 2006; Manning et al., 2015). Suppliers often face trade-offs between growth opportunities associated with serving distant global clients and developing trust and effective relations with them. Geographic distance makes it difficult to understand and compete for client needs compared to local competitors, which results in many suppliers choosing to set up foreign operations in major client markets (Martin et al., 1998). Institutional distance, in terms of differences in norms, regulations, and practices (Kostova, 1999), also increases uncertainty and transaction costs for global clients, which prompts suppliers to invest in client-specific capabilities to better understand and serve them.

We seek to understand how these types of conditions affect hybrid in GSCs, and how they affect growth orientations and the ability of hybrids to manage social—business tensions. Prior research emphasizes the need of hybrids to invest into local community relationships to gain access to critical resources and fulfill their social mission (Hoffman et al., 2012; Kistruck & Beamish, 2010; Maak & Stoetter, 2012; Mair et al., 2012; Montgomery et al. 2012), but their close and bounded nature (Marquis & Battilana, 2009) can also restrict growth. Scholars have identified differences between operating out of rural and urban settings (Freeman & Audia, 2006; Marquis et al., 2011; Portes & Sensenbrenner, 1993), which parallels the discussion on benefits and challenges of geographic clusters in the mainstream business literature (see Porter & Kramer, 2011). However, what is missing is the dual embeddedness of hybrids in both local community and global client relationships, and its implication for how they grow and manage tensions. We examine this issue for the case of IS.

The digitalization and commoditization of business processes (Davenport 2005) created opportunities for companies in developed and developing countries to specialize in providing IT services, call centers, tech support and analytical services, as (predominantly) Western clients outsourced them (Mudambi, 2008) to leverage cost, speed, time-zone, talent and other advantages (Reddy, 1997; Lewin et al. 2009). From this, a global service outsourcing industry has emerged that includes large full-service providers and smaller, more specialized vendors.

India has become the largest global service outsourcing destination for U.S. and European firms (Patibandla and Petersen 2002). Other countries and regions like Africa and Latin America have followed India to promote their own economic development (Manning 2013). However, these efforts have typically focused on urban, highly-trained professionals, while neglecting rural, unskilled, or disadvantaged people. The promotion of more inclusive employment and development through IS was driven by the Rockefeller Foundation, which launched IS pilot projects in Kenya, Ghana, South Africa and Nigeria, and started supporting and funding the adoption of IS models in 2011.

Accenture (2012) estimated the global IS market was worth US$6 billion in 2010 (4% of the global service outsourcing market). Another study commissioned by Rockefeller Foundation estimated that the IS market will grow to 17% of business outsourcing spending, and employ 3 million people worldwide by 2020 (Avasant, 2012). Recent studies also suggest that global clients will support IS by linking outsourcing to corporate social responsibility initiatives (IAOP, 2012). However, clients also continue to prioritize service cost and quality regardless of whether they contract with regular or IS vendors (Accenture, 2012).

Data and Methods

We adopt an inductive qualitative case study approach to examine ISSP growth orientations and management of social-business tensions. Qualitative methods are justified for exploring complex phenomena about which little is known and about which a novel understanding is needed (Strauss and Corbin, 1998). IS is a complex and novel trend that has not been investigated in depth. We use a multi-case design following a 'replication logic' (Yin 2008) and promoting 'generalization in small steps' (Diesing, 1979). We selected ISSP cases aiming for literal and theoretical replication: *Literal* replication means that case analysis is replicated for similar cases to increase the robustness and validity of findings, while *theoretical* replication expands the variety of cases along relevant criteria (Yin, 2008).

We used the notion of GSCs as a sensitizing device for case selection and analysis. Sensitizing devices do not 'provide prescriptions of what to see' but can 'suggest directions along which to look' (Blumer, 1954). We selected cases according to types of clients and communities served - reflecting their embeddedness in GSCs. We studied 12 ISSPs in Kenya, South Africa, India and the U.S. - these four outsourcing destinations are among the most important in adopting IS (Lacity et al., 2012). We analyzed the cases as part of one case pool given that the main dimensions used to conduct analysis applied across national boundaries. Our case selection technique and theoretical replication approach allowed us to differentiate findings along theoretically useful and meaningful criteria (Eisenhardt, 1989; Eisenhardt and Graebner, 2007).

Two authors collected both interview and secondary data for each case. ISSPs were chosen based on those listed as important in prior studies, such as Lacity et al.

(2012), and by scanning archival reports and case studies produced by Rockefeller Foundation. Case access was facilitated during interviews with representatives of intermediary organizations, such as Rockefeller Foundation, NASSCOM Foundation, and local business promotion agencies. Rockefeller Foundation[1] and NASSCOM Foundation[2] maintain online IS resources aimed at promoting the sector and providing reliable archival data on ISSPs.

We conducted 38 semi-structured interviews between 2012 and 2014 with managers of ISSPs, service outsourcing experts, policy-makers, business promotion agents and Rockefeller representatives (see Table 3). Interviews with actors external to ISSPs were critical for understanding the context and generic challenges of IS. To increase external validity and robustness of our findings (Yin, 2008), we also collected secondary archival data on each ISSP through websites, and on well-known ISSPs, such as Samasource, as well as policy reports and practitioner articles on IS (also see Table 3).

Table 3 Overview of data

Source	**Number**
Primary Data: semi-structured interview	
Kenya	
ISSP CEOs and managers	4
Regular CEOs and managers	5
Policy Makers	2
Experts	2
South Africa	
ISSP CEOs and managers	4

[1] Rockefeller Foundation portal on Impact Sourcing can be found at https://www.rockefellerfoundation.org/our-work/initiatives/digital-jobs-africa/ (accessed on 12/01/2016).

[2] NASSCOM Foundation portal on Impact Sourcing can be found at http://www.nasscomfoundation.org/get-engaged/impact-sourcing.html (accessed on 12/01/2016).

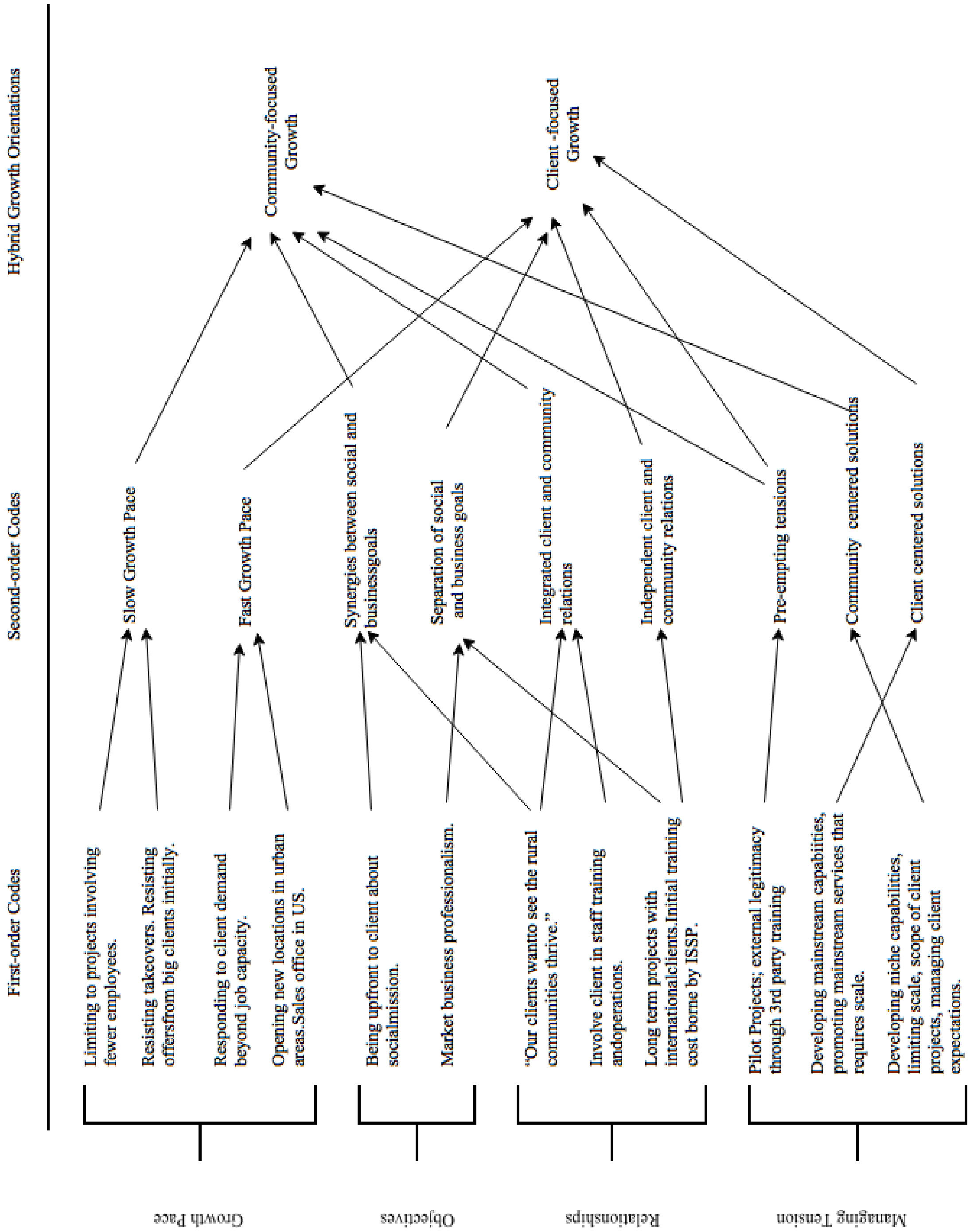
Regular CEOs and managers	3
Policy Makers	4
Experts	2
US	
ISSP CEOs and managers	2
Regular CEOs and managers	-
Policy Makers	2
Experts	-
India	
ISSP CEOs and managers	8
Regular CEOs and managers	-
Policy Makers	1
Experts	-
Total number of interviews	38
Secondary Data:	
Rockefeller Foundation (reports, articles, cases)	30
ISSP Websites	12
Accenture Development Partnership (report)	2
Avasant Consultants (report)	1
Digital Divide Data Impact Report	1
World Bank ICT Unit (report) IEEE Readynotes: Rural Sourcing & Impact Sourcing	1 1
Total number of secondary sources	48

Four rounds of data collection were carried out. First, one author conducted an explorative field trip to Kenya in 2012 to study the local outsourcing industry and IS in particular. Service providers in Kenya were among the first to adopt IS models. In Kenya, 13 semi-structured interviews were conducted with ISSPs and policy-makers. Interview questions focused on founding conditions, the scope of services, targeted IS staff, client-seeking strategies, employment and training practices, growth strategy and major managerial challenges. We followed the replication logic (Yin, 2008) across other national contexts-in India, South Africa and the U.S. Cases were added to increase robustness and further differentiate findings along critical dimensions, in particular, types of client served and properties of sourcing location. The second field trip was conducted in India in 2013 by another author. Nine interviews were conducted with Indian ISSPs, policy-makers and representatives of the Indian business association NASSCOM Foundation. Third, between 2013 and 2014 we conducted four interviews with U.S. ISSPs and the Rockefeller Foundation to include ISSPs in an advanced economy. The fourth round of data was collected in South Africa, where thirteen interviews were conducted with mainstream service providers and ISSPs, training institutes and the Rockefeller Foundation. Additional interviews with mainstream service providers helped us further contextualize the challenges of ISSPs.

As an important limitation of this study, we were not able to collect longitudinal data on actual growth. However, interviews captured historical information on ISSP founding conditions, present strategies, opportunities and constraints, and entrepreneurial aspirations related to growth, target markets, and social mission. Therefore, rather than analyzing the growth of ISSPs over time, we focused on growth orientations of ISSPs. We thereby take a middle position between growth as a structurally induced path and a product of deliberate agency (Giddens, 1984; Emirbayer and Mische, 1998). By studying hybrid growth orientation, we highlight specific ways of growing while managing social—business tensions.

For data analysis, we first cross-tabulated interview responses across ISSPs. In an initial round of coding, we focused on comparing key attributes of ISSPs, such as types of business services provided, target employees, major clients, headquarter location, and key strategic and operational challenges. We provide a selective overview of these features in Table 4. Second, we inductively coded interviews to derive growth orientations and related tensions. Figure 2 displays a coding tree focusing on how we arrived at the two major growth orientations based on the first-order and second-order analysis. To ensure inter-coder reliability, a sample of interviews were coded independently by two authors.

Figure 2 Coding Tree



Major attributes of growth orientations derived from this analysis included: targeted growth pace, the extent to which social and business objectives are coupled, and the degree to which client and community relations are integrated or managed independently. Third, all authors engaged in specifying the major growth orientations. We followed the practice of axial coding (Corbin and Strauss, 2008) by relating growth orientations to facilitating conditions (rural/urban location, and local/international clients based on the pre-categorization of cases) and practices of managing tensions. This analysis indicated that entrepreneurial aspirations were also important. Fourth, we promoted analytical generalization (Yin, 2008) by developing a theoretical model of hybrid growth orientation among ISSPs.

Empirical Findings

We first review major properties of the ISSPs studied, then differentiate cases according to their client and community relationships. Following this, we explain two major growth orientations found – *community-focused* and *client-focused* growth – and relate them to the client and community relationships. We then introduce *entrepreneurial aspirations* as a moderating variable and discuss how the growth orientations relate to the management of social—business tensions.

Overview of the Cases

Table 4 summarizes key descriptive information for the ISSPs and Figure 3 displays how ISSPs are embedded in client and community relationships within the services outsourcing industry. ISSPs in our sample served a wide range of clients and provided a wide range of services. ISSPs either served clients directly or were subcontractors, and some specialized in call center, customer support, and technical helpdesk services to end users of their clients. Further, ISSPs sought various types of skill development and employment for a range of beneficiaries. All ISSPs in our sample employed both beneficiary (disadvantaged) and non-beneficiary (non-disadvantaged) staff, with the latter forming less than 20% of the workforce in most cases. Most non-beneficiary employees had minimum high school education and several years' experience and typically filled managerial and/or client-facing positions, while beneficiary employees often had neither high school education nor prior experience and worked behind the scenes.

Table 4 Summary of cases

Firm, Country	**Urban/Rural**	**Clients (Type/Nature)**	**Services Provided**	**IS Model/Practices Size (No. Employees) Age**
Invincible Outsourcing /Impact Sourcing Academy, South Africa	Urban	Local civic governments, domestic telecom, financial service clients.	Voice support, back office support, transcription.	Work for study model. Employs students attending the Maharishi Institute graduate programs; students get fee waiver/living expenses. Size-500; Age- 7 years
iMerit, India	Urban (and some rural)	International: Travel portals, NGOs, Publishing Houses Domestic: Publishing Houses.	Image tagging, content digitization, digital publishing, global help desks (back office tech support), social media marketing, online content	Recruits and trains rural and urban youths (from marginalized communities) with the help of its sister NGO. Upskills and employ them in high-value assignments. Size-300; Age- 5 years

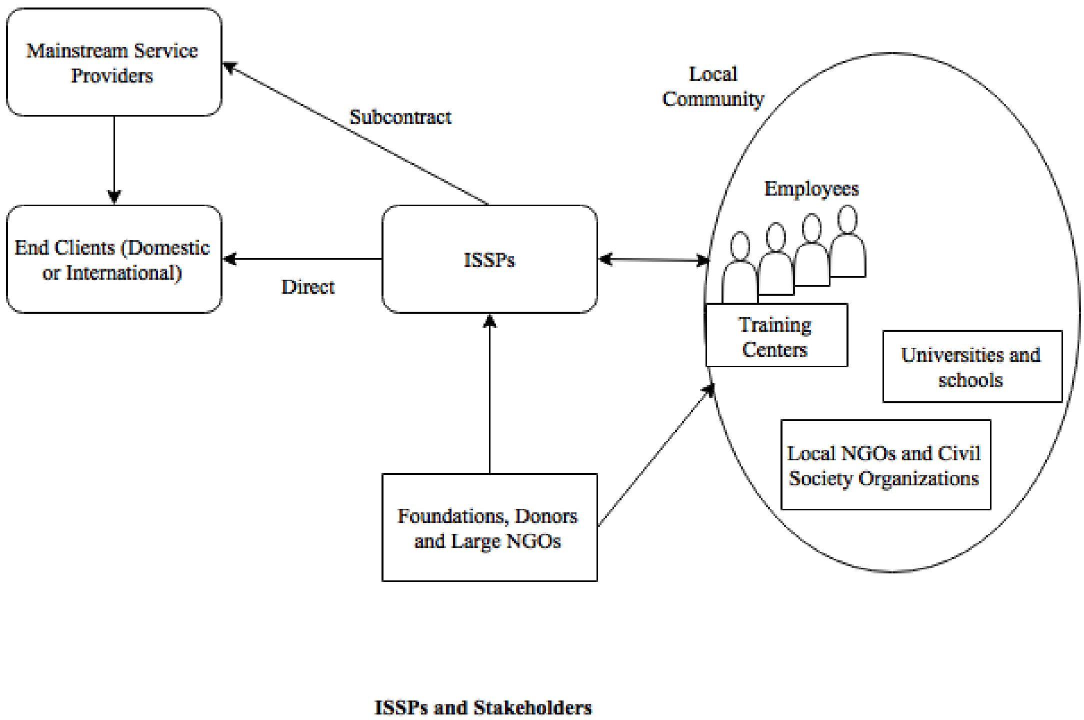
			moderation, etc.	
Cayuse Technologies, USA	Rural	Domestic: Fortune 500 companies and government agencies within the US; anchor client-large consulting and outsourcing company within the US.	Application outsourcing, infrastructure outsourcing, business process outsourcing.	Create sustainable, living wage jobs for the Native Americans and local community by providing clients with a low-cost rural-shore technologies sourcing solution. Size-300; Age-10 years
OTRA, India	Rural	Domestic: Regional telecom, banking, insurance and retail companies, government agencies.	Voice and Non-Voice services. Data and accounts processing, digitization, customer care, inbound and outbound voice services, technical help desks, etc.	Rural outsourcing company providing employment opportunities to rural youth. Subcontractors to other major outsourcing companies. Size-40; Age-5 years
Craft Silicon, Kenya	Urban	Domestic, international; banking industry specific.	IT Services, BPO services including data services.	Recruits from urban slums while maintaining a non-beneficiary work force. Employees for client facing roles are based out of India, while the main operation for

				BPO services located in Kenya. Size-200; Age-18 years
SamaSource, USA	Rural & Urban	International (offshore, nearshore and onshore operations) and few domestic.	Machine learning, data, image and content services.	Microwork model where the client acquisition and quality control are done from the headquarters. The country partners employ unemployed youths in various digital jobs. Size-950; Age 8 years
DesiCrew, India	Rural	Domestic and some international.	Data management, digitization, content management, machine learning and lead generation for clients.	Operates out of multiple rural locations in India; employs people from disadvantaged groups and provides partial fee reimbursement for continuing education. Size-500; Age-11 years
Harva, India	Rural	Domestic; educational institutes and government departments.	Data management, digitization and call centers in regional languages.	Rural BPO model for employment generation. Also runs a microfinance program that provides loan to the employees. Size-50; Age- 4 years
B2R, India	Rural	Domestic and international; publishing houses,	E-Publishing, Web research,	Opened delivery centers in a remote state with no

		financial and legal services, B2B portals, etc.	data management, back office services.	IT/outsourcing background; 33% of PAT reinvested in the community. Size-300; Age- 7 years
Rural Shores, India	Rural	Domestic clients- telecom, insurance and financial services, local governments.	Digitization, corporate services, IT help desk, etc.	Profit sharing model with rural entrepreneurs, tie up with community organizations for recruiting. Size-2500; Age- 5 years
Vindhya e Infomedia, India	Urban	Public offices and utility companies, large outsourcing company.	Digitization, customer service desk, data management.	Employs mostly people with disabilities, recruitment based on referrals. Size-200; Age- 11 years
Digital Divide Data, Kenya	Urban	Domestic and International. Clients include publishing houses, public universities, etc.	E-Publishing, digitization and content management (domestic and international clients), field research and product marketing.	DDD operates its delivery center out of Nairobi, employing youths hailing from urban slums, economically weaker sections, etc. and some of who are pursuing college degrees along with their full-time jobs. Size-200; Age- 7 years

As for financing, some ISSPs relied on either local funding sources or global supporters like the Rockefeller Foundation, which helped defray initial investments and employee training. Most ISSPs in our sample identified as market-based social enterprises and earned revenue from their IS operations. Table 4 shows that ISSPs in our sample were mostly young (<5 years old at the time of interview) and small (<200 employees) to medium size (<500 employees), and operated from a single or few locations. Four providers were larger (>500 employees) and operated in multiple centers across rural or urban locations. Aside from these properties, ISSPs in our sample differed in terms of the types and geographic location of clients, the community setting from which they provide services, growth orientation, and entrepreneurial aspirations. These are the core variables in our analysis.

Figure 3 Relationships of ISSPs within the Global Services Outsourcing Industry



Location of Business Clients

One important differentiating factor in ISSP growth orientations was the location of clients. We identified two major groups of ISSPs: (1) those predominantly serving a few selected domestic clients (often as sub-contractors), and (2) those serving predominantly a variety of mostly international end clients as main providers.

In the first group, six ISSPs focused on serving a *limited number of primarily domestic clients*; three worked as subcontractors for mainstream providers typically located in the same country. One example is Cayuse Technologies, an ISSP specialized in training and hiring Native Americans. Its main client is Accenture, to which Cayuse offers IT infrastructure and application services, and Accenture is involved in training. One major characteristic of client relationships in this group is that clients are aware of and support the ISSP's social mission. Our findings suggest that having clients in the same country or location as ISSPs' operate in, plays an important role in supporting the social mission, as co-location prompts clients and ISSPs to share similar institutional and cultural contexts. The following quote from the CEO of Cayuse Technologies demonstrates this:

> *"Our clients want to see the rural communities thrive and be successful. […] you can have good quality work done and not be in a big city. And our clients really like the story…. Some of them care a lot… We have some that say, "it's not about the cost" and that "we want to be with you." (CEO, Cayuse Technologies, USA).*

These clients and ISSPs often developed deep, long-term relationships committed to the services delivered and social mission served. This model appeared to work well when ISSPs operated as subcontractors, which limited their services to a range that suited the skills and limitations of beneficiary employees. These ISSPs are also shielded from acquiring and managing end clients that can be demanding of service quality and price independent of any social mission.

In the second major group, ISSPs served a *range of international (and domestic) end clients.* These ISSPs were exposed to the same client expectations as mainstream service providers and were responsible for client acquisition and service delivery. The proportion of non-beneficiary employees was higher in this group because clients expected ISSPs to hire non-beneficiary employees to ‘compensate' for the limitations of beneficiary employees.

In contrast to domestic clients, international clients were often neither aware of nor necessarily support the social mission of ISSPs. This appears mainly because of the geographic and institutional distance between client and ISSP, a lack of shared understanding of social needs, and a lack of consumer or stakeholder pressure on clients to pay attention to economic and social conditions of their service providers. Clients of these ISSPs perceive them and mainstream service providers as direct competitors. Client relationships tend to be transactional – focusing on service quality and cost. The following quote from an Indian ISSP illustrates this point:

> *“The social cause is a mission for us, not for our clients; to the clients we are … very cost effective and price wise competitive.” (Manager, Vindhya Infotech, India).*

Community Settings

Another differentiating factor is the location from which ISSPs operate and maintain community relationships. Community settings have the parallel ‘functions' of being the location of beneficiaries and the business environment. As for the business environment, ISSPs gain access to underutilized resources, such as labor and funding, and access to clients. We identified two major groups: (1) ISSPs operating from rural and undeveloped settings, and (2) ISSPs operating from urban and developed locations. The choice of location had significant impacts on ISSP growth orientations.

Six ISSPs in our sample primarily operated from *rural settings*, meaning regions with a relatively low population density that depend mainly on agriculture and other subsistence activities for livelihood. Lacity et al., (2012) call these rural ISSPs ‘rural sourcing providers'. Owing to the rural location, which often accompanied lacking education and employment opportunities, access to sufficient livelihoods was problematic. By operating in rural settings, ISSPs enhance livelihoods for employees, while allowing them access to underutilized labor pools. Typically, however, rural ISSPs operated at a limited scale and served a small number of clients. Again, Cayuse is a good example, whose major client is the mainstream provider Accenture.

Entrepreneurs established ISSPs in rural settings for multiple reasons: Prior experience or exposure to these communities, perhaps through their own childhood, may prompt them to choose a particular location (Kannothra and Manning, 2015). Recognizing an untapped workforce may also play a role, such as one entrepreneur who started a rural Indian ISSP who mentioned that recognizing a business opportunity initially prompted him to open an outsourcing business in his village. The local population spoke fluently in multiple Indian languages due to their location, and this prompted the idea of a call center supporting regional clients:

> *“One of my friends told me* [of] *an opportunity from state government; that they are going to fund rural BPOs… I thought …I'll start a small company in a rural place and then maybe in future I'll have a corporate office in Bangalore. We are located at the border of Karnataka and Maharashtra. We have an advantage. We can process Hindi forms, we can process Kannada forms, and we can process Marathi forms." (Founder, OTRA, India).*

Rural ISSPs almost exclusively worked with dedicated community partners who helped them train and recruit often difficult-to-access beneficiary employees become intermediaries for addressing broader community needs. For example, Cayuse engaged in regular exchanges with community partners and leaders to discuss matters of good governance as well as skills and training requirements.

In contrast, five ISSPs mainly operated from *urban settings*. Urban ISSPs benefitted from more developed infrastructure, easier client access, but typically also tougher competition. Many urban ISSPs shared features of geographic clusters (Porter, 2000) in having a concentration of both ISSPs and regular outsourcing service providers competing for clients. Unlike rural settings, urban areas had a segmented working population, where the educated urban elite enjoyed a range of employment opportunities, and people living in urban slums, disabled people or minorities struggled to find work. Urban ISSPs served the latter populations to effect inclusive employment.

In relation to community and client relations, urban ISSPs worked with a larger variety of partners, hired through multiple channels, and collaborated with local universities and training institutes by engaging in joint training or offering internships. Craft Silicon, an urban ISSP in Nairobi, Kenya, trains and employs youth from Nairobi's largest slum and recruits from the non-beneficiary urban market to meet client needs. As for client relations, unlike rural ISSPs, urban ISSPs often develop relations with multiple diverse domestic and international clients due to easier access to client markets; though this is accompanied by stronger competition for clients.

In sum, we find that most ISSPs in our sample fall into two major groups. The first group serves mainly local or domestic clients and typically operates in less developed rural areas. The second group serves a more diverse clientele, including international clients, and typically operates in urban areas. Next, we elaborate how these conditions affect the way ISSPs approach growth, and how entrepreneurial aspiration affects growth orientations.

Growth Orientations: Community-focused vs. Client-focused

ISSPs in our sample differed in their *growth orientation.* Growth orientation included the approach to growth and ways of managing client and community relations and related tensions, and was influenced by structural conditions and informed by entrepreneurial aspirations. We found ISSPs to pursue one of two approaches: community-focused or client-focused growth. Table 5 gives an overview of core features and differences in client and community relations and the way ISSPs manage social-business tensions with each orientation.

Table 5 Comparison of Community-focused and Client-focused Growth Orientation

Dimension	Community-focused Growth	Client-focused Growth
Definition	Growth orientation that is typically orchestrated with needs and constraints of established, highly integrated community and client relationships; growth pace is slow.	Growth orientation that is driven by pressure / aspirations to expand client base while managing community relationships independently; growth pace is fast.
Client base	Deeply embedded relationships with selected clients who are aware of and buy into the social mission; clients are typically co- or near-located sharing the social and economic environment with hybrids; client relationships are further supported by loyal staff trained into client-specific services.	Rather transactional, opportunistic relationships with a variety of clients who are often not aware of nor buy into the social mission; clients are typically international and thus distant from hybrid locations and do not share social or economic environment.

Community setting	Hybrid operations are typically located in small, underdeveloped, often rural setting; exclusive, non-competitive resource access to the community (e.g., labor) through long-term alliances with community organizations. Beneficiary: rural communities.	Hybrid operations are typically located in larger, more developed urban clusters; access to multiple recruiting/sourcing channels, and wider market; exposure to mainstream competition for client projects. Beneficiary: slums, disabled, minorities.
Practices of pre-empting, accepting and managing social-business tensions	1. Community-centered solutions to tensions (e.g., promote community resources to clients to gain client trust; integrate clients with community relationships to prevent client switching). 2. Manage dependence by diversifying services with existing partners. 3. Switching to more client-focused growth mode if entrepreneurial aspiration in conflict with the growth orientation.	1. Client-centered solution to tensions (e.g., adapt/complement community resources with client needs; manage community relations independently to protect social mission). 2. Manage competition by professionalizing client relations. 3. Switching to more community-focused growth mode if entrepreneurial aspiration in conflict with the growth orientation.
Limitations of growth orientation	Ability to exploit highly integrated client relations, *yet strong dependence on particular clients, which slows down or constrains growth.* Exclusive access to underutilized community resources, *yet scale and scope of activities limited by local skill set.*	Ability to accelerate growth through stronger independence from particular clients, *yet sacrificing client buy-in into the social mission.* More flexible access to resources (e.g., labor) on demand, *yet talent competition with mainstream firms.*

Community-focused Growth

Community-focused growth is an orientation where growth was motivated and guided by community needs. Entrepreneurs operated for slower growth, without much pressure from clients or other stakeholders, and emphasized maintaining and incrementally expanding existing client relationships in support of the social mission.

These ISSPs were mostly younger and had integrated business and social objectives with client and community relations. Furthermore, this approach to growth appeared to be supported by two inter-related conditions: operation out of rural areas, and focus on domestic clients.

ISSPs with community-focused growth orientations operated in rural locations. Strong long-term community partners helped to recruit mostly beneficiary employees, which benefited ISSPs and their long-term clients through high loyalty and low attrition:

> *"A lot of community engagement was done during the hiring process. Our recruitment takes longer compared to an urban team… Somebody in a [metropolitan ISSP] gets trained and certified in one month, but our employees take three to four months. The benefits of this were long-term: Low cost, low attrition and they continue performing repetitive, critical but non-core tasks for clients." (Manager, DesiCrew, India).*

Community-focused growth ISSPs usually served local or domestic rather than international clients, because the approach develops and expands a limited number of potentially long-term and highly integrated client relationships rather than building a large client base. In this situation, geographic proximity of clients becomes an important supporting condition that allows clients and ISSPs to share a common social context. Selected clients typically supported the social mission, which also reduced pressure on ISSPs to grow the scale or scope of operations beyond the capacity of their beneficiary staff. The following quote illustrates the value of serving local clients:

"Normally we would encourage a client to visit us - that will change their perception... When you talk to them, you realize that they know everything about our business, our quality of services, etc. through references. Once they come and visit us, their response is completely different. They say "I want to refer you to someone else too"; therefore, I get two clients instead of one, once they come to visit us." (Manager, Vindhya Infotech, India).

Community-focused growth builds on high involvement of clients in training and business operations, in collaboration with community organizations who help with recruitment. This high degree of integration creates synergies between social mission and revenue generation; however, it may also constrain the scale or scope of operations, and this was either accepted by the ISSP or became a source of tension, as we discuss further below.

Client-focused Growth

The other major growth orientation ISSPs gravitated towards we called ***client-focused growth***, where growth was motivated and guided by client needs. Rather than just expanding existing client relationships, this orientation aimed to expand and diversify the client base, and grow fast. ISSPs pursuing this approach decoupled business and social objectives, with client and community relations being managed independently, and were generally older than community-focused ISSPs.

ISSPs pursuing client-focused growth mainly operated in urban locations and catered to international clients. The urban business context offered better infrastructure, which typically allowed for easier access to new clients. The urban environment, however, also meant that competition was tougher, and clients were likely to compare ISSPs with regular vendors, which often required ISSPs to hire more non-beneficiary employees. In addition, urban ISSPs sometimes hired international staff to facilitate growth. Crafts Silicon took this approach:

> *"I can't find a person who can really drive the software company to a much larger scale because that expertise would not be around here... So, some of the senior positions like my CEO is from the U.S. My head of development is from India." (Founder, Crafts Silicon, Kenya).*

Both growth orientations are potentially viable approaches to growth, based on supportive structural conditions. However, through inductive analysis, we also found that the orientation pursued also depends on the entrepreneurial aspirations of the ISSP founder or CEO.

Entrepreneurial Aspirations

Entrepreneurs favor certain ways of growing over others independent of their current client base or location. Sometimes, these aspirations concur with the current structural set-up. For example, fast growth aspirations may be in line with urban operations and a focus on international clients, as well as a 'de-coupled' approach to pursuing business and social objectives. For example, the CEO of DDD speaks positively of the benefits of expanding its client base, regardless of whether adding clients may create synergies with the social mission:

> *"…it is our intention to be profitable because profits are the main source of support for our mission, which involves supporting the education of people who work for us, but also [to] the extent that we can expand the operation, we can hire more people." (CEO, DDD, Kenya).*

Sometimes, however, entrepreneurial aspirations do not agree with the current growth orientation. For example, CEOs of rural ISSPs often aspired a growth pace and scale beyond the capacity of their rural setting and established client base. One Indian ISSP in our sample (iMerit) started as a rural non-profit promoting skills and IT training for youth and later formed a separate company to employ them to expand beyond its local market and increase profitability. Entrepreneurial aspirations to break out of local market constraints motivated iMerit to pursue international clients. The executive of iMerit explained that *"…we actively go for … companies in the U.S. that pay a little better, that pay on time and most importantly that have a little bit of higher billing rates." (Executive, iMerit, India).* Our analysis suggests that such situations may become important sources of tensions and drivers for potential changes in growth orientation. We detail the emergence and consequences of tensions next.

Emergence and Management of Tensions

Social-business tensions may remain latent until environmental factors or cognitive efforts 'accentuate the oppositional and relational nature of dualities' (Smith and Lewis, 2011). Further, each growth orientation implies certain ways of managing tensions, contingent upon structural conditions and (as noted previously) entrepreneurial aspirations. Actors in both growth orientations identified social—business tensions and adopted various practices to manage them, and we explored environmental and structural conditions that rendered the tensions salient, and ways they were managed. One major social-business tension emerging from structural conditions identified by interviewees surrounded the need to gain client trust while hiring beneficiaries that may lack skills desired by clients, and we use this as an example.

Pre-empting. To address the issue of gaining client trust while serving the social mission, one strategy used both by client-focused growth and community-focused growth firms was what we call ‘pre-empting’, where pilot projects were used to dispel any concerns about their ability to execute successful projects: *“They* [clients] *come and see our centers before they sign up... we might start with a pilot project... And once this project is going well, they would scale up.” (Executive, Rural Shores, India).* Another practice that pre-empted and dispelled client concerns was training and certifying employees using a third-party agency. Community-focused firms also recruited experienced leaders to pre-empt social—business tensions: *"We continue to look for people with the right business skills, but we also look out for people who have the inclination to go out and make a difference in the world." (CEO, B2R, India).* This pre-empting of tension also manifested in the way both client-focused and community-focused firms pre-selected clients. In some cases, funding organizations signed up as the first clients. Community-focused organizations matched clients with beneficiary capabilities rather than modifying capabilities based on client needs: “*We needed more patient customers, and we managed to get a few of them” (CEO, B2R, India).* Client-focused firms recruited non-beneficiary employees from outside the community to satisfy client needs.

Accepting and managing. Another practice that addressed client trust while serving the social mission was to accept the paradoxical social—business tension (Smith and Lewis, 2011) while also managing stakeholder perceptions and expectations. In this instance, ISSPs developed *community-centered* or *client-centered* solutions according to with their orientation. For example, community-focused ISSPs like Cayuse Technologies (USA) promoted the skills of beneficiary employees: *"I put together an overview of our capabilities and our skills and diversities mix…” (CEO, Cayuse*

Technologies, USA), while client-focused ISSPs, such as iMerit, emphasized professionalism and initially downplayed the social mission:

> *"Our goal is to look like a professional organization… After a successful delivery, we tell our clients, 'oh, by the way, check out our website. Some of the young men and women that we work with are from disadvantaged backgrounds'." (Executive, iMerit, India).*

In these instances, community-focused ISSPs managed client expectations by educating them about beneficiaries, while client-focused organizations addressed client needs by expanding capabilities. Client-focused organizations managed client perceptions towards mainstream capabilities (suggesting they are competitive with mainstream service providers), while community-focused organizations managed perceptions towards niche services that also created social value.

Further influence of entrepreneurial aspirations. Finally, in addition to these two accepting and managing and pre-empting practices, we found that entrepreneurial aspirations not only play a role in which growth orientation entrepreneurs pursue (as detailed above), but are also influence whether tensions are deemed salient. Tension may not be apparent to entrepreneurs if their aspirations concur with the current growth path. For example, although client-focused growth may imply diminishing potential for synergies between social and business goals, entrepreneurs may not perceive it to be a problem, as demonstrated by an executive of iMerit:

> *"We are in no way an NGO or a charitable organization. We are a typical commercial organization, and we are trying to show to the world that even with these employees we can run a profitable organization. We are doing business with a profit motive. At the same time, we are also engaged in*

“philanthropy” by employing and creating opportunities for these (disadvantaged) people” (Executive, iMerit, India).

Conversely, where entrepreneurial aspirations are not aligned with current growth conditions, tensions are perceived more strongly. Entrepreneurs with high growth aspirations perceived dependence on specific clients and specialized capabilities as a problem of focusing on the community, and in response some favored incremental approaches. For example, the CEO of Cayuse Technologies tried adding services to promote growth and keep Accenture from switching providers; favoring a solution in line with Cayuse’s integrated community-focused approach:

"We… have a teaming agreement between Accenture and Cayuse Technologies directly. So, each of the contracts that we do, there is some involvement from Accenture; but they have no influence over our daily operations or processes. Who we hire or how much we compensate or any other decisions, they don't have any influence." (CEO, Cayuse Technologies, USA).

By comparison, the founder of B2R, a rural ISSP, considered shifting from being community-focused to becoming more client-focused by expanding the client base to become less dependent on particular clients: *“We want to make sure that the conscious effort is there to continue to grow… we work closely with large BPOs and not be dependent only on them.” (Founder, B2R, India).*

In sum, tensions experienced, often in conjunction with growth aspirations of entrepreneurs that are not in line with growth conditions, drive entrepreneurial action. Changing growth orientation may provide a partial solution to a given tension, yet each growth orientation also implies new tensions which need to be continuously managed.

Discussion: Hybrid Growth Orientations and Tensions in Global Supply Chains

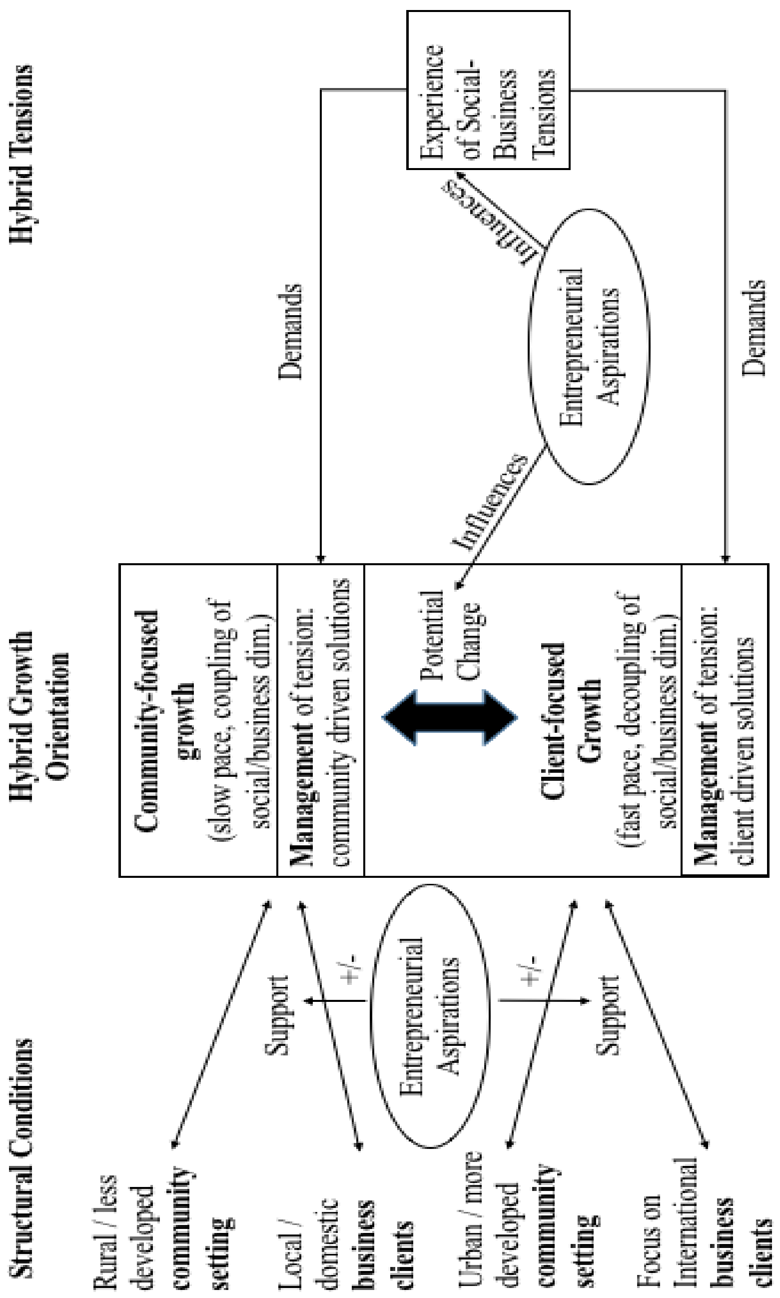
This study responds to a significant gap in our understanding of hybrid growth and management of its related tensions. Specifically, we looked at how the dual embeddedness of hybrids in local community and GSCs affect their approaches to growth and ways of managing social—business tensions. To date, research has focused on identifying the presence of tensions when growing (Battilana and Lee, 2014; Pache and Santos, 2013) and whether hybrids choose to grow or not (Battilana & Dorado, 2010; Haigh & Hoffman, 2014; Lumpkin et al., 2013; Weerawardena & Mort, 2006). Our examination of ISSPs extends this research by identifying two major growth orientations that help hybrids manage tensions in GSCs.

The two orientations we have identified – 'community-focused' and 'client-focused' growth – are summarized in Table 5. Based on the case of ISSPs, we have identified key properties of each approach, including practices of managing tensions, as well as facilitating and moderating factors. Figure 4 lays out the overall theoretical model. *Community-focused growth* denotes an approach that orchestrates slower growth with needs and constraints of selective, highly integrated community and client relationships. This approach favors the expansion of long-term client relationships over expanding the client base. *Client-focused growth* seeks faster growth, driven by pressure and aspirations to expand the client base while managing social missions independently. This approach favors greater flexibility and independence while sacrificing client buy-in into the social mission and exposing hybrids to mainstream competition.

Each growth orientation is both enabled and constrained by structural conditions. First, we find that growth orientations are conditioned by the kind of settings in which hybrids operate and maintain community relations (see Table 5). Hybrids seem likely to pursue *community-focused growth* when they operate out of smaller, rural, less developed community settings. Through alliances with community partners, hybrids enjoy exclusive access to resources in these communities, such as underutilized labor, while simultaneously benefitting communities by generating income and making the local population more employable (see also Rivera-Santos et al., 2015; Prahalad and Hammond, 2002; Prahalad 2012; London et al., 2010). Mainstream competition is low since access to community resources is exclusive. Yet, access to clients is often limited. By comparison, hybrids pursue *client-focused growth* mainly out of larger, more developed urban settings, which provide easier access to domestic and international clients and other resources but expose hybrids to stronger mainstream competition for clients and resources.

Second, our findings suggest that hybrid growth orientations are strongly influenced by the types of business clients served (see Table 5). *Community-focused growth* is supported by a client base that is mostly local or domestic. Proximity or even co-location of clients with hybrids makes it more likely that clients (and their stakeholders) share the same economic and social environment with hybrid suppliers, and often share their social cause. By contrast, *client-focused growth* typically matches a more diverse, international client base. Being more geographically and institutionally distant from providers, clients may not be aware of nor buy into the social mission, and hybrids may compete based on professionalism, thereby entering more transactional client relationships.

Figure 4 Hybrid Growth Orientations in Global Supply Chains



Third, we find that entrepreneurial aspirations can either support or conflict with current growth orientations. Entrepreneurs operating community-focused ISSPs generally preferred slow growth in view of community needs and constraints;

prompting them to invest in existing community and client relations. Likewise, entrepreneurs operating client-focused ISSPs from urban areas preferred fast growth and invested in their capacity to compete with mainstream suppliers. Where entrepreneurial aspirations conflict with given structural conditions, entrepreneurs may shift to a different growth orientation; typically, in this situation hybrids moved from a community-focused to client-focused growth orientation when they aspired to faster growth.

Importantly, our findings suggest that each growth orientation has implications for how tensions between commercial and social goals are managed (see Figure 4). Approaches to managing tensions thus become part of the growth orientation itself. One key management practice we identified is ‘pre-empting,' where entrepreneurs anticipate tensions before they arise, and manage them proactively by configuring operations, client acquisition, hiring and training in ways that aim to reduce the impact of tension on operations. We also identified instances where hybrids concurred with Smith and Lewis (2011) where hybrids accepted the tension, and regardless, hybrids developed either *community-centered* or *client-centered* solutions according to with their corresponding growth orientation.

Implications

Implications for Future Research

The foremost contribution of our study is in providing a more contextual understanding of how paradoxical tensions are perceived and managed in hybrids specifically (Battilana and Lee, 2014; Smith et al., 2013) and organizations in general (Pache and Santos, 2010; Smith and Tushman, 2005; Oliver, 1991). We follow the notion from paradox theory (Smith and Lewis, 2011) that paradoxical tensions, such as social-business tensions, can never be resolved completely, but remain an ongoing concern for entrepreneurs (Smith et al., 2013). Based on this notion, we contribute to a more relational and contextual understanding of paradox dynamics (Schad et al., 2016) in three main ways: (1) by identifying growth orientations as an important driver for how paradoxes are perceived and managed; (2) by specifying divergence of entrepreneurial aspiration and organizational configuration as a critical driver of making tensions manifest; and (3) by introducing the importance of geographic embeddedness in paradox dynamics.

First, we have shown how pursuing certain growth orientations – here: client-focused and community-focused growth – influence how tensions are perceived and managed. Prior research suggests that fast-past growth may result in 'mission drift' and 'increased tension' (Andre and Pache, 2016; Clifford et al., 2013; Pache and Santos, 2010), and that staying small and 'local' may prevent this drift (Kistruck and Beamish, 2010; Maak & Stoetter, 2012; Mair et al., 2012; Montgomery et al., 2012). Our findings indicate that neither slower-paced community-focused growth nor faster-paced client-focused growth is tension-free. Rather, each orientation is associated with different ways that tensions are *perceived and managed*, and therefore managing (and perceiving) tensions happen in a certain strategic frame. In our case, community-focused growth aligns with community-centered ways of managing social-business tensions. This may lower 'perceived tensions' within that frame, but it does not eradicate the latent social—business tension entirely. For example, whereas dependence on selected clients may *not* be perceived as a source of tension in a community-focused frame, it may be in a client-focused frame. Similarly, whereas 'de-coupling' of business operations and social missions might be seen as ‘problematic' in a community-focused frame, it is considered a feasible ‘coping practice' (Battilana and Lee, 2014; Pache and Santos, 2013) in a more client-focused frame. In other words, strategic frames – here: of approaching growth – influence the extent to which tensions are ‘accepted' and/or ‘accommodated,' and thus contextualize what Smith and Lewis (2011) call the ‘equilibrium model of organizing.' We thus encourage future studies to pay more attention to strategic frames in studying paradoxes.

Second, we show that divergence between entrepreneurial aspirations and organizational configuration can be an important driver of paradox dynamics. Smith and Lewis (2011) argue that individual managerial orientations are critical in making latent tensions ‘salient' and in triggering either ‘vicious' or ‘virtuous' cycles of addressing these tensions (see also Schad et al., 2016). Relatedly, Hahn et al. (2016) point out that differences between individual and organizational goals can create tension. Our study helps specify this notion by suggesting that divergence between entrepreneurial growth aspirations and the organizational set up of hybrids may re-activate cycles of perceiving and managing social-business tensions. In particular, we find that entrepreneurs may develop a preference for faster client-focused growth (available in urban locations) when their organizational set-up (a rural location) favors slower community-focused growth. In that situation, certain latent ‘constraints' that were accepted in community-focused growth (e.g., limited number of clients), become more salient and ‘less acceptable.' This may drive new processes of accommodation, such as establishing operations in urban areas to access new clients. Our findings thus stress the importance of not only analyzing individual awareness (Jay, 2013), and *alignment* between individual and organizational goals (Hahn et al., 2016), but also alignment between entrepreneurial or managerial aspirations and current structural conditions in understanding the management of paradoxes.

Third, we introduce the importance of geographic embeddedness to paradox dynamics. To our knowledge, geographic context is an important omitted variable in studies of tensions and paradoxes (see, e.g., Schad et al., 2016 for a current review). While the importance of local communities and contexts to how hybrids manage social and business objectives is known (Hoffman et al., 2012; Kistruck & Beamish, 2010; Maak & Stoetter, 2012; Montgomery et al. 2012), conducting our study in the context of GSCs suggests that a more sophisticated approach is required that incorporates geography into the analysis of paradoxes and tensions. We find that tensions surrounding stakeholder expectations may increase with geographic distance. Specifically, the geographic proximity between hybrids and their clients may lower social-business tensions by creating a shared awareness of the social context and mission. Conversely, stakeholders at a distance are exposed to different, geographically bounded, frames of reference. In particular, our results suggest that the rural vs. urban divide has important implications for how hybrids manage social-business tensions because it affects the degree to which latent tensions become salient, and affects the level of awareness of certain tensions by individual entrepreneurs. We thus propose a ‘spatial turn' in the analysis of paradox dynamics that situates paradoxical tensions and management strategies in geographic contexts.

Relating to geographic embeddedness, we contribute to a better understanding of GSCs as an important context for hybrid strategies and growth by examining the interplay of local community and global client relations. Prior research on hybrids has argued that their effectiveness often stems from creating synergies between business and social goals by embedding in local communities (Kistruck & Beamish, 2010; Maak & Stoetter, 2012; Mair et al., 2012; Montgomery et al., 2012), whereas growth beyond particular local contexts may endanger the hybrid model (Haigh and Hoffman, 2012). We challenge that perspective by showing that the benefits (and constraints) of local contexts may differ depending on the type of context. Whereas rural settings seem to provide synergies through exclusive access to resources, reduced competition and strong ties with beneficiary groups, this is less the case in urban environments. Urban environments may ease access to certain resources but also increase competition that may challenge the pursuit of hybrid models. We thus recommend that future research on hybrids take a more nuanced perspective on 'local communities.'

More broadly, we show that the nature of client relationships has a profound impact on hybrid strategies. Whereas in some sectors, such as consumer goods, the customers may also be beneficiaries (Lee and Battilana, 2013; Prahalad and Hammond, 2002; Prahalad 2012; London et al., 2010), this is often not the case in business-to-business contexts. Knowing that growth orientation is affected by geographic (and institutional) distance to clients and its influence on whether clients are aware and supportive of the social mission indicates that future research could take the intersection of client relationships and geographic distance more seriously. Whereas in some industries, such as coffee production, the distance problem may be 'overcome' through transnational social standards like Fairtrade, and consumers who pressure firms to account for social responsibility (Kolk, 2005; Manning et al., 2012), this might not be the case in other industries. In our study, hybrid suppliers opted to separate their business strategy from their social mission to protect their reputation with clients.

Implications for Practice

Further to our theoretical contributions, our findings underscore the arrival of social responsibility as a managerial concern in global business-to-business sectors and have important implications for understanding the growing role of hybrid models in global outsourcing. Other studies indicate that the influence of hybrids in many sectors is growing as regions alter legislation to include legal structures that institutionalize a social mission (Haigh et al., 2015a). The aggregate result of this growth is the alteration of expectations about sustainable practices across sectors, including outsourcing. Carmel et al. (2014) highlighted the need to study the effects of outsourcing on local communities, and the 2012 International Association of Outsourcing Professionals (IAOP, 2012) survey report argued that social responsibility is increasingly important in outsourcing contracts. Encouragingly, Babin and Nicholson (2010) noted that outsourcing clients and providers are working towards social and environmental sustainability in their relationships and operations. With their strategies designed around alleviating employment inequality, ISSPs appear as an important protagonist enhancing socially responsible practices among the outsourcing sector.

Going forward, it will be interesting to examine how the trend of hybrid models in global outsourcing will interrelate with other established trends such as transnational social and sustainability standards like Fairtrade. Unlike Fairtrade, whose development was mainly driven by consumers in advanced economies (Reinecke et al. 2012; Manning et al., 2012), IS has been driven predominantly by local initiatives in developing countries. Both approaches of integrating social responsibility into business models seem to have opposing strengths and weaknesses: Fairtrade has become a scalable, yet somewhat rigid and costly solution for producers, whereas IS is a flexible, firm-specific practice, yet with potentially limited scalability across supplier populations. Future research is invited to examine the comparative strategic advantages of adopting transnational standards vs. firm-specific hybrid models for suppliers in global value chains.

Finally, given the growing need for increased social responsibility among outsourcing companies, our findings have important implications for outsourcing practice. In particular, ISSPs in our sample pursuing client-focused growth demonstrate it is possible to undertake significant social responsibility initiatives while maintaining the identity and growth patterns of a traditional company. Studies have shown ways that traditional companies engage with hybrids as competitors and acquisition targets (Haigh & Hoffman, 2012; Lee & Jay, 2015), and have discussed ways that companies can adopt hybrid qualities to push their corporate social responsibility practices forward (Haigh et al., 2015a). Outsourcing companies can take from our results knowledge that it is feasible to make operational changes - such as employing people from disadvantaged populations to fulfil specific roles within the firm - that will have significant positive impacts on their community, and there is a choice as to whether the practice becomes part of the firm's identity or not.

Conclusion

This study has elaborated how hybrids operating in GSCs manage paradoxical social-business tensions. Based on the case of ISSPs hiring and training of disadvantaged populations to provide services to business clients, we identified two major growth orientations – ‘community-focused growth’ and ‘client-focused growth’ – which imply different ways of growing (slow/in line with community needs vs. fast/in line with client needs, respectively) as well as different ways of managing tension; specifically the tension between business client expectations (low-cost, high-quality services) and local community demands (providing training and hiring opportunities for disadvantaged staff in those communities).

In response to Schad et al., (2016), we contribute to the paradox literature a more contextualized and relational understanding of paradox dynamics; yet one that remains holistic and avoids reductionism. The two growth orientations we specify encapsulate important drivers for how paradoxes manifest are perceived and managed. We introduce ‘pre-empting' as a management practice that anticipates and manages tension, and the importance of geographic embeddedness and distance to the paradox literature, and specify how diverging entrepreneurial aspirations and organizational configurations causes tensions to manifest. Further, we introduce the importance of geographic embeddedness in paradox dynamics and suggest avenues of future research to explore these contributions further.

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CHAPTER 3

HYBRID MODELS AS STRATEGIC OPPORTUNITY? THE GLOBAL CHALLENGE OF BUSINESS SERVICE PROVIDERS IN AFRICA

Introduction

Prior business and development research has shown sustained interest in 'catch-up' processes in emerging economies (Altenburg et al., 2008; Lorenzen and Mudambi, 2013). We understand 'catch-up' as the continuous interplay of national economic policies, industry dynamics, and firm capability development towards greater competitiveness of local firm populations within and across industries. Prior studies have focused in particular on entrepreneurial activities as well as learning, upgrading and innovation within firm populations in support of catch-up (Gereffi, 1999, Humphrey and Schmitz, 2002; Amiti, 2001; Bresnahan et al., 2001; Saxenian, 2005). This research has also been extended into Africa (e.g. Abdulai et al., 2012). Yet, prior studies are quite skeptical about the ability of African businesses to 'catch up' with global competition by upgrading and innovating (Africa Report, 2012). While global cost pressure has led to a

concentration of production in Asia and has created barriers to catching up (Altenburg et al., 2008), new business models that have emerged in Africa, such as mobile payment,
have not made African businesses more competitive globally (Ozcan and Santos, 2014). As one observer from a consulting firm nicely put it: Africa has yet to find its niche in global markets (Africa Report, 2012). In addition, a recent World Bank study estimated that on average African firms tend to be 20–24 percent smaller than firms from other regions and hence have a reduced potential for job creation (Iacovone et al., 2013). Reasons for such firm level disadvantages have been attributed to lack of infrastructure, access to finance and political competition (Harrison et al., 2014). This seems even more challenging today, since Africa as a latecomer faces global competition not just from Western but increasingly from other emerging economies.

At the same time, prior studies indicate that especially Sub-Saharan Africa has been a fruitful ground for social entrepreneurship (Harris et al., 2013; Rivera-Santos et al., 2015), bottom-of-the-pyramid strategies (Kistruck and Beamish, 2010; Kistruck et al., 2013a), and corporate social responsibility (CSR) initiatives (Gruber and Schlegelmilch, 2015). This is because African businesses have traditionally been strongly embedded in local communities, supporting socially oriented projects through innovative means, such as engaging with community groups or partnerships across sectors, that are better able to bridge problems of poverty and social or environmental concerns (Bitzer and Hamann, 2015). By 'local community' we mean locally bounded groups of people with shared social ties, economic backgrounds, histories, knowledge, beliefs, morals, and customs (Kepe, 1999). Perhaps more than other regions, Sub-Saharan Africa has accumulated experience in community-oriented development initiatives (Juselius et al., 2014; Simplice, 2014), involving government, private business, NGOs and community organizations (Kolk and Lenfant, 2013). As a result, African businesses have become very involved with development and social agendas (London et al., 2004, 2010).

It is therefore not surprising that African firms are among the early adopters of so-called hybrid business models (Holt and Littlewood, 2015), i.e. business models combining profitability goals and social missions (Smith et al., 2013; Lee and Battilana, 2014). Specifically, we focus here on what we call ‘community-based hybrids’, i.e. hybrid organizations that not only serve local communities but also make extensive use of community resources while serving regional or global markets with their products and services (see also Holt and Littlewood, 2015). While prior research has focused on the social impact of hybrid models in Africa (Rivera-Santos et al., 2015), we know little about the business potential of hybrid models, especially in globally distributed industries and markets. We therefore ask: under what conditions is the adoption of hybrid models a feasible strategic opportunity for firms that operate in Sub-Saharan Africa and serve regional and global clients?

We investigate this question in the context of the increasingly important global business services industry, which provides various services to globally distributed clients, such as tech support, call centers, financial services and software development. This industry has expanded into Africa in recent years (Abbott, 2013; Manning et al., 2015). Within this context, several African service providers have become pioneers of the so-called impact sourcing (IS) model – hiring and training of staff from disadvantaged groups in society for global business services (Rockefeller Foundation, 2013; IAOP, 2014). So-called impact sourcing service providers (ISSPs) are an excellent example of community-based hybrids, as they not only serve but also 'utilize' disadvantaged communities as resources. Based on data from inductive field studies in Kenya and South Africa, and using an extended version of the tripod model of strategic analysis (Peng et al., 2008, 2009), we find that while many regular providers in Sub-Saharan Africa have struggled to stay competitive vs. players in India, Philippines and other emerging economies, firms adopting IS have learned how to serve niche clients – both globally and regionally. Yet, while certain local resource conditions, such as underutilized labor markets, local community organizations, and business ties with these organizations favor the adoption of IS models, we also find that certain moderating factors at the industry, institutional and firm level either promote or constrain the utility of IS vs. regular business models.

Our findings may contribute to future research in three major ways. *First*, we inform the debate on catch-up processes and firm strategies in latecomer emerging economies such as Sub-Saharan Africa (Altenburg et al., 2008; Lorenzen and Mudambi, 2013; Hoskisson et al. 2000) by showing the utility of niche models as an alternative to more scale-dependent low-cost production in mainstream industry segments. We further show, based on the case of hybrids, that competitiveness of firms from and in latecomer economies can be strongly linked to their embeddedness in local communities. However, leveraging such linkages requires both institutional and firm-level openness to using community resources and serving niche markets rather than more scale-dependent mainstream markets. *Second*, we add to the debate on hybrid models (Lee and Battilana, 2014) by promoting a more context-sensitive understanding of their feasible adoption. In particular, we discuss how certain industry conditions may lower the need to scale up hybrids to make them competitive and impactful and instead allow heterogeneous populations of smaller-scale hybrids to emerge. *Third*, we extend prior research on global business services (e.g. Manning et al., 2015) by discussing impact sourcing as a new strategy of local adaptation and differentiation in a highly competitive market.

Next, we discuss Africa's latecomer challenge and the potential of hybrid models. We then introduce the context of global business services along with the model of impact sourcing. This is followed by an analysis of the adoption of impact sourcing in Kenya and South Africa. Findings are then discussed and implications are formulated for future research.

Africa's Latecomer Challenge: The Potential of Hybrid Models

International business and development scholars continue to take an interest in so-called 'catch-up processes' (Humphrey and Schmitz, 2002; Altenburg et al., 2008; Lorenzen and Mudambi, 2013). This is particularly relevant for Africa, which is widely regarded as a latecomer economy (Abdulai et al., 2012), and which faces competition from both advanced and other emerging economies. In general, we understand 'catch-up' as a multi-level process of economic policy, industrial dynamics and firm capability development enabling firm populations to capture a growing segment of established world markets, move into higher-value production and services, and/or establish new competitive businesses (see also Mudambi, 2008; Humphrey and Schmitz, 2002). In line with this notion, we focus here on the growing capacity of firm populations within particular industries in African countries to attract regional and global clients, and compete with global peers.

‘Catch-up’ is typically associated with a gradual process of upgrading from low-cost to higher-value production (Gereffi, 1999; Humphrey and Schmitz, 2002). Yet, with increasing globalization of production, many regions, e.g. Latin America, have been unable to compete especially with China’s large-scale manufacturing base (e.g. Morreira, 2006). Facing this pressure, some regions have managed to catch up through ‘technological leapfrogging’ (Amiti, 2001), learning from foreign firms (Altenburg et al., 2008) and utilizing diaspora networks (Bresnahan et al., 2001; Saxenian, 2005). One successful example of the latter is the software industry and IT-enabled service sector in India (Arora et al., 2001; Ethiraj et al., 2005; Athreye, 2005).

By contrast, Africa, in particular Sub-Saharan Africa, has not benefited much from upgrading, leapfrogging or diaspora networks. Traditionally, it has attracted investment mainly in mining and exploitation of natural resources, such as cocoa (see Glin et al., 2015). Compared to that, the share of African economies in global production of goods and services is still incredibly small, even if, with rising wages in Asia, Africa has attracted more attention as a potential location for manufacturing and services recently (Page, 2012). Yet, many attempts to promote and develop new industries in Africa have been challenged by political instability, corruption, infrastructure deficits, and lack of institutional support (Prahalad and Hammond, 2002, London et al., 2010). One overarching problem with setting up businesses in sub-Saharan Africa – aside from mining and natural resources – has been the lack of distinctive location advantages (Africa Report, 2012).

Conversely, we argue that Africa has an underutilized potential of capitalizing on ‘hybrid business models’, specifically ‘community-based hybrids’. These are organizations that combine profitability goals with social missions (Jay, 2013; Porter and Kramer, 2011; Haigh and Hoffman, 2014), and that not only serve local communities but also make extensive use of community resources in serving regional and global markets with their products and services (see also Holt and Littlewood, 2015). One example is Cookswell, based in Kenya, which markets, produces, and sells charcoal wood-fueled stoves using local communication and distribution networks to reach NGOs and informal networks, while also scaling to both regional and international distribution (Holt and Littlewood, 2015). Other examples include community-based producers of consumer goods with ecological or social impact, such as eco-friendly bamboo bikes out of Ghana (Senthilingam and Hoeferlin, 2015) and rollable water containers in South Africa (Qdrum, 2016).

In general, hybrid models have been described as an increasingly important organizational form (Haveman and Rao, 2006, Haigh and Hoffman, 2012, Pache and Santos, 2013), as they help address social issues when state and philanthropic approaches are limited in their ability to do so (Kickul and Lyons, 2012). Whereas hybrid models have gained importance across geographies in recent years, sub-Saharan Africa was in fact an early-adopter economy, especially for community-based hybrids (see e.g. Holt and Littlewood 2015). There are three main reasons for that: First, African businesses have been rather strongly embedded in local communities, which has enabled entrepreneurs to tap into informal networks, capitalize on inexpensive labor and freely available resources, such as community knowledge (Holt and Littlewood, 2015; Linna, 2012). Second, sub-Saharan Africa has long been an experimental field for social entrepreneurship (Harris et al., 2013a, 2013b; Kistruck & Beamish, 2010; Rivera-Santos et al., 2015), bottom-of-the-pyramid (BoP) models (Kistruck et al., 2013a; Prahalad and Hammond, 2002;

Prahalad 2012; London et al., 2010), and corporate social responsibility (CSR) initiatives (Gruber and Schlegelmilch, 2015). Third, sub-Saharan Africa has been a major receiver of foreign aid and development funds, which has further benefited community-based businesses and prompted foreign businesses to engage in BoP models and extensive CSR initiatives in the African context (London et al. 2010). In combination, these dynamics have for example fueled initiatives to better embed mining into local communities thus benefiting economic development (Harris et al., 2013; Hilson 2014, Childs, 2012, 2014), and preventing violations of human rights and environmental degradation (Jønsson and Bryceson, 2009).

However, whereas the social impact of hybrid models, e.g. in the context of BoP, has been addressed in many studies (Kistruck and Beamish, 2010), we know relatively little about the strategic potential of adopting hybrid models compared to more regular business models. We focus in particular on community-based hybrids serving regional and global business-to-business markets. Specifically, we now introduce the empirical case of impact sourcing as a hybrid model in the global business services industry. Using Peng's Tripod Model, we further propose a multi-level comparative analysis to evaluate the potential of hybrid vs. regular models in Africa.

Analyzing the Potential of Hybrid Models: The Case of Impact Sourcing

To better understand the strategic potential of hybrid models in Africa we focus in our study on an industry – global business services – that has received increasing attention in recent years as a potential driver of employment and economic development in many emerging economies (Manning, 2013), including Africa (Abbott, 2013). Importantly, African countries have gained experience in recent years with promoting *both* regular *and* hybrid firms in global business services (Abbott 2013; Lacity et al., 2012), which makes this industry particularly interesting to study.

The *regular global business services industry* is a growing industry with a world market size of currently $150 Billion according to the industry association NASSCOM (2015). Facilitated by digitization and commoditization of business processes (Davenport, 2005; Apte and Mason, 1995), and driven by cost, speed, access to talent and other strategic advantages (Doh, 2005; Manning et al., 2008; Kenney et al., 2009), client firms in particular from advanced economies increasingly outsource business processes, such as IT infrastructure, payroll, tech support, call centers, and knowledge work, to specialized providers operating in particular in developing countries (Ethiraj et al., 2005; Athreye, 2005; Sako, 2006). Providers include large players such as U.S.-based Accenture, IBM, and HP; and India-based Infosys, TCS, and Wipro; and many small and midsize providers around the world. Many of them today operate from locations around the world (Manning et al., 2015).

Whereas in the 1990s and early 2000s, India dominated the global services market (Dossani and Kenney, 2007), in recent years, more and more countries and regions have begun to develop service capabilities catering to global client demand (Manning, 2013), including Africa (Abbott, 2013). Drivers include: increasing commoditization of services; growing client interest in alternative locations to avoid hotspots; and internationalization of service providers (Manning et al., 2015). Also, many governments in emerging economies have increased efforts to use this industry to boost employment and economic development (GlobalServices, 2008; Manning, 2013), following the example of India (Bresnahan et. al., 2001; Reddy, 1997; Patibandla and Petersen, 2002).

In Africa, in particular Egypt, Morocco, Kenya, Tunisia, Mauritius and South Africa, have recently entered the global business services sector (Abbott, 2013; Abdulai and Junghoon, 2012). Yet, despite early surprise successes, studies suggest that business services from Africa can hardly compete with established players, such as India and Philippines (Africa Report, 2012). Observers have noted that aside from a few exceptions (e.g. Morocco), most African countries lack competitive advantages compared to established outsourcing destinations (The Africa Report, 2012). In a maturing industry, the latter boast scale, cost and skill advantages. Aside from time zone proximity to Europe and some specific language capabilities, such as French and Spanish in Morocco, African providers have struggled to carve a distinctive niche. For example, the Kenyan BPO sector shrank from initially 45 firms in 2007 to 9 firms in 2012 (The Africa Report, 2012). Part of the problem are high cost and competitive pressure from increasing process commoditization (Manning, 2013), but also the limited ability of regular providers to make use of Africa-specific location advantages.

By contrast, a *hybrid model in business services* – so-called ‘impact sourcing’ (IS) – is on the rise that may benefit African economies. IS has been adopted mainly by so-called *impact sourcing service providers* (ISSPs) who operate as niche players in global business services, particularly in Africa. Like regular service providers, ISSPs compete for regional and global client projects based on offering low-cost, high-quality services, such as tech support, data entry and analytical work, yet, unlike regular providers, they specialize in hiring, training and using disadvantaged staff from local communities (Rockefeller Report, 2012). “Disadvantaged” refers to various conditions, such as limited access to education, geographic isolation, or physical disabilities (e.g. impaired hearing), which constrain access to regular jobs and careers (Hockerts, 2015). Therefore, depending on the target employee group, ISSPs serve different communities. In any case, IS is a good example of a community-based hybrid model as it serves and utilizes particular communities as resources. Notably, beside self-identified ISSPs, some regular service providers have also set up often locally bounded IS operations. Boundaries between ISSPs and regular providers, especially in the context of Africa and other emerging economies, are therefore rather blurry (Lacity et al., 2012).

One important promoter of the IS model has been the Rockefeller Foundation which introduced IS as part of their Digital Jobs Africa Initiative through pilot projects in Kenya, Ghana, South Africa, and Nigeria (Rockefeller, 2012). The early focus on sub-Saharan Africa followed a long tradition of community-based social projects, education and employment initiatives in that region. In fact, one important role model for IS was the Monyetla Work Readiness program in South Africa – a program specializing in recruiting, screening and placing people from impoverished backgrounds (Impact Sourcing Conference 2011). Since then, IS has become a growing niche market. Forecasts estimate IS to employ 3 million people and capture 17% of the global business services market by 2020 (Avasant, 2012). Samasource, a major ISSP operating in India and Africa, estimates that since 2008 they have employed close to 8,000 IS workers whose incomes have increased 3.7 times over a period of four years (Samasource, 2016). Digital Divide Data (DDD), another important IS player, has hired more than 2,000 youths from Kenya, Cambodia and Laos since 2001. According to DDD, 670 of their staff were able to complete college education while working for them at an average monthly salary of $365 (DDD Impact

Report, 2014). At the same time, global clients have expressed growing interest in pursuing IS opportunities in particular in Africa (Bulloch & Long, 2012).

Notably, IS models have also been adopted outside of Africa (Lacity et al., 2012; Kannothra and Manning, 2016), yet African firms remain the main adopters. They share particular features that distinguish them from ISSPs elsewhere. First, they focus on hiring from urban communities, notably young disadvantaged people from slums and townships, and they mostly serve end clients directly. By contrast, Indian and U.S.-based ISSPs mainly practice rural sourcing, i.e. they specialize in hiring from rural communities, and often operate as subcontractors (Lacity et al., 2012; Kannothra and Manning, 2016). Second, African ISSPs have been innovators in aligning client acquisition with IS models. For example, Craft Silicon (Kenya), which specializes in training and hiring part of their staff from an urban slum, mainly markets to microfinance organizations, i.e. clients whose business model has a social component as well (Craft Silicon Foundation, 2016). Similarly, DDD, which focuses on hiring and training hearing-impaired staff who lack education and employment opportunities in an economy like Africa, targets mainly public service organizations, such as libraries, for whom they do non-voice data entry and analysis that are customized for the needs and limitations of their staff. By contrast, many Indian ISSPs have not managed to create lasting synergies between their IS staffing model and their client acquisition strategy (Kannothra and Manning, 2016).

Yet, we still lack an understanding of how African ISSPs have been able to effectively build and serve an IS market and under what conditions in the context of sub-Saharan Africa IS models have in fact been superior to regular business models in serving regional and global outsourcing clients. To analyze this question, we use

Peng's Tripod model (Peng et al., 2008, 2009) as a framework as it allows for a multi-level analysis of institutional, industry and firm dimensions in affecting strategic options within firm populations. Such a multi-level analysis also corresponds with the idea that catch-up processes are driven by the interplay of economic policies, industry dynamics, and firm capabilities. However, the Tripod framework is not a predictive model but rather a sensitizing device that 'suggests directions along which to look' rather than 'prescriptions of what to see' (Blumer, 1954, p. 7). We further bring attention to the fact that each 'leg' of the tripod model can be analyzed from a local, domestic/regional and global perspective. We thus attempt to contextualize the sub-Saharan business services industry within a dynamic global business context.

The first leg of Tripod refers to *economic and industry conditions*. Similar to Porter's work on the competitive advantage of nations (1990), and the ongoing debate on geographic clusters (see e.g. Porter, 2000; Iammarino and Clark, 2006; Lorenzen and Mudambi, 2013) this dimension points to the importance of availability of labor and other factor conditions, size of potential markets, customer demand and other related factors in influencing strategic options of firms. Here, it will be particularly important to understand the interplay of global or regional client demands for business services and local economic conditions, such as labor markets. For example, to what extent does the African economic context provide certain advantages for community-based hybrid businesses in serving regional or global clients respectively? And to what extent do industry and economic conditions differ in different African countries, leading to different levels of hybrid model adoption? Specifically, we focus in this study on the contexts of Kenya and South Africa.

The second leg refers to *institutional conditions* and their enabling and constraining effects. Following Peng et al., (2008), we pragmatically pull together both economic and sociological perspectives on institutions: Whereas the former focus on formal and informal “rules of the game”, including sanctions and incentives (North, 1990), the latter emphasize how institutions in terms of relatively stable norms, rules and frameworks give meaning and help actors manage uncertainty (Scott, 1995). In our study, we look in particular at the importance of informal infrastructures, such as the role of local community organizations, and economic policies and funding programs. In this regard, both global and domestic/local institutional conditions are important. To what extent, for example, do global institutional conditions complement or compensate for domestic/local institutional conditions in supporting hybrid businesses in the context of business services? To what extent do institutional conditions differ across African countries in a way that affects the adoption of hybrid models, in conjunction with economic and firm-level factors?

The third leg in our model are *firm resources and capabilities*. While we follow the notion that firms develop certain capacities that are more or less unique, valuable, and hard to imitate (Barney, 1991; Wernerfelt, 1984), thus explaining firm heterogeneity, we also stress the fact that firm resources and capabilities may co-evolve with industry and institutional conditions in particular geographic and industry contexts (Volberda and Lewin, 1999; Jacobides and Winter, 2005). In this study, we are particularly interested in how resources and capabilities of certain firm populations – rather than individual firms – affect their strategic opportunities, in conjunction with industry and institutional conditions. Two central sub-populations we compare are service providers in Kenya and South Africa respectively. For example, we seek to understand to what extent their specific strategic orientations and capabilities, along with economic and institutional factors, make them more or less inclined to adopt hybrid models. In this regard, we also seek to understand what role access to local community resources plays (see e.g. Kistruck et al., 2013b; Holt and Littlewood, 2015; Linna, 2012). Also, how does ownership structure and origin of firms matter: to what extent do locally grown firms make use of community resources differently than firms with foreign headquarters?

Data and Methods

We adopt a qualitative case study approach to examine under what conditions the adoption of hybrid models has been a strategic opportunity for firms that operate in Sub-Saharan Africa and serve regional and global clients, based on the case of global business services operations in Kenya and South Africa. Qualitative methods can be used to explore complex phenomena about which little is known and/or about which a novel understanding is needed (Strauss and Corbin, 1998; Maxwell, 2013).

Specifically, we use an embedded multi-case design (Yin 2003) to generate and differentiate findings in line with the tripod model of strategic analysis (Peng et al., 2008). We selected both hybrid and regular service providers across two country contexts – Kenya and South Africa – to better understand how firm resources/capabilities, economic and institutional conditions jointly affect the adoption and strategic potential of hybrid models. We selected Kenya and South Africa as our two country contexts because both countries share important similarities that qualify them as appropriate case contexts for our study. First of all, they are two of the major destinations for business services in Africa (Abbott, 2013). Also, they both share similar location conditions, such as high English literacy and a fairly well-developed IT infrastructure. Finally, which is particularly important for our study, both countries have been a preferred experimental ground for IS models. In particular, IS experiments in South Africa became a role model for Rockefeller Foundation in establishing and supporting IS as a business model, and Kenyan service providers were some of the first major adopters of IS models in Africa, partly in collaboration with Rockefeller Foundation.

The two countries also differ in two important ways which makes them interesting contexts to compare and which is also reflected in the selection of interviewed firms from each country. First of all, despite comparable early experiences in IS, the IS model has been much more widely adopted by service providers operating in Kenya than by those operating in South Africa. While we were able to interview firms with both regular and IS models in both country contexts, the majority of case firms in Kenya are ISSPs, whereas the majority of firms in South Africa self-identify as regular providers. This remarkable difference motivated us to better understand key factors promoting or hindering IS model adoption. Second, the business service industry in Kenya is dominated by locally or regionally owned, small or mid-size providers serving diverse regional and international clients, whereas the South African provider population is dominated by relatively large, mostly foreign-owned call center operators serving mostly European clients, specifically from the UK. As we show below, this difference has had a profound effect on the extent to which hybrid models have been adopted. Yet these firm-level effects cannot be seen isolated from important industry and institutional contexts which we also examine in detail below.

Table 6 Overview of case firms

Firm, Country, (Ownership) (names changed)	Main Clients: industry and location	Services Provided	Operating Model (impact sourcing/regular provider)
KEI1 (Kenyan ISSP 1) Kenya **(Foreign: from Cambodia, Laos)**	Domestic and International	e-publishing, digitization and content management (domestic and international clients), field research and product marketing	**Impact sourcing** Operates its delivery center out of Nairobi, employing youths hailing from urban slums, economically weaker sections etc. and some of who are pursuing college degrees along with their full- time jobs
KEI2 (Kenyan ISSP 2) Kenya **(Domestic)**	International clients	Voice and data services, IT enabled services, custom software development and IT training	**Impact Sourcing**. Employs around 400 associates in two locations- Kenya and Uganda. Recruits people from urban slums and poor communities. Helps in developing skilled manpower through community learning centers.
KEI3 (Kenyan ISSP 3) Kenya **(Domestic)**	Mostly domestic and some international (Africa based) clients. Banking, microfinance and insurance clients.	IT Services, BPO services including data services.	**Impact Sourcing** Recruits from urban slums while maintaining a regular work force. Employees for client facing roles are based out of India, while main operation for BPO services located in Kenya. Runs mobile training bus in urban slum.
SAI1 (SA ISSP 1) South Africa **(Domestic)**	Local civic governments, domestic telecom, financial	Voice support, back office support, transcription,	**Impact Sourcing:** Work for study model. Employs students attending a popular management institute graduate

	service clients.		programs; students get fee waiver and stipend for working at the ISSP. Sub-contract with larger companies like Aegis, Microsoft etc.
KER1 (Kenyan Regular Service Provider 1) Kenya **(Domestic)**	Domestic, International	Call center and BPO Services	**Regular Service Provider**. Employs youth both with and without college education; self-identifies as a regular service provider, even though it also runs training programs in slums
KER2 (Kenyan Regular Service Provider 2) Kenya **(Domestic)**	International and domestic; builds insurance and HR IT applications for clients.	IT services-development and support. Small recruiting division on behalf of other IT companies	**Regular Service Provider.** Domestic operations-software customization limited to Nairobi city.
SAR1 (SA Regular Service Provider 1) South Africa **(Foreign: UK)**	International and domestic clients; telecom and tech companies.	Customer service (voice and technical help desks), data management services.	**Global regular provider, Local impact sourcing**; Subsidiary of UK based service provider. Supports other ISSPs, manages a CSR program for Microsoft.
SAR2 (SA Regular Service Provider 2) South Africa **(Foreign: India)**	International and domestic;	Customer support service (voice, IT help desk etc.)	**Global regular provider, Local impact sourcing** Regular outsourcing and some impact sourcing in association with other ISSPs. Also operates from other international locations.
SAR3 (SA Regular Service Provider 3) South Africa **(Foreign: Switzerland)**	International; airlines, telecom companies from Europe.	Customer support service (voice, tech support etc.)	**Regular Service Provider;** Also operates from other international locations.
SAR4 (SA Regular Service Provider 4) South Africa	International clients mostly; domestic client- South	Customer Support Service.	**Regular Service Provider** Subsidiary of UK based service provider; operates from international locations in UK

(Foreign: UK)	African government		(consulting) and India (BPO). Some Impact Sourcing as the company employs staff from Moneytla Program of the South African government.
SAR5 (SA Regular Service Provider 5) South Africa **(Foreign: UK)**	Domestic and international; telecom and financial services.	Customer service (voice support mainly)	**Regular Service Provider**; Subsidiary of UK based service provider.
SAR6 (SA Regular Service Provider 6) South Africa **(Foreign: UK)**	International and domestic.	Legal Process Outsourcing	**Regular Service Provider.** Subsidiary of UK based service provider.

Table 6 gives an overview of all service providers included in this study. In total, we studied 12 service providers operating in South Africa or Kenya: 4 ISSPs, 6 regular service providers, and 2 special cases of firms operating as ISSPs locally, while running as regular providers outside of Africa. Services of ISSPs range from data entry and analysis, e-publishing and transcription, to IT services and software development. Importantly, all providers serve external clients, yet the clients served may range from regional to global, from businesses to governments, NGOs and public service organizations. We categorized most providers based on their self-descriptions – in interviews and on websites – as well as secondary data, specifically other studies and reports on IS (e.g. Lacity et al., 2012). As for the two special case firms, their specific model became apparent through interviews with firm representatives and expert industry observers. We discuss them in detail below. Table 6 lists all providers (anonymous) and informs about whether a provider is locally vs. foreign-owned, which clients are being served, which services are provided, and how the IS or regular sourcing model is implemented.

Importantly, we selected case firms in two rounds of data collection whereby we followed a 'replication logic' (Yin 2003) towards a 'generalization in small steps' (Diesing, 1971). For the first field trip and round of data collection in Kenya (in 2012), we selected four ISSPs and one regular provider, most of which were small and locally owned. Firm selection was based on secondary reports on important ISSPs in Kenya (Lacity et al., 2012) as well as recommendations from the national ICT board. The second round of data collection in South Africa (in 2014) combined principles of 'literal replication', i.e. adding cases from the same category to increase external empirical validity, with 'theoretical replication', i.e. adding cases that differ in theoretically relevant ways to differentiate findings (Yin, 2003). Specifically, we selected one ISSP and five regular providers, whereby two of the latter have adopted hybrid recruiting principles. This allowed us to increase the sample of regular providers in support of a more robust comparison of strategic challenges and opportunities of hybrid vs. regular providers operating in Africa. Also, most selected firms were rather large, and mostly foreign-owned, which allowed us to identify important differences in structural conditions affecting small and locally-owned vs. larger, foreign-owned providers. Similar to the first round, the selection of cases was in part based on prior studies of hybrids (Lacity et al., 2012) and recommendations from Rockefeller Foundation and the national outsourcing association.

Main data source were semi-structured interviews with senior managers at service provider firms, complemented by interviews with policy-makers, foundations and other institutions. In total, we conducted 26 interviews of about 1 hour each (on average). In addition, we screened available materials on the development of the regional business services industry. In Kenya, we conducted 13 semi-structured interviews with managers of both ISSPs (4) and regular service providers (2), as well as policy-makers and ministry staff members (5) and industry experts (2) from local universities in the capital Nairobi. Typically, each firm was interviewed once, in some cases multiple interviews were conducted with firm representatives. The selection of interview partners reflected the three dimensions of the tripod model: Policy-makers, e.g. the Kenya ICT Board, and industry experts, e.g. university professors, were interviewed to better understand industry conditions and institutional environments. Interviews with IS and regular providers focused on firm resources and capabilities, client-seeking and growth strategies, employment and training practices, and major managerial challenges. We used standard interview templates for each group to increase reliability in the data collection process. Replicating this data collection design in South Africa, we used the same interview templates, again yielding 13 interviews based on the same selection criteria – with both mainstream providers (5), ISSPs (2), representatives of a major industry association (3), local representatives of the Rockefeller Foundation and other industry experts (3). All interviews were transcribed verbatim.

For data analysis, *first*, a cross-tabulation of responses was carried out across case firms and countries. The tripod model served as a grouping device for data coding: Interviews were coded for information on the perception of economic and industry conditions, institutional conditions, and firm resources and capabilities, including client-seeking strategies, hiring and training practices. *Second*, a comparison of findings was conducted across the two major case populations of

Kenyan vs. South African providers, whereby we paid special attention to differences related to the business model, size and ownership of providers. *Third*, following the practice of axial coding (Corbin and Strauss, 2008), we analyzed and theorized similarities and differences in strategic opportunities and constraints across the South African and Kenyan populations of service providers. We thereby focused on how different constellations of factors across all three tripod dimensions have influenced strategic opportunities and constraints for hybrid models. Based on that analysis, we first identified important facilitating conditions across the contexts of Kenya and South Africa, specifically: underutilized resources from local communities (industry level), strong presence of local community organizations (institutional level) and business ties with these organizations (firm level). We then identified combinations of industry, institutional and firm-level factors explaining differences in strategic opportunities for hybrid models in Kenya and South Africa. These findings form the basis for our theorization of multi-level factors affecting hybrid model adoption in Africa (Eisenhardt, 1989).

We addressed issues of reliability and validity in various ways (Yin, 2003). As for reliability in data collection, we used a standard procedure (interview template and data protocol) to increase reliability independent of interviewers. To increase external validity, a replication logic was applied as described earlier through two consecutive rounds of data collection. As for construct validity, we managed to discuss emerging constructs, such as the above-mentioned multi-level conditions of hybrid model adoption, with interviewees in the second round of data collection. Our analysis also has some important limitations which we discuss in the final section.

Major Findings

We now apply the tripod model to analyze similarities and differences between the Kenyan and South African institutional, industry and firm-level conditions affecting the adoption of IS models. Table 7 serves as a guide for the following analysis. It reports important similarities and differences between Kenya and South Africa along the three tripod dimensions that help understand enabling and constraining conditions for hybrid model adoption. We now discuss each tripod dimension.

Economic and industry conditions

Service providers in Kenya and South Africa (SA) share certain *similarities* in terms of the economic and industry conditions they face (Table 7). First, both SA and Kenyan providers face the challenge of being latecomers in a global competitive market. Especially, the Philippines is regarded as a major second-tier competitor attracting outsourcing projects. Importantly, global competitive pressure has affected both mainstream providers and ISSPs, yet the pressure to match global competition has been particularly high for regular vendors. The CEO of one major call center in Kenya remembers:

> "For the demand side, there were definitely challenges. And the challenges really came from unfamiliarity and ignorance in many ways, and unawareness. So, the businesses in the States and the UK, they had no idea that Kenya was a destination." CEO, Kenyan Regular Service Provider 1.

Table 7 Comparison of Tripod Conditions of IS Models in Kenya vs. South Africa

Tripod Leg		Kenya	South Africa
Industry, Economic Conditions	Similarities	Latecomers in the global services market, Limited global client knowledge of IS and African providers; **Underutilizing local labor pool in disadvantaged areas; Emerging diverse domestic / regional client market**	
	Differences	**Development-focused 'destination brand'**	Cultural and organizational ties with foreign markets (e.g. UK), Mainstream business-focused and highly specialized 'destination brand'
Institutional Conditions	Similarities	Lack of local government funding for IS **Strong presence of local community organizations, Availability of private and non-profit global IS sponsors**	
	Differences	No specific incentives	Tax policies favoring large-scale and globally oriented operations **Black Empowerment regulation in hiring**
Firm Resources & Capabilities	Similarities	**Loyal and dedicated IS staff, Connections with local training and community organizations**	
	Differences	**Small/mid-size, locally grown providers, Niche capabilities serving local and international clients without need for scale.** Limited brand power and scale vs. global rivals	**Ability to capitalize on IS specifically for domestic clients.** Large, typically foreign-owned service providers Specialization in large-scale mainstream services targeting international clients requiring non-IS staff

(In bold font: IS/hybrid- promoting conditions)

At the same time, both countries have rather large underutilized labor pools in impoverished, mostly urban or suburban, areas. While this potentially favors both IS and regular business models, it is of specific relevance to IS models, which aim for inclusive employment. For example, about 42 per cent of young people under the age of 30 are unemployed in SA (National Treasury, South Africa, 2011). Interestingly, the basic qualification of many unemployed youth is very suitable for service jobs. Not only do many enjoy good basic technical education, but also good English language capabilities, while also being in need of further training and employment opportunities:

> "So, the kids from the slums have […] been at second grade schools […]. Usually public schools, but also some mission schools. […] It's also that their whole environment, you know they are watching TV in English, they are going down to the local side ground on the weekend. So not everyone, but when we give people tests and then we select, it's not difficult to find people who are really good in this" CEO, Kenyan ISSP 1.

> "Whether we want to get agents, supervisors, quality managers, project managers, marketing, IT whatever. Every job we ask for we get 200, 300 CVs like that. So, we have many avenues and we don't even need to use many of the avenues. […] So, it's very easy. It's very easy to find people." CEO, Kenyan Regular Service Provider 1.

However, providers in both countries continue to face the challenge that IS is still a relatively young business model. It is thus only just becoming a strategic consideration for many global clients who seek to couple their sourcing with CSR strategies. In contrast, low-cost and quality criteria dominate client decisions regarding sourcing location and provider. As of today, socially responsible sourcing is seen as a ‘bonus’ by many clients, adding to rather than substituting bottom-line criteria:

> “So, they care a little. They […] do not like the idea that they'll be sending work to some digital sweat shop. […] They like that our workers see the work as an opportunity to improve their lives and are keen to come to work […] And then there are those who say I don’t really care as long as my work is done you know on time and on good quality. And those are the ones who we seem to be working with.” CEO Kenyan ISSP 1

> “When they come down here […] and you take them into the townships, you generally see them leave with a lump in their throat […] like they do in the UK where they once a year, you know, Red Nose Day, […] show pictures of kids starving and mosquitoes all over them. It doesn't work in corporate UK” South African Industry Expert.

By comparison, a growing local and regional client market is providing increasing opportunities for both ISSPs and mainstream providers. In part, this is because regional providers have better access to such clients, but also because ‘local content’ regulation in part demands the use of local suppliers.

> “Right, because they want to improve the employment, improve the business environment so that they can support local industries in the area. […] If an international company wants to be in the local tender, […] especially a Kenyan government tender, they have to have a tie up with a local company.” CEO Kenyan ISSP 2

Importantly, these local or regional clients are rather diverse – from governments to businesses to NGOs – with equally diverse service demands – from call centers to data entry, admin support and software development. For example, one Kenya-based ISSPs has been producing e-books for the National Library, utilizing hearing-impaired staff. As we discuss further below, diversity in local and regional (as well as global) client demands provides an important opportunity for ISSPs. Kenyan rather than SA providers have taken advantage of this opportunity.

Aside from several similarities, there are important *differences* in industry conditions between SA and Kenya in affecting the adoption of hybrid models (see Table 7). One major difference lies in the global image of each country. SA has become known mainly for 'voice' services, i.e. call centers, for UK clients, which has to do with cultural affinity with the UK and established organizational ties:

> "Traditionally South Africa is about voice. […]. If you want cheap go to India, because it's commercially far more understood […] I think our delivery is about good quality voice […] with a person that can genuinely engage with somebody in the UK. […] There is a cultural affinity." CEO, South African Regular Service Provider 1.

This image has promoted call center capabilities but hindered differentiation into other mainstream or niche services. Importantly, the focus on voice targeting UK clients has also limited the usability of IS staff. Coming from impoverished backgrounds, IS staff often do not match global client expectations of standard English accents (despite available reading and writing skills). Also, lack of cultural education is associated with overall lack of communication skills:

"[IS staff] would give everything to have a kind of job in a call center, but he cannot speak properly. So, we can't put him in the call center. You face that problem continuously when you go into […] township areas. Those people's voice skills do not allow them to be on the call center. […] There is [also] cultural training. There is listening skills. There is questioning techniques. There is understanding. It goes around all the different aspects of the soft skills for call centers" CEO, South African Regular Service Provider 2.

By contrast, Kenya has not developed a particular reputation for any service expertise. However, more than SA, Kenya has become known as a center of development and NGO work, which has arguably promoted IS adoption and the acceptance of ISSPs by both global and regional clients. At the same time, it has made it more difficult for 'mainstream' providers to land client contracts, who do not openly support the development agenda expected by certain clients. For example, after some early surprise success, one regular provider we interviewed was unable to scale up and attract new client projects, partly due to cost disadvantages, but also due to the limited business reputation of Kenya vs. its image as the 'NGO capital of the world'. The CEO explains:

"A big company like American Express would not see a lot of stuff happening about Kenya being a destination. They won't see the call center, BPO, society or association. […] Kenya is […] the NGO capital of the world, which means that it is very much of an NGO way of thinking. So, so many of the foreigners, expatriates and so on are in that space. And the way they think is different from the way people think on Wall Street or in London in the city. […] And

> all the people pick up on it because they really care about helping people when it comes to Africa at the moment." CEO, Kenyan Regular Service Provider 1.

In sum, despite similar economic conditions, in particular the availability of underutilized labor pools in impoverished areas, differences mainly in the perception of Kenya and SA as outsourcing destinations in the eyes of global clients have favored IS practices in Kenya, and hindered them in SA. Yet, only in combination with institutional conditions and firm resources and capabilities, these differences have turned into strategic opportunities or challenges for IS models.

Institutional conditions

The institutional environments facing providers in Kenya and SA, again, share important *similarities*. In both countries, community organizations have a long tradition. These informal infrastructures have been critical for many ISSPs in setting up their operations. For example, many ISSPs in Kenya work actively with local community organizations to recruit staff from urban slums (see also below). The Maharishi Institute in SA, which today operates as a training institute with an attached call center (Invincible Outsourcing), not only works closely with community organizations in recruiting students from impoverished families (their target group) but also serves itself as an important 'community intermediary' in contracting with other businesses interested in utilizing IS staff.

At the same time, and quite interestingly, ISSPs in both countries have enjoyed very little local government support. Reasons are manifold – from intentional government ignorance of education and employment needs in slums and townships, to aspirations of promoting a more prestigious mainstream industry to global clients.

This becomes obvious when reading for example Kenyan's vision 2030 where business process outsourcing is given an important role, without mentioning the potential of IS as part of that strategy (Thugge et al., 2009). Likewise, incentives of the SA government have targeted (and benefited) mainstream call center operators rather than ISSPs (Vermeulen, 2015). Governments' perception of why foreign clients would buy from (or establish) businesses in SA (or Kenya) have played an important role here. The chair of a major SA outsourcing association elaborates:

> "If I am set in South Africa, I will not be successful if I say to a CEO of a company move your business to Cape Town, because you will be helping some poor little African boy, you know, that CEO is going to look at me and say, do you know how I built this business? It was not being nice to people. It was by making calculated mean decision, so I'm a bit skeptical about the marketing of impact." Chair of SA Outsourcing Association.

In light of this situation, global sponsors – both non-profit and private – have become critical players in promoting IS practices in both countries. In this regard, it is interesting how especially Rockefeller Foundation, Microsoft and Google have collaborated in supporting IS initiatives. In some cases, they would serve directly as co-sponsors of ISSPs:

> "One is that Rockefeller Foundation gave us a grant for the initial set up capital, and we've received a couple of additional grants from Cisco, Microsoft and Google, both in hardware, software and actually in cash as well, to support to set up this." CEO, Kenyan ISSP 1.

In other cases, especially in SA, Microsoft for example has taken initiative in establishing an e-learning platform for youth in townships. Rockefeller has identified this initiative as a way to boost youth training and employment by both ISSPs and regular employers. For the same reason, one major SA outsourcing association is planning to contract with Microsoft to collaborate on training youth:

> "We [..] are in the process of signing a deal with Microsoft. So, Microsoft have got an amazing portal which would open up opportunities for hopefully thousands and thousands of kids because on that portal you are going to get free e-learning programs. On that portal, you will get help on how to create a CV and workshop work, workplace readiness programs." Chair of SA Outsourcing Association.

Yet, there is an important *difference* between the Kenyan and SA institutional contexts. Whereas Kenyan policies have neither actively promoted nor hindered the emergence of ISSPs, certain policies in SA have not only favored regular business models but, in part unintentionally, made the adoption of IS models more difficult. For example, the SA government has given tax incentives for service providers targeting global clients for every seat they can fill (Vermeulen, 2015). This policy has promoted large-scale operations, especially benefitting call centers. Operations of 800 or 1,000 seats are typical. While this policy was designed to support employment pragmatically and facilitate large client contracts, in competition with India or Philippines, it has rather unintentionally hindered service differentiation, e.g. into non-voice services, and made SA more dependent on their call center business. As an important side effect, this has also prevented major players from targeting more regional clients and possibly from differentiating their portfolio in the process, including the use of IS staff.

Furthermore, targeting more regional clients has ironically been hindered by the so-called 'Black Empowerment' (BE) law which demands a certain percentage of staff to be black in order to be eligible for serving the local market. While this policy, in principle, works in favor of IS business models, since it would encourage the hiring of staff from impoverished communities, most of which are black, it conflicts with the strong orientation of the SA business services industry towards large-scale voice services catering to global clients. This is because the latter typically demand highly educated staff with standard English accents, which has favored the employment of white people from urban areas. Even though there is a growing local and regional client market, BE laws would present significant switching costs for globally oriented businesses to differentiate into serving more local clients, with a potentially wider array of services:

> "We had a bid for local business [to serve an] airline. […] It comes to us because we have been around so long. […] The problem is we obviously we don't have [black empowerment]. The whole management, ownership structure is white and European. So, we cannot actually get that business unless we have to go into partnership with somebody." CEO South African Regular Service Provider 3.

Only more recently, the trend has been shifting with several larger clients, not least Microsoft, taking an interest in further penetrating the SA market. One major SA call center recently landed a tech support contract with Microsoft involving 2,500 seats globally. As part of their own CSR initiatives and because Microsoft is targeting local customers with these services – and therefore needs to meet BE laws – they demanded the use of IS staff from the SA call center.

> "They went out with a [proposal] to say, 'Alright, we want to do something different.' […] We responded to it to say, 'Yes we can run it out of South Africa and we can tick the boxes from the point of view of the impact sourcing piece.'" CEO, South African Regular Service Provider 1.

In conjunction with increasing regional client interest, BE laws are thus turning from a burden to a potential facilitator of IS practices, implemented partly through mainstream providers.

In sum, whereas SA and Kenya share several similarities in institutional conditions affecting IS models, including the presence of local community organizations and the availability of global funding (that in part substitutes for lack of local government support), one important difference are SA tax incentives which have favored globally oriented mainstream businesses and neutralized the potential gains from BE laws which could favor IS models.

Firm resources and capabilities

Finally, both Kenyan and SA provider populations share *similarities* in terms of how some of their firm-level resources and capabilities favor the utilization of hybrid models. In particular, many, especially locally grown, providers in both countries have established connections with training and community organizations, which facilitate recruitment and training of IS staff. For example, one Kenya-based

ISSP utilizes connections with multiple NGOs to recruit from different disadvantaged groups – here: slum kids and hearing-impaired:

> "So, we hire through […] NGOs that work in the slums. And then the other set are, hearing impaired, the deaf. And again, there's an NGO you know for the deaf that we hire through." CEO, Kenyan ISSP 1.

In SA, multiple service providers also maintain connections with community organizations, mainly through personal connections. Yet only more recently these connections have come to fruition. For a long time, they would stay rather dormant.

Another important similarity among ISSPs in SA and Kenya is their ability to promote loyalty and dedication of their IS staff to learning and performing well in the organization. In an industry where employee turnover is very high, which drives up re-training costs and endangers client contract renewal, loyal and dedicated staff is a particularly valuable asset:

> "I'm going to say that they love typing their names, but they see the whole job as a big opportunity, and they tend to also therefore to be very dedicated and hard-working and be with us for the long term, unlike I mean I'm sure you know [...] in India and the Philippines …" CEO, Kenyan ISSP 1.

The major *difference* between SA and Kenyan providers relates to their size and ownership structure which have impacted the feasibility of IS models in multiple ways. In Kenya, most vendors are locally or regionally owned, and rather small. This has been a disadvantage in the regular business services market. Not only do vendors from India and the Philippines enjoy greater brand reputation, but clients typically prefer contracting with large vendors with a sufficiently large number of seats available for the job. Scale is particularly important for call centers and tech support, but also for financial services, data entry and other highly standardized processes, not least to drive down costs. Interestingly, even *Kenyan* clients would often avoid Kenyan providers due to their lack of brand power and size; instead, they would look for providers from India and Philippines. A provider CEO comments:

> “It will take some time for us to penetrate into the larger banks because people would always look for a reference. […] I think there is still some level of resistance by the larger banks to promote the local companies because that attitude is that a local company may not be able to handle large projects.” CEO, Kenyan ISSP 3.

In face of that challenge, promoting high productivity and low staff turnover have become important factors in attracting clients. In addition, Kenyan ISSPs have targeted niche client markets where scale is less of an issue, but competence in specific, more customized services becomes important:

> “We are not at the lowest price and the biggest scale, but maybe we can do well in certain niches that the Philippines is […] We are not going to be able to put 15,000 people to work on some data entry project. […] So, we have to be in things that are a little more specialized, where the market is smaller, where the teams that the clients need are smaller.” CEO, Kenyan ISSP 1.

As a result, Kenyan ISSPs have developed capabilities in a diverse array of services targeting a mix of local and international clients: be it software services for governments; e-books and genealogy data entry for public libraries; or financial data entry for micro-finance organizations. This has benefited IS models, since IS staff, on the one hand, may lack certain skills needed for services with direct customer contact (such as voice call), but, on the other hand, their willingness to train in less mainstream services is higher thanks to their loyalty and long-term dedication to learn. Over time, Kenyan ISSPs have thus been able to develop a strong brand reputation within particular niches, like this example shows:

> “In terms of microfinance, our brand value is very high […] you walk into any microfinance, any good-sized microfinance or well-informed microfinance would always know about us.” CEO, Kenyan ISSP 3.

By contrast, SA service providers, partly thanks to the brand of SA as call center hub and thanks to tax incentives targeting large-scale and globally oriented operations, have been specializing in developing and maintaining large-scale voice service capabilities, hindering the use of IS staff. In addition to industry and institutional conditions driving this dynamic, the fact that many SA providers are delivery units of foreign-owned global operations has further amplified their specialization in mainstream voice services. For example, many SA call centers are part of a global service network with a certain division of labor: whereas Indian subsidiaries focus on IT and other non-voice services for global clients, thereby exploiting their skills advantages, the mandate of the SA operation has been largely limited to voice services to European, mainly UK-based, clients:

> “So, we work across – that’s our geographical footprint. In terms of work in India, […] there is a common perception that the non-voice staff are in India. [Clients] are complaining about the experience of voice into India. And the economic perception is you can put non-voice into India. […] There are

certain things non-voice India will avoid: the flow to South Africa from a competitive perspective like finance and accounting and that kind of stuff. “CEO, South African Regular Service Provider 4.

Only more recently, the increasing interest of major clients, such as Microsoft, in entering the SA market and a possible revision of the government tax policy, have prompted SA vendors to consider the IS model more seriously. Interestingly, in particular a number of mainstream providers are now developing IS models in SA to better tap into the domestic market and to utilize related advantages of IS models, such as high staff loyalty.

“So, where we can put them into a domestic programs where they would fit in and can actually work within the call center. [..] Very few of them would be able to make it into the international programs. So, it’s more the domestic clients where these people can fit in […] I prefer them to be honest because their tenure tends to be longer. Their dedication of work ethic is a lot better.” CEO, South African Regular Service Provider 2

To implement IS models domestically, these providers would make use of existing connections to training and community organizations. For example, the provider who landed a major Microsoft deal decided, based on existing interpersonal ties, to collaborate with a local training center in order to secure recruitment of IS staff and to satisfy IS demands of Microsoft:

“I work with ComEducate [name changed], so we’re already utilizing people who’ve come through that channel of recruitment and we could obviously then utilize them on the Microsoft account, so we could tick that box. We also

> already run Microsoft Training out of the center here." CEO, South African Regular Service Provider 1

Similar, another company is further developing an existing joint venture with the SA-based Maharishi Institute, which includes involvement in curricula and a procurement contract that ensures meeting criteria of BE regulation, including black ownership participation:

> "We had our trainers go in and assist setting up the whole training program. Then […] we sourced some of our people through them. So, we try and use them as a sourcing company for us. […] And part of that is also to support […] Black Empowered with 100% black ownership." CEO, South African Regular Service Provider 2.

In sum, despite similarities in having established connections with community organizations, favoring IS models, providers in Kenya rather than in SA have more strongly focused on IS models, partly because, unlike SA providers, they lacked the size and global reputation needed to compete with mainstream competitors. By contrast, mostly foreign-owned SA providers have specialized in large-scale mainstream call center services and only more recently built up IS branches in response to increasing interest of global clients.

Strategic opportunities and constraints

Based on the above analysis, we are able to identify both facilitating and constraining constellations of economic, institutional and organizational factors affecting the adoption of IS models by business service providers in Africa. Some of these are similar across the two case contexts of SA and Kenya. Specifically, we find that service providers in both countries face similar constraints: limited global client trust in African providers and lack of client knowledge about IS (industry), and lack of local government support in IS models (institutional). At the same time, they also enjoy similar conditions favoring especially IS models: underutilized labor pools in impoverished areas (industry); presence of community organizations providing access to IS staff, and global sponsors supporting IS models (institutional); and business ties to community organizations and ability to develop highly loyal IS staff (organizational). Yet, despite these similarities, the Kenyan service provider population has more widely and successfully adopted IS models than the SA provider population. This has to do with certain more country-specific combinations of tripod factors that promote or hinder IS practices.

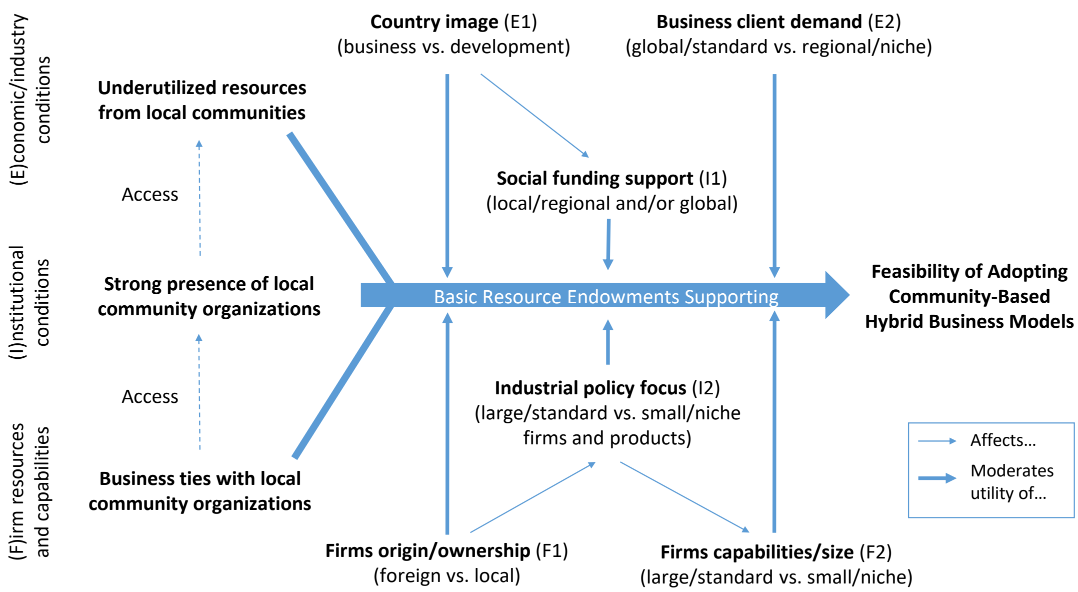
In Kenya, in particular the image of Kenya as NGO-driven development hub (industry), and the niche orientation of mostly small and locally grown ISSPs serving regional and international clients (organizational), combined with available global funding (institutional), have helped IS models grow into a strategic advantage compared to regular models. These factors work interdependently. Global sponsors like Rockefeller have been interested in supporting local businesses with community ties, and their focus on Kenya has been amplified by its image as development hub. This, combined with the *lack* of visible, large-scale mainstream service capabilities, have prompted ISSPs from Kenya to focus on niche capabilities benefiting IS staff and targeting niche clients who value long-term, custom service contracts and loyal staff. By contrast, in SA, certain conditions have hindered IS models, despite otherwise facilitating conditions. Specifically, the reputation of SA as a mainstream UK call center hub (industry), government policies supporting large-scale, globally oriented operations through tax incentives (institutional), and mostly foreign-owned providers that focus on large-scale, mainstream services requiring regular staff (organizational) have hindered IS models. Again, these factors have been interrelated: foreign ownership and scale-oriented tax incentives have favored large-scale mainstream operations (here: voice call) and promoted the image of SA as a specialized call center hub, making differentiation rather difficult. Only recently, a growing number of clients have shown interest in using SA-based providers to support their local operations, which, however, requires a certain percentage of black staff in operational and leadership positions. Since this requirement benefits mostly black IS staff from urban or suburban impoverished areas, this trend could in fact turn IS models into a more attractive strategic option for SA providers in the future.

Discussion: Are Hybrid Models a Strategic Opportunity for African Firms?

Based on the empirical analysis, we now propose under what conditions the adoption of community-based hybrid models can be a strategic opportunity for firms in Africa in more general. Again, we use the tripod model (Peng et al., 2008, 2009) as a sensitizing device to structure our propositions. Figure 5 displays the entire model. Importantly, we focus here on what we have introduced as 'community-based' hybrids that rely on resources from local communities and also benefit those communities, while serving business clients both locally and internationally. Besides ISSPs, which we studied here, our findings may be applicable to any sector where hybrid businesses are dependent on community resources: low-cost BoP innovators, like the bamboo bike producer mentioned above, that develop specific products and business ideas in community contexts; or agricultural cooperatives and social-oriented mining initiatives that employ people from local communities while also supporting their livelihoods and giving them additional educational opportunities (Holt and Littlewood, 2015; Senthilingam and Hoeferlin, 2015; Global Exchange, 2016; Harris et al., 2013).

Our findings suggest that certain economic, institutional and organizational conditions can jointly turn into what we call 'basic resource endowments' supporting the adoption of community-based hybrid models in Africa. *First*, we find, in line with prior research, that both Kenya and South Africa have underutilized local community resources available that may drive the adoption of hybrid models (see also Holt and Littlewood, 2015; London et al., 2010; Page, 2012). In our particular case, the main resource is underutilized labor power from disadvantaged communities. In other contexts, it may be underutilized ideas, technologies, funding, or markets (see Holt and Littlewood, 2015).

Figure 5 Tripod factors affecting the feasibility of community-based hybrid models



Second, we showed that the availability of community organizations is vital in accessing such communities and in allowing businesses to 'extract' the resources hybrid firms need. Again, prior research has made the point that in particular in Africa such community organizations are important as intermediaries in facilitating social entrepreneurship and hybrid models (Kistruck et al. 2013b). *Third*, our study shows that the utility of such community organizations depends a lot on the ability of businesses to collaborate with them. Ties between businesses and community organizations in many African countries therefore seem critical antecedents of feasible hybrid model adoption.

However, our study goes beyond these basic insights by revealing critical *moderating factors* at the industry/economic, institutional and firm level that may influence the combined utility of basic resource endowments for hybrid models (see Figure 5). In particular, we observed that despite similar resource conditions favoring hybrid models, Kenya and SA differ in the degree to which hybrid models have been actually adopted in the sector we focused on: global business services. Based on these differences we are able to identify critical moderating factors to inform future research.

In terms of *economic/industry conditions*, our findings suggest that, on the one hand, the country image (E1 in Figure 5) – both in the global client and funding community – can affect the feasibility of hybrid models no matter how favorable resource conditions are. Whereas a strong business reputation, like in the case of SA, may lower the acceptability of hybrid models at least among international clients, the image of a country in need of development support, like in the case of Kenya, may not only increase the availability of global funding, but also prompt a larger number of clients to consider social impact as part of their rationale for selecting a supplier from that country. On the other hand, we find that both global and regional client demands and expectations (E2) may affect the utility of resource conditions favoring hybrid models. In particular, we find that highly standardized demand, e.g. for call centers services, works against the adoption of hybrid models, as it drives cost competition with global rivals and increases pressure to increase economies of scale (see also Manning, 2013). This lowers the utility of hybrid models as their dependence on certain community resources may limit scalability (Linna, 2012). By contrast, niche client markets may be more attracted to hybrid models, in particular when niche client demands match the capabilities (and constraints) of hybrid firms, as we described in the case of Kenyan hybrids. We also find that regional clients can be more easily targeted by hybrid models, partly thanks to shared social and institutional environments. In addition, we showed, in the case of SA, that increasing regional market orientation of global clients prompts them – and their local suppliers – to comply with Black Empowerment rules, which supports the hiring of staff from disadvantaged communities in line with the hybrid model.

In terms of *institutional conditions,* we find that both social funding and industrial policies matter for hybrid model adoption. First of all, social funding support (I1) is an important facilitating condition for hybrids to make use of local community resources. In both Kenya and SA local or national funding has been rather limited for IS models. However, global sponsors, such as Rockefeller Foundation and Microsoft, have compensated for that to some degree. Clearly, the image of Kenya as a development hub has further attracted such funding opportunities. Yet, to what extent external funding can sustainably support the adoption of hybrid models is an important, long-debated question (see also London et al., 2004, 2010) beyond the scope of this study. A second important component, according to our findings, is the focus of national industrial policies (I2). One important constraint for hybrid models in SA, in the context of business services, has been the strong focus of industrial policy and related tax incentives supporting employment in mainstream business services, especially large-scale operations catering to global clients. This has led firms to develop capabilities that can keep up with global competition and global client standards, rather than developing more niche-oriented hybrid models. Even though the Kenyan government has not supported hybrid models directly either, its focus on small and local business development has indirectly benefited hybrid models.

Finally, our findings indicate that certain *firm resources and capabilities* either lead firms to utilize or 'ignore' resource endowments supporting hybrid model adoption. On the one hand, we find that the origin and ownership structure of firms (F1) matter. First, locally grown firms are more likely to have established local community ties to make effective use of locally available resources, partly to compensate for lack of financial and other institutional resources, and to better compete with global players. This finding is in line with prior research emphasizing the strong local embeddedness of many businesses in Africa (Rivera-Santos et al., 2015; Holt and Littlewood, 2015). Conversely, we find that globally operating firms with subsidiaries in Africa are likely to utilize these subsidiaries for either tapping into specific resources or for catering to specific clients they cannot serve as well from other locations. For example, foreign providers in SA would primarily use SA operations to cater to UK call center clients. This rather high degree of specialization, in competition with other locations worldwide, limits the utility of hybrid models which are much more interdependent with available local community resources and needs. On the other hand, we find that firm size and capabilities matter (F2). Large size allows firms to generate economies of scale and scope and compete in mainstream markets for standardized products and services, favoring regular business models. This is the situation with SA call center operations. By contrast, we showed with the example of Kenya, that smaller size lowers perceived chances of competing with global peers and prompts firms to develop more custom, niche capabilities, which opens opportunities for hybrid solutions. Industrial policies play a key role in creating incentives for either developing large-scale/standard or more niche capabilities, whereby these policies are partially driven by the structural properties of national firm populations.

Implications for Future Research

Our study has important implications for future research in particular in three areas: catch-up processes and firm strategies in latecomer economies; hybrid organizations; and global business services. First, we inform the debate on *catch-up processes and firm strategies in latecomer economies* (Altenburg et al., 2008; Lorenzen and Mudambi, 2013; Hoskisson et al. 2000). To begin with, we have emphasized the importance of looking at catch-up as a multi-level process, where national economic policies interact with industry dynamics, firm capabilities and strategic choices. Based on this idea, we used the tripod model (Peng et al., 2008) to capture the interplay of institutional, industry and firm-level conditions in promoting certain strategic directions within firm populations rather than others. More specifically, we focused on the potential of hybrid vs. regular business models in helping latecomer economies and their firm populations in general and in Africa in particular catch up with globally differentiated markets. Our example of hybrid models indicates the utility of promoting niche models as an alternative to more scale-dependent low-cost production in mainstream industry segments. The pursuit of niche models promises to be a viable option when the potential to 'catch up' through conventional means, such as upscaling and 'upgrading' (Mudambi, 2008; Gereffi, 1999; Humphrey and Schmitz, 2002), 'technological leapfrogging' (Amiti, 2001) or 'accelerated learning' (Altenburg et al., 2008) may be limited. This is specifically true for African economies which face competition not only from advanced but also from other emerging economies.

Furthermore, our findings suggest, based on the example of hybrid models, that the global and regional competitiveness of firms from latecomer economies can rely on their embeddedness in local communities. Our focus on communities was motivated by prior research suggesting that in particular African businesses are often strongly embedded in local communities (Rivera-Santos et al., 2015; Holt and Littlewood, 2015). In line with this insight, we find that African countries, here Kenya and South Africa, share important conditions – underutilized community resources, community organizations, and business links to such organizations – that favor community-based hybrid business models, such as impact sourcing. Future studies could examine to what extent such community resources also benefit other industry sectors in Africa and beyond. Whereas prior research on emerging economies has often pointed out the challenges of lack of infrastructure, institutional voids, political instability and other factors (Hoskisson et al., 2000; Meyer et al., 2008), we suggest that community ties may in fact be an important, underappreciated location advantage

– both for firms originating from these locations and for foreign firms entering these locations. However, the stronger ability of local firms to build and use community links is expected to be a source of liability of foreignness (Zaheer, 1995) for firms entering such markets. In this respect, the notion of community ties may also add nuance to prior debates on the role of 'business networks' (Forsgren et al. 2005) and 'insidership' (Johanson & Vahlne, 2009) as barriers to entry into emerging economies in particular.

However, we also find that leveraging community resources requires both institutional and firm-level openness to using community linkages and serving niche markets rather than more scale-dependent mainstream markets. This may also require a shift of attention from large corporations and their typically more mainstream markets towards more nimble, small or midsize enterprises that specialize in serving more locally embedded niche markets. In addition, the growing trend of international social ventures, many of which specifically innovate for and cater to BoP markets (Zahra et al., 2008; Chen, 2012), may motivate an increasing interest in studying processes of setting up and maintaining linkages with communities and community organizations to better serve such markets. In this respect, we expect local governments to gradually shift attention from supporting mainstream global businesses – and related tax incentives – to supporting hybrid and social ventures that make better use of location advantages, while differentiating from global competitors.

Second, our findings inform *research on hybrid organizations* (Smith et al., 2013; Battilana and Lee, 2014), in particular by introducing the tripod model (Peng et al., 2008, 2009) as an analytical tool to better understand hybrid model adoption. Prior research has focused a lot on potential managerial tensions hybrids face in promoting business growth and professionalism while staying true to their social mission (see e.g. Battilana and Dorado, 2010; Clifford, Markey, and Malpani, 2013; Pache and Santos, 2010). We add to this body of research, on the one hand, by specifying 'community-based hybrids' as a particular type of hybrid that is strongly embedded in local communities, while also being potentially able to serve regional and global markets. We encourage future research to carefully study organizational structures, governance modes and operational challenges of this type, which seems to be particularly important in emerging economies. On the other hand, we provide a more context-sensitive understanding of the feasibility of hybrid models, by looking at the interplay of economic, institutional and firm-level factors supporting or constraining hybrid models, based on the example of ISSPs. Specifically, we identified critical resource endowments driving the adoption of community-based hybrid models – underutilized community resources, community organizations, and business ties with these organizations – as well as key moderating conditions that may either support those resource endowments or neutralize their utility.

Also, we demonstrated the importance of looking at local and global industry conditions affecting the feasibility of hybrid model adoption as well as the role of scale. Prior studies have primarily looked at institutional conditions and entrepreneurial antecedents of hybrid models (see e.g. Battilana and Dorado, 2010; Battilana and Lee, 2014), but have largely neglected industry conditions. Specifically, we find that in global business services the market for standardized services that appeal to global clients has matured and is increasingly difficult to enter. Building up large-scale operations is almost a requirement to drive down costs and to take on large client projects. Many smaller providers are disadvantaged compared to larger peers.

However, since, overall, business services are still a growing market, and since customer markets and demands keep differentiating, there is continuous ‘space’ for the co-existence of niche models that appeal to smaller customer segments. This opens the door for experimentation with hybrid models and allows new individual entrepreneurs to enter the industry. Also, from an economic development point of view, supporting a growing community of hybrid and other niche entrepreneurs may to some extent compensate for the limited development impact of any particular firm. In other words, whereas the relatively smaller size of many African firms may be a competitive disadvantage and employment barrier (Iacovone et al., 2013), which has prompted governments to incentivize scaling up, building up a community of smaller-scale niche hybrid players instead may not only reduce competitive pressure from global peers but also generate substantial, potentially even more inclusive employment opportunities.

Third, our findings contribute to *research on the global business services industry* (Ethiraj et al., 2005; Manning et al., 2008, 2015) and the potential of impact sourcing models (Avasant, 2012). First of all, we indicated earlier that impact sourcing may grow into an important market segment within the global services industry, with an estimated market share of 17% by 2020 (Avasant, 2012). This indicates that socially responsible services outsourcing is becoming a growing client for clients. We thereby show how impact sourcing, as a form of that, may be adopted to different degrees: whereas some providers define their entire operation in line with impact sourcing, others may choose to only partially adopt this practice, e.g. in line with specific local resource conditions and client markets. This also adds nuance to latest research on the internationalization of service providers. Whereas prior studies have shown that service providers increasingly globalize and set up hubs with access to relevant resources and in time zone proximity to core clients (Manning et al., 2015; Niosi and Tschang, 2009), our study suggests that foreign providers may be increasingly pressured to ‘locally adapt’ their operations – to client demands, local regulation, and institutional expectations. One example we gave is a UK-based call center provider that has been pressured by a major global client to develop impact sourcing capabilities in South Africa in order to support the client’s local sourcing needs. Beyond client and institutional pressure, the opportunity to boost staff loyalty and keep costs low at the same time, while also signaling social responsibility, may provide another rationale for adopting location-specific impact sourcing as a global service provider.

This in turn raises important questions about the balance of standardization/global integration and local responsiveness in the global services industry (see in general Ghoshal and Bartlett, 1990). On the one hand, global business service providers face continuous pressure to drive down costs and streamline operations while meeting high quality standards in order to stay competitive in a maturing industry (Luo et al., 2012). As we show in our study, this pressure has been a major reason for foreign providers in South Africa to avoid the impact sourcing model, since it would conflict with global mainstream client expectations. On the other hand, increasing commoditization of services is driving both small and large providers to identify new ways to differentiate from competitors, whereby impact sourcing – and related access to underutilized local labor markets and potentially very loyal IS staff – may become an important option. Prior studies indicate that in recent years many providers have tried to mainly differentiate at the global level, e.g. by adopting global delivery models, which involve setting up hubs around the globe to bridge time zones and optimize service delivery for clients (Ang and Inkpen, 2008; Manning et al., 2015). However, establishing such models can be costly and may not be appreciated by all clients (Manning et al., 2015). In view of this, socially responsible and locally embedded impact sourcing may be another viable strategy to differentiate for both smaller and large providers. This may however drive tension between meeting client demand for predictable streamlined service delivery across locations and accommodating location-specific employment and training requirements for IS staff (see also Kannothra and Manning, 2016). Future research needs to unpack these tensions in order to better understand the potential and limitations of hybrid model adoption as a differentiation strategy in global business services.

Our study also has some important implications for managerial practice and policy-making. On the one hand, it may inform firm decision-making, in particular with regard to adopting hybrid models in particular industry contexts. We suggest that in particular those hybrid models which depend on community resources, such as labor and local product ideas, are only feasible if firms have access to such resources through community organizations. However, availability of funding, industry policies, client demands, and firm capabilities may either enhance or diminish the utility of those resources. On the other hand, our study may inform policy-making. Most importantly, we suggest that African governments and business promotion agencies have neglected the market potential of hybrid model. By focusing too much on regular businesses and global client demands, African economies run the risk of becoming subject to fierce cost competition. Instead, we suggest a stronger focus on niche businesses which make better use of Africa-specific local resources and advantages, and which can develop with greater protection from global competitors.

Our study also has some notable limitations. First of all, given data constraints and the rather young trend of impact sourcing, our ability to measure profitability and social impact was limited. In this regard, we acknowledge that there is an ongoing debate around whether hybrid models can actually balance business and social objectives (Porter and Kramer, 2011), or whether there is constant tension between them (Crane et al., 2014). Second, our two-country comparison suggests that heterogeneity in business conditions within Africa may be vastly underestimated. However, more studies are needed to better understand ‘varieties of capitalism’ within Africa, which may affect our understanding of viable catch-up processes, firm strategies and entrepreneurial dynamics in these countries. Third, even though we were able to collect data across twelve service providers in two country contexts, which allowed us to make interesting theoretical distinctions, we lack more in-depth data for any particular firm case. Nor did we have longitudinal insights into how firms have dealt with institutional, industry and firm-level conditions over time. Also, our theorization of strategic opportunities of community-based hybrids in Africa is limited to ISSPs and needs to be complemented with data from other sectors. We thus encourage future studies to adopt longitudinal designs and compare hybrid model adoptions across different industry contexts – in Africa and beyond.

In sum, we have discussed hybrid models as viable strategic opportunities for firms operating in Africa. While pointing out favorable resource conditions we also emphasized the importance of moderating factors at the industry, institutional and firm level. This study broadens the debate on catch-processes processes and prospects of African businesses in the global economy, which has important implications for future research, policy-making and firm strategy.

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CHAPTER 4

HOW SOCIAL-BUSINESS HYBRIDS VARY IN INTERNATIONAL CONTEXTS: FOUNDERS' ASPIRATIONS, CLIENT EXPECTATIONS, AND LIABILITY OF EMBEDDEDNESS

Introduction

Social-business hybrids (SBHs) have become increasingly important organizational forms (Haigh et al., 2015; Doherty et al., 2014; Battilana et al., 2012). They are typically defined as '*organizations that run commercial operations with the goal of addressing a societal problem, thus adopting a social or environmental mission*' (Santos et al., 2015). They are sometimes referred to as 'hybrid organizations' or 'social enterprises', since they bridge commercial business and philanthropy (Battilana and Lee, 2014; Battilana et al., 2012). The emergence and increased acceptance of hybrid forms reflects a broader shift in the global political economy (Brock and Kim, 2011; Nicholls, 2011; Hoffman et al., 2010) – towards greater awareness of the role of business in tackling issues such as poverty alleviation, climate change, education, and healthcare advancements (Kolk, 2016). In this regard, international SBHs (ISBHs) have become increasingly relevant (Zahra et al., 2008, 2014). ISBHs combine social causes and commercial operations that cross-national boundaries. Examples include Vision Spring,

an ISBH focusing on selling affordable eyeglasses through micro franchises in India and El Salvador (Chen, 2012), and Digital Divide Data (DDD), which trains and employs people from disadvantaged backgrounds in business process outsourcing in multiple African and South East Asian countries (see Smith et al., 2012).

Prior research has focused on explaining why entrepreneurs choose to implement SBHs in general and ISBHs in particular (e.g. Kolk, 2016; Zahra et al., 2008; Seelos and Mair, 2005). However, as the population of SBHs and ISBHs is growing, so is the diversity of hybrid business models. Accordingly, recent research has recognized that SBHs *vary* considerably in their implementation. For example, studies have shown that SBHs may be more or less integrated in terms of pursuing social and commercial goals (Battilana and Lee, 2014; Jay, 2013). Various contingencies may explain part of such variation, such as different ways of creating and capturing value, and cost structures (Zott et al., 2011; Yunus et al., 2010), different growth pace and aspirations (Kannothra et al., 2017), and the broader institutional context, competitors, customers, consumers, suppliers and other partners (Kerlin, 2013; Dahan et al., 2010). Yet, especially our knowledge of variation of ISBHs is limited, despite their increasing empirical relevance (Zahra et al., 2008, 2014). Understanding drivers of variation is important, however, to fully grasp both the range of challenges ISBHs face and the portfolio of strategic and organizational solutions they can ‘choose’ from to succeed. We thus seek to examine this issue more systematically.

Drawing from research on entrepreneurship in global supply chains (Bresnahan et al., 2001; Gereffi et al., 2005; Glückler and Panitz, 2016), and on antecedents of social ventures (Mair and Noboa, 2006; Lee and Battilana, 2013), we focus on the role of founders’ background and aspirations, and the nature of competition affecting variation in business models of ISBHs. Prior studies indicate that product portfolio and client strategies of global B2B startups are strongly influenced by the founders’ business network, client expectations, and level of competition (Bresnahan et al., 2001). Social entrepreneurship research, in turn, suggests that founders’ background and aspirations may influence the importance of the social mission vs. commercial goals (Lee and Battilana, 2013). Combining these research streams, we investigate the following question: *How do founders’ background and competitive conditions affect business model configurations of international social-business hybrids?*

Our study draws on data from Impact Sourcing Service Providers (ISSPs): global outsourcing firms that serve impoverished communities by employing and training disadvantaged staff to provide various business services, such as tech support (Kannothra et al. 2017). Through an inductive study of ISSPs, we find four business model configurations that seem equally prevalent yet differ in strategic focus and internal organization: strategically, ISSPs either serve international and domestic clients, or exclusively domestic clients, and they either prioritize the social mission or business opportunities. Organizationally, ISSPs either focus on low-cost (lower-skilled) or differentiated (higher-skilled) services, and they either integrate or decouple social mission and business operations. Explaining this variation, we find that, on the one hand, entrepreneurs with an international background are typically more social mission-driven and have the skills and ambition to invest into training beneficiary staff to be able to offer differentiated services, whereas domestic entrepreneurs are often more business opportunity-driven, invest little into staff development, and thus focus mostly on routine low-cost services. Client choice and management, on the other hand, are mainly explained by how entrepreneurs respond to what we call 'liability of embeddedness', i.e. perceived disadvantages in trying to win clients outside the community in which their social mission is highly valued. Coming from highly competitive environments, such as India, this liability is particularly high, which is why ISSP founders often focus on domestic clients that buy into the social mission more easily, which is also why such ISSPs typically integrate social mission and business operations. By contrast, out of less developed and less competitive contexts, such as Africa, ISSP founders more often also target international clients. Yet, to meet global client expectations, ISSPs often decouple social mission and business operations, thus further mitigating liability of embeddedness.

Our study carries two important implications for future research. First, it enhances our understanding of antecedents and contingencies of implementation of international social ventures (Zahra et al., 2008). We establish important theoretical connections between social entrepreneurship and international venture formation; in particular by linking the critical tension between social mission and commercial goals in social enterprises (Smith et al., 2013) to the challenge of strategic positioning in highly competitive industries and global supply chains (Meyer, 2018). Second, we inform international business research by elaborating on strategies of targeting and managing international clients in the context of ISBHs. In particular we discuss how ISBHs are not just subject to liability of newness and smallness (Freeman et al., 1983; Singh et al., 1986; Carroll, 1983), but what we call 'liability of embeddedness', and how domestic client focus or decoupling strategies can help mitigate this liability.

Models of Social Business Hybrids in International Contexts

Social business hybrids (SBHs) are often discussed as an ideal organizational form combining features of business and charity (Battilana and Lee, 2014). SBHs can also be understood as a distinct 'business model'. That is, SBHs not only have in common certain organizational features, goals and a revenue model (Chesbrough and Rosenbloom, 2002), but also external constituents (e.g. clients, suppliers, investors, partnerships) who are closely involved in the generation and delivery of economic (and social) value (Zott et al., 2011; Yunus et al., 2010). In fact, as business models, SBHs are special in creating value towards potentially paradoxical outcomes – social value creation and generation of profits – often under conditions of high uncertainty and resource scarcity (Thompson & MacMillan, 2010; Smith et al., 2010).

However, research also suggests that SBHs, while showing some commonality across contexts, differ in their implementation (Battilana and Lee, 2014). Variation is becoming even more prevalent as SBHs get implemented in ever more industries and geographies (Haigh et al., 2015; Doherty et al., 2014; Battilana et al., 2012). For example, SBHs may differ in the degree and extent to which organizational activities, workforce composition, inter-organizational activities etc. are integrated or 'decoupled', i.e. separating social mission-oriented and commercial operations. Microfinance organizations for example are typically highly integrated (Battilana and

Lee, 2014; Battilana and Dorado, 2010). Integrated models often appear more ‘legitimate’ than decoupled ones, since the latter are seen to run the risk of favoring the interests of business customers over beneficiaries (Lee, 2014; Jay, 2013) and of leading to so-called ‘mission drift’ (Battilana and Lee, 2014). However, over time, SBHs sometimes transition to decoupled models, especially to assist fast growth (Kannothra et al., 2017).

SBHs can also vary based on how they generate value as well as their own guiding values. For example, the level of contingent value spillovers and degree of overlap between clients and beneficiaries may vary (Santos et al., 2015), which has implications for organizational structure, board governance, human resources strategy, and performance management. Along these lines, SBHs have also been classified by governance practices and logics (Mair et al., 2015) – from hybrids relying on single institutional logics to hybrids combining several institutional logics.

We call such variations of SBHs ‘business model configurations’. While building on the same principles of hybrid organizing – the combination of social mission and commercial operations – they denote distinct ways of implementing social and commercial objectives, and of targeting and communicating with clients and stakeholders. Prior literature has not researched business model configurations of SBHs in systematic ways. Yet, with increasing growth of the community of SBHs, as well as significant strategic differentiation and competitive pressure in industries within which SBHs are operating, their own variation becomes an increasing concern (Santos et al., 2015).

We are particularly interested in business model configurations of SBHs in international contexts (ISBHs). Scholars of SBHs increasingly recognize the importance of ISBHs (Zahra et al., 2008, 2014; Kolk, 2016; Desa and Kotha, 2006). Their growing relevance parallels increasing Corporate Social Responsibility (CSR) initiatives of MNEs in host countries (Carroll, 1999; Mintzberg, 1983); concerns about climate change and environmental sustainability (Levy & Kolk, 2002; Kolk and Pinkse, 2008); institutional voids and market failures, and poverty reduction initiatives (Mair and Marti, 2006; Zahra, Ireland and Hitt, 2000; Mair, Marti and Ventresca, 2012). In addition, concepts like Shared Value (Porter and Kramer, 2011), Blended Value (Emerson, 2003) and Bottom of Pyramid strategies (Prahalad, 2006) have gained prominence further fueling the interest in hybrid models at the international level. Also, with the improvement in technology and communications, the commercial operations of SBHs are no longer limited to certain locations (Desa and Kotha, 2006; Desa, 2012; Zahra et al., 2008). At a global scale, entrepreneurs now offer innovative solutions to some of the pressing problems mentioned above by means of implementing hybrid models (Perrini and Vurro, 2006). Yet, ISBHs are also characterized by significant complexity of operations and complex multi-stakeholder arrangements, which makes them an interesting and at the same time difficult topic to study (see also Smith et al., 2010).

To date, we lack an understanding about the specific ways in which ISBHs are implemented in practice. Addressing this gap, we focus in particular on ISBHs operating in business-to-business sectors, specifically the global IT and business process outsourcing industry. ISBHs like Digital Divide Data (see e.g. Chen, 2012; Smith et al., 2012) and Samasource (Gino and Staats, 2012), that have been featured in prior research, belong to this industry. For entrepreneurs, this industry offers relatively easy entry points (readily available technology, low-skill and low-capital requirements) when compared to traditional industries like manufacturing (Kenney et al., 2013) or IT services.

To better understand how business models of ISBHs vary and what drives this variation, we draw inspiration from two literatures: the literature on antecedents of social business models in general (Battilana and Lee, 2014; Battilana and Dorado, 2010), and the literature on strategies and operations of regular international ventures (Zahra et al. 2000) and firms operating in global supply chains (Mudambi, 2008; Bresnahan et al., 2001; Athreye, 2005; Humphrey and Schmitz, 2002; Gereffi et al., 2005; Glückler and Panitz, 2016). We also draw from the growing literature on international social ventures (e.g. Chen, 2012; Zahra et al., 2008, 2014). From these literatures, we focus here on two central sets of contingencies: the founder's background (individual level), and competitive conditions (industry level).

Founders' background has been discussed extensively both in research on regular international ventures (Zahra et al., 2000; Bresnahan et al., 2001) and social entrepreneurship (Battilana and Lee, 2014; Battilana and Dorado, 2010). For example, research on international ventures suggests that diaspora entrepreneurs returning to their home country combine business ideas and business models in specific ways, e.g. by targeting international clients and utilizing local resources (Saxenian, 2005; Pruthi, 2014; Nanda and Khanna, 2010; Kenney et al., 2016). Founders' background has also been discussed in research on SBHs. For example, according to Robinson (2006), entrepreneurs differ in their ability to navigate economic and institutional barriers of SBHs and in spotting entrepreneurial opportunities. Further, "background" (for example, previous entrepreneurial experiences, social, moral and educational background) and "context" (for example, their exposure to social issues) of the entrepreneur is associated with perceived feasibility and desirability of the venture (Mair and Noboa, 2006; Kickul and Lyons, 2016). In short, prior experience of the entrepreneur seems to matter both in selecting target markets and in social entrepreneurial intentions (see also Mair, 2006). However, we know surprisingly little about how entrepreneurial background matters for starting ISBHs. For example, how do ‘social entrepreneurial intensions’ affect the way business clients are selected and/or managed?

At the same time, prior research, in particular on international ventures in business-to-business sectors, suggests that competitive conditions and related client expectations matter a lot in terms of how firms position themselves, and how they target clients (see e.g. Johnson et al., 2008; Zahra et al., 2000). In particular, the literature on global value chains and production networks has informed this debate (see e.g. Gereffi et al., 2005; Mudambi, 2008), by suggesting that industries differ in the relative bargaining power of global buyers and suppliers, and the way client-supplier relationships are governed, ranging from transactional market transaction to deeply embedded long-term relationships (see e.g. Gereffi et al., 2005). In extension, studies have suggested that depending on the competitive positioning of regions, firms may be likely to take a different position in global supply chains and production networks, resulting in different client targeting strategies (Humphrey and Schmitz, 2002; Glückler and Panitz, 2016). By comparison, the literature on SBHs has been relatively silent about the importance of competition and client expectations in international contexts. This may be because research on ISBHs is relatively new (Zahra et al., 2008, 2014), compared to research in domestic settings (Battilana and Lee, 2014). Our study thus addresses the critical question: how do competitive conditions and related client expectations affect market positioning and client targeting strategies of ISBHs as part of their business model?

We argue and show empirically that in particular when targeting global business clients, ISBHs face particular challenges compared to regular international ventures. The international business literature suggests that any entrepreneurial firm typically faces liabilities of newness and smallness when internationalizing or targeting international clients (Freeman et al., 1983; Singh et al., 1986; Carroll, 1983). Especially in highly established industries where global clients maintain longer-term relationships with suppliers, entrance barriers can be relatively high. On top of that, we argue that ISBHs in particular may face what we call ‘liability of embeddedness’. Research on SBHs shows that many SBHs are typically deeply embedded in particular communities within which their hybrid model is highly valued (Holt and Littlewood, 2015). Within such communities, SBHs may even enjoy a competitive advantage compared to regular enterprises in being able to capitalize on community support – in hiring, marketing etc. (see e.g. Manning et al., 2017). However, when reaching out to global business clients, who are typically very distant – culturally, socially and institutionally – from beneficiary communities, lack of client buy-in or knowledge about the social context of ISBHs may become a challenge. We examine this issue in greater detail and also address how ISBHs may manage this potential liability.

The Empirical Context of Impact Sourcing

We examine the research question on variation in business model configurations using the case of impact sourcing service providers (ISSPs) – an example of social business hybrids in the global service outsourcing industry. This industry context is particularly suitable for the purpose of our study. First, it is a growing global industry including a growing segment of hybrid enterprises that serve global business clients while being embedded in local communities (Kannothra et al., 2017; Manning et al., 2017). Second, it is an industry with a lot of entrepreneurship happening in emerging economies (Dossani and Kenney, 2007; Arora and Athreye, 2002), including social entrepreneurship (Manning et al., 2017). Third, several studies in recent years have highlighted the importance of diaspora entrepreneurs in this sector (Kenney et al., 2013; Saxenian, 2005), which makes the case of hybrid enterprises particularly interesting.

In the past, global supply chains were mostly associated with the supply of raw materials and manufactured goods (Gereffi et al., 2005). Thanks to digitization and commoditization of business processes and services (Davenport 2005), such as call centers, tech support, and analytical services, especially Western client firms increasingly outsource such services to specialized providers mostly in developing countries (Doh, 2005). Some of the drivers of this trend are lower costs (infrastructure, wages etc.), speed of services, and availability of talent (Manning and Massini, 2008; Patibandla and Petersen, 2002; Lewin et al. 2009). As a result of this dynamic, a global service outsourcing industry has emerged that specializes in catering to such client needs. This in turn has created new employment and economic development opportunities, for example in India, which has become the largest service outsourcing destination for U.S. and European firms (Reddy 1997; Patibandla and Petersen 2002; Dossani and Kenney, 2007). However, these efforts have typically focused on urban, highly trained professionals, while neglecting rural, unskilled, or disadvantaged people (Upadhya, 2007).

Against this background, the practice of ‘impact sourcing’ (IS) has emerged in recent years, in part driven by early initiatives of the Rockefeller Foundation as well as local initiatives, specifically in Africa (Rockefeller Foundation, 2013). IS specifically focuses on the hiring and training of people from disadvantaged groups in order to promote more inclusive employment and development. Firms adopting the IS model are called Impact Sourcing Service Providers (ISSPs). Like regular service providers these hybrid organizations offer high-quality services to international and domestic firms (clients), while simultaneously promoting inclusive development in their local community by hiring and training staff that is disadvantaged (beneficiaries) because of physical disabilities, ethnic or migrant background, lack of formal training and employment opportunities, and/or geographic isolation (Hockerts, 2015). One example is Digital Data Divide – an ISSP that provides e-publishing, digitization and other services out of Kenya, Cambodia and Laos, employing youths and people with disabilities from urban slums. In the next section, we introduce our data, research methods and analysis in greater detail.

Data and Methods

Focusing on the context of impact sourcing, we adopt an inductive qualitative case study approach to examine variations of business models of social business hybrids in international contexts (ISBHs). More specifically, we use a multi-case design (Yin, 2008). Following a ‘replication logic’ (Yin, 2008) and promoting ‘generalization in small steps’ (Diesing, 1979), we did a comparative analysis of impact sourcing service providers (ISSPs) aiming for literal and theoretical replication. Literal replication focuses on the re-selection of similar cases to increase robustness and validity of findings (Yin, 2008), whereas theoretical replication expands the variety of cases along relevant criteria and helps predict contrasting outcomes along these criteria (Yin, 2008). From our findings we develop propositions to inspire future research.

Even though our approach is inductive, the selection and analysis of cases is informed by prior research on international ventures in global supply chains (Saxenian, 2002, 2005; Saxenian and Hsu, 2001; Bresnahan et al., 2001; Gereffi et al, 2005) and research on antecedents of social enterprises (Lee and Battilana, 2013). Through a purposeful selection of cases (Maxwell, 2012) we accounted for two main selection criteria reflecting two of the central contingencies of international and social ventures:

1. competitive conditions, specifically domestic competition for global client contracts and
2. background of the entrepreneur, specifically international or domestic background.

In total, we investigated 11 ISSPs that vary along these two dimensions. Specifically, we focused on ISSPs in Kenya, South Africa, and India for this study - outsourcing destinations that are among the most important in adopting IS as a niche business practice (Lacity et al., 2012). Importantly, these business contexts differ significantly in the degree of sophistication of the global outsourcing industry, and, relatedly, level of mainstream competition for client projects. India has been the primary outsourcing destination across service categories for many years (Kenney et al., 2009; Manning, 2013). Competition for client projects is fierce, and client expectations of professionalism are very high. By comparison, Kenya and South

Africa are latecomers in the global outsourcing space (Manning et al., 2017; Abbott, 2013). Domestic competition for global client projects is much lower. As we discuss in the findings section, this difference in economic context has an important effect on ISSP business model configurations.

The case data were collected by two authors as part of an ongoing research on Impact Sourcing. The selection of ISSPs for this study was primarily based on listings of important ISSPs in prior studies, such as Lacity et al. (2012), and scanning of archival research reports and case studies produced by Rockefeller Foundation (purposive sampling). Also, case access was facilitated by representatives of intermediary organizations, such as Rockefeller, NASSCOM Foundation (India) and local business promotion agencies. Both Rockefeller and NASSCOM Foundation maintain online IS resources aimed at promoting the sector and providing reliable sources of information on ISSPs (archival data). To study these cases, we conducted 38 semi-structured interviews between 2012 and 2014 with managers of ISSPs, service outsourcing experts, policy-makers, business promotion agents and Rockefeller representatives (see Table 8). Interviews with actors external to ISSPs helped us familiarize with the context and generic challenges of IS (see for the value of interviewing “elites” or “experts”, Rallis and Rossman, (1998)). To increase external validity and robustness of our findings (Yin, 2008), we also collected secondary archival data on each ISSP through their websites, as well as policy reports and practitioner articles on IS.

Table 8 Overview of the dataset

	ISSP CEOs and managers	Regular CEOs and managers	Policy-makers	Experts	Total
Kenya	4	5	2	2	13
South Africa	4	3	3	2	12
US	2	-	2	-	4
India	8	-	1	-	9
Total					38

Four rounds of data collection were carried out for this study. First, one of the researchers conducted an explorative field trip in Kenya in 2012 to study the local outsourcing industry and IS in particular. Service providers in Kenya were among the first to adopt IS models. In Kenya, 13 semi-structured interviews were conducted with ISSPs and policy-makers. Interview questions centered on founding conditions, entrepreneur's background, the scope of services, targeted IS staff, client-seeking strategies, employment and training practices, growth strategy and major managerial challenges. Following the replication logic (Yin, 2008), two similar rounds of data collection were conducted in South Africa and India. We thereby ensured to increase variety of cases along two core dimensions: level of domestic competition and background of entrepreneur, in order to increase the analytical value of our findings (Yin, 2008; Eisenhardt and Graebner, 2007), while also conducting sufficient similar case studies in each category to increase validity of findings (Yin, 2008).

More specifically, as for the second round of data collection, in 2013, we selected the context of India, in which the level of domestic competition for client projects is much higher than in Kenya. We also made sure to include ISSPs that were founded by domestic or regional entrepreneurs, as well as those founded by entrepreneurs with an international background. Overall, one author conducted 9 interviews with Indian providers, policy-makers and representatives of the Indian business association NASSCOM Foundation. Third, between 2013 and 2014 we conducted two interviews with the Rockefeller Foundation to triangulate some of the impact sourcing specific trends and practices. The fourth round of data was collected in South Africa, a context that showed in many ways similarities to the context of Kenya, in terms of the degree of mainstream competition, especially when compared to highly competitive places such as India or the Philippines. Overall, 13 interviews were conducted with mainstream service providers and ISSPs, training institutes and the Rockefeller Foundation. Additional interviews with mainstream service providers helped us further contextualize challenges of ISSPs.

Table 9 Summary of cases

Firm, Country	Main Clients, (Type/Nature of Clients)	Services Provided	IS Model/Practices, International exposure of entrepreneur (high/low)
Invincible Outsourcing, South Africa.	Domestic/regional civic governments, domestic telecom, financial service clients. International companies operating in South Africa.	Voice support, back office support, transcription.	Work for study model. Employs students attending the Maharishi Institute graduate programs; students get fee waiver/living expenses. International exposure- low

iMerit, India	International: Travel portals, NGOs, Publishing Houses Domestic: Publishing Houses,	Image tagging, content digitization, digital publishing, global help desks (back office tech support), social media marketing, online content moderation etc.	Recruits and trains rural and urban youths (from marginalized communities) with the help of its sister NGO. Upskills and employ them in high value assignments. International exposure- high
OTRA, India	Domestic: Regional telecom, banking, insurance and retail companies, government agencies.	Voice and non-voice services. Data and accounts processing, digitization, customer care, inbound and outbound voice services, technical help desks etc.	Rural outsourcing company providing employment opportunities to rural youth. Subcontractors to other major outsourcing companies. International exposure- low
Craft Silicon, Kenya	Domestic, international; banking industry specific	IT Services, BPO services including data services.	Recruits from urban slums while maintaining a non-beneficiary work force. Employees for client facing roles are based out of India, while main operation for BPO services located in Kenya. International exposure- high
DesiCrew, India	Domestic and some international clients.	Data management, digitization, content management, machine learning and	Operates out of multiple rural locations in India; employs people from disadvantaged groups and provides partial fee reimbursement

		lead generation for clients.	for continuing education. International exposure- low
HaRVa, India	Domestic; educational institutes and government departments	Data management, digitization and call centers in regional languages.	Rural BPO model for employment generation. Also runs a microfinance program that provides loan to the employees International exposure- high.
B2R, India	Primarily domestic clients; publishing house, financial and legal services, B2B portals etc.	E-Publishing, Web research, data management, back office services.	Opened delivery centers in a remote state with no IT/outsourcing industry; 33% of PAT reinvested in the community. International exposure- high (founder previously employed in multinational outsourcing company).
Rural Shores, India	Domestic clients- telecom, insurance and financial services, local governments	Digitization, corporate services, IT help desk etc.	Profit sharing model with rural entrepreneurs, tie up with community organizations for recruiting. International exposure- low.
Vindhya E-Infomedia, India	Domestic clients- public offices and utility companies, mainstream	Digitization, customer service desk, data management.	Employs mostly people with disabilities, recruitment based on referrals.

	outsourcing companies.		International exposure- low.
Digital Divide Data (DDD), Kenya	International and domestic. Clients include publishing houses, public universities etc.	E-publishing, digitization and content management (domestic and international clients), field research and product marketing.	DDD operates its delivery center out of Nairobi, employing youths hailing from urban slums, economically weaker sections etc. and some of who are pursuing college degrees along with their full-time jobs; International exposure- high.
Jindal Foundation/Jindal Software, India	Domestic clients; mainly data conversion and content creation for local businesses.	Data conversion, content creation and management.	Part of the Foundation of a mining company operating in rural India. Provides livelihood for people near the mining villages. International exposure- low.

For data analysis, we cross-tabulated interview responses across ISSPs. First, we focused on comparing key properties of ISSPs, such as founding conditions, the background of the founders and executives, types of business services provided, target employees, major clients and their location. We provide a selective overview of these features in Table 9. Second, we coded interviews inductively and derived two major strategic foci of ISSPs – related to whether they prioritize the social mission or business opportunities, and whether they target international and domestic, or only domestic clients. We then analyzed the internal organization of ISSPs finding that social mission and business operations are either decoupled or integrated, and that ISSPs either focus on routine low-cost and low-skilled services, or on higher skilled and differentiated services. Third, we interrelated these dimensions thus specifying four major business model configurations. Fourth, finally, we promoted analytical generalization (Yin, 2008) by developing theoretical propositions around the core antecedents of each business model configuration. Specifically, we focused on how international or domestic background of the entrepreneur, and high or low levels of domestic competition respectively, affect strategic focus and how the latter affects operational implementation. We elaborate on these propositions in the discussion section.

Findings

Overview of cases

We first give a descriptive overview of the ISSPs we included in our study and some of their major properties, including country of origin, main clients served, services provided and their approach towards benefiting the local community (Table 9). We included in our sample ISSPs from India, Kenya and South Africa. All of them identify as hybrid organizations in the sense that they combine a market serving business model with a social mission. Business services provided by the ISSPs include voice services (e.g. call center operation, customer support, and technical helpdesk services to end users of their clients) and non-voice services (e.g. digitization of records, e- publishing and web content management). Some service providers like Craft Silicon and iMerit also offer IT (Information Technology) support services. Overall, the nature of the tasks performed by employees include system-intensive tasks (e.g. data entry), routine tasks (e.g. low-cost tasks like data conversion), people-intensive tasks (e.g. Call center operation) and creative tasks (e.g. software development and support services). ISSPs in our sample serve a variety of business clients – both domestically and internationally. Business clients range from regional firms to philanthropic foundations, universities and international banks. For example, DDD Kenya provides e-publishing and digital conversion services to Harvard University library (client).

The social mission across all ISSPs focuses on hiring and training staff from disadvantaged backgrounds, e.g. physically handicapped, youth from urban slums or rural areas (see for specifics, Table 9). As part of the social mission, ISSPs not only hire and train disadvantaged staff, but also get engaged in the communities they hire from. For example, Craft Silicon operates a mobile software training bus in one of the largest urban slums in Nairobi as a way to make an impact in the community, while also being able to screen talent and select future hires. However, most ISSPs employ a mix of beneficiary and non-beneficiary employees, i.e. staff that would easily find an equivalent job at a mainstream outsourcing firm. In combination, ISSPs generate value by 1) offering employment and skill development opportunities to beneficiary (disadvantaged) employees and by 2) offering low-cost business process outsourcing (BPO) services to business clients at quality and service levels that are comparable to mainstream, urban BPO companies. In some cases, ISSPs employ non-beneficiary staff, especially in supervisory roles, with an opportunity to make a difference in the community. Interestingly, as we detail below, while all the ISSPs we analyzed claimed to be social enterprises, not all shared the same enthusiasm to convey this information to their clients. Also, some ISSPs recruit lateral hires from the industry to manage the client interface while beneficiary employees, who often had neither high school education nor prior experience, work behind the scenes, partly as a response to the various degrees of client responsiveness to the social mission of the organization. We discuss this interesting finding in more detail below.

Furthermore, we find that ISSP founders have varied professional (work, educational etc.) experiences, ranging from first-time entrepreneurs, with very little prior work experience, to highly experienced entrepreneurs, most of whom had international exposure as well, mostly in the U.S. Some of these international founders and their executives were associated with international philanthropic foundations (e.g. Clinton Foundation, Gates Foundation, Action Aid etc.) and other development networks. Unlike domestic entrepreneurs, international entrepreneurs often found it easier to establish connections with international clients due to prior association or were viewed favorably by funding agencies. To overcome this disadvantage, many domestic entrepreneurs would initially opt for sub-contractual relationships with mainstream outsourcing companies etc. As for financing strategies, some ISSPs would rely on either local funding sources, or global supporters like the Rockefeller Foundation, which helped defray initial investments and employee training.

Four Main ISSP Business Model Configurations

One of our main findings is that ISSPs in our sample cluster into four main business model configurations which are similarly prevalent. We label them the ‘professional’ (P), the ‘socially responsible’ (S), the ‘developmental’ (D) and the ‘opportunistic’ (O) model. While all share main features of impact sourcing, i.e. the provision of services to business clients while supporting local communities by hiring and training beneficiary staff, they differ along important dimensions.

Specifically, they differ in two main strategic and two main operational ways. Strategically, two of the models (P and S) target both international and domestic business clients, whereas the other two models (D and O) target only domestic clients. For example, DDD (P) serves both domestic and international publishing houses and universities, whereas HaRVa (D) serves only domestic clients, e.g. educational institutes and government departments. At the same time, two of the models (P and D) prioritize the social mission in core decisions, such as growth, whereas the other two models (S and O) prioritize business opportunities. For example, whereas the founders of both DDD (P) and HaRVa (D) started the ISSP based on a social mission, the founders of Invincible Outsourcing (S) and OTRA (O) were mainly driven by business and funding opportunities. Operationally, Models P and D, which prioritize the social mission, typically focus on differentiated, higher-skilled services, whereas Models S and O, which prioritize business opportunities, focus on low-cost, low-skilled services. For example, DDD (P) trains beneficiary staff in sophisticated e-publishing and market research, whereas OTRA (O) focuses on rather standardized helpdesk services. Finally, Models P and S, both of which target international and domestic clients, typically decouple business operations and social mission, whereas Models D and O, which target only domestic clients, integrate them. For example, iMerit (P) and Invincible Outsourcing (S) use specialized community partners to help with part of the screening and hiring of beneficiaries, whereas HaRVa (D) and OTRA (O) organize hiring themselves. Overall, we consider the P-Model (e.g. DDD) to be the most sophisticated in terms of client range and skill level, whereas the O-Model (e.g. OTRA) is the least sophisticated in focusing on routine services for domestic clients only. The other models are in between: the S-Model (e.g. Invincible Outsourcing) has highly professional delivery but focuses on routine tasks; the D-Model (e.g. HaRVa) has differentiated services but focuses on domestic clients. Table 10 gives an overview of all models.

Table 10 Dominant Business Model Configuration of ISBHs

Strategic Focus → ↓	Prioritizing social mission	Prioritizing business opportunities
International and Domestic Clients	*(P)rofessional* (d, i) Example: iMerit, DDD, CraftSilicon Sophistication: High	*(S)ocially Responsible* (d, l) Example: DesiCrew, Invincible Outsourcing Sophistication: Medium
Domestic Clients Only	*(D)evelopmental* (i, h) Example: HaRVa, B2R Sophistication: Medium	*(O)pportunistic* (i, l) Example: Vindhya, OTRA, JindalSoft, Rural Source Sophistication: Low

Dominant Business Model Configuration

d -Decoupling of social mission and business operation
i -Integration of social mission and business operation
h -Focus on offering differentiated (higher-skilled) services
l - Focus on offering low-cost (lower-skilled) services

Next, we analyze in detail why these four models have established themselves as viable options in the impact sourcing space. We elaborate what is driving the emergence of each configuration, specifically in terms of the role of founders' background and intensity of domestic competition for client projects, and how each strategic choice translates into certain implementations. We thereby introduce the notion of liability of embeddedness (LOE), which explains to a great extent why certain strategic foci are selected in the first place, and also how models with a certain focus are implemented in certain ways.

Founder's Background, Social Mission Focus and Service Portfolio Choice

We find that one major driver of the differentiation of ISSP business model configurations is the background of the founder. Examining the work history of the social entrepreneurs who founded the ISSPs and/or the executives who manage the current operations, two main scenarios become apparent – (1) they either had significant years of international professional experience ('international entrepreneurs') or (2) they were domestic entrepreneurs with no significant international exposure ('domestic entrepreneurs'). Typical ISSP examples of (1) are iMerit, DDD & HaRVa; of (2) are OTRA, Invincible Outsourcing & Vindhya E-Infomedia. Social entrepreneurs with an international professional background, given their accumulated business connections, have a greater range of opportunities compared to domestic social entrepreneurs. We see the former as social entrepreneurs 'by choice' and the latter as social entrepreneurs 'by condition'. We now explain this difference in greater detail.

Social entrepreneurs with an international background identify *both* social and commercial opportunities as a result of their experiences and connections to professional networks abroad, including connections to philanthropic foundations, academia etc. An executive of iMerit described how the founders deliberately chose to set up a social enterprise in India based on their involvement in a US-based study:

> *"Our founders Dipak and Radha had been tech entrepreneurs in Silicon Valley; they were associated with the ActionAid – Stanford (University) survey and economic assessment of rural West Bengal. During the survey, when they asked somebody, "do you want better education?" they were told- "what we don't have are jobs." And that's how Radha and Dipak pioneered this whole IT livelihood model." (Executive, iMerit).*

Once they identify a social and commercial opportunity, these entrepreneurs are able to build management teams, establish partnerships etc. quickly. A Kenyan executive described why she found herself the best candidate to co-found and run the social enterprise in her home country:

> *"I was working at the Bill and Melinda Gates Foundation in Seattle. I had a colleague who said he started this company in Cambodia and Laos. He told me that they were interested in starting in Kenya, and asked me if I could give them any advice. My main advice was that I think I would be a good person to actually set up the company". (CEO, DDD Kenya).*

By contrast, most domestic social entrepreneurs are driven by "perceived desirability" (Mair and Noboa, 2006) of a particular venture. In other words, when starting the ISSP they feel that a social business model is the right approach to run, for example, a rural outsourcing enterprise in their social context. In doing so, however, both their internal motivation (e.g. personal values) and external motivations (e.g. encounter with the social problems like largescale unemployment) play a role as well:

"I think this is a marketing strategy for some (service providers), to call yourself as a rural player… of course you are creating an impact in the rural place and people are getting jobs. I'll tell you about the effects (economic benefits) which happened to the people in our place (due to the employment opportunities)." (Founder, OTRA).

The founder of yet another ISSP, while assisting at her mother's primary care clinic, came into contact with disabled people who couldn't find jobs in the service sector in Bangalore. This experience prompted her to found an ISSP employing disabled people:

"She (the founder) wanted to do something on her own. She initially started a small desktop processing office with two employees. When some (disabled) people approached her for a job, she realized these are people who do not get a job otherwise. Then she started this organization. (Executive, Vindhya).

Importantly, however, returning entrepreneurs with significant prior international experience would have a wider range of opportunities prior to starting the ISSP compared to domestic social entrepreneurs whose recognized opportunity space would be much smaller. Therefore, the decision of international entrepreneurs to operate an ISSP from India or Kenya can be considered a deliberate location choice driven by an explicit *social mission* focus:

"I used to be a banker, used to do consulting work in the U.S. We were constantly trying to increase market shares by selling to consumers…..We were trying to sell toothpaste to people who didn't have food to eat. Working with Citi, I was thoroughly disillusioned. You've been hearing this, you

…eradicate poverty. You can't eradicate poverty by giving out 20 rupees. You can eradicate poverty by giving employment." (Founder, HaRVa).

By comparison, in the case of domestic social entrepreneurs, aside from their personal motivations, startup decisions would be highly influenced by local opportunities (and constraints). For example, access to start-up capital is often linked to government policies promoting the set-up of social enterprises. In other words, in the case of local or domestic entrepreneurs, the decision to set up an ISSP is typically much more *business opportunity-driven* (rather than social mission driven):

"She (founder) was working in a media agency. And she wanted to pursue something different. Once she happened to hear a lecture by Prof. Jhunjhunwala (Indian academic in the field of technology innovation). She made a decision to quit the job and join as a research associate under his mentorship. She had no knowledge of Rural BPO at that time. She had interviewed a lot of people as a part of a project. The idea of connecting technology, rural space and a business model occurred as a result of the findings of this project." (Co-founder, Desi Crew).

The focus on either business opportunity or social mission has important implications for how the ISSP is run. *Social mission-driven* ISSPs have a higher tendency to train their beneficiary workforce and upgrade their skills. For example, DDD has been training hearing-impaired staff in data conversion and content digitization. They also encourage employees to pursue college education and provide flexible working hours. This emphasis may benefit the employees in giving them greater career options, including the opportunity to gain a college degree, as well as the larger community, in developing role models and in qualifying employees to potentially train others in the community. At the same time, ISSPs can employ higher-skilled beneficiary staff for high-end services for business clients, differentiating themselves from other providers. For example, social mission-driven ISSPs like DDD and iMerit developed their own cadre of specialized skills as part of professional training. The manager from a *social mission-driven* ISSP explained the dual advantages of training the workforce in specialized skills as follows:

> *"The more capable these people are in terms of building skills, the better service they'll provide to our clients; they will also be able to find a (another) job tomorrow. They have a career now."* (Executive, iMerit, India).

By contrast, *business opportunity-driven* ISSPs typically focus on low-cost routine tasks which require minimum investment in workforce development and training. As mentioned above, their main motivation to run an ISSP is grounded in entrepreneurial and funding opportunities in a particular region, e.g. a rural context in India. As long as funding criteria are met, business opportunity-driven (mostly local) entrepreneurs are unlikely to make special investments into career paths of beneficiary staff. Not only do they often lack the motivation to do so, but they often lack the experience or skill required. As a result, whereas *social mission*-driven entrepreneurs frame the setup of an ISSP as an opportunity to serve a specific social or developmental need, e.g. training hearing-impaired youth, business *opportunity-driven* founders typically consider the limitations of beneficiary staff as a constraint they cannot do much about. This constraint, in turn, affects their ability to serve particular business client markets. For example, this manager mentions that her employees have not been trained in English language and hence the ISSP prefers not to serve international clients or provide higher end tasks.

"We normally work only with domestic clients; we do not do calling (call center) work for U.S. clients…. You cannot expect a Sita to become a Susan and talk in their language and we're just not there. These people have been trained to understand the customers' query in the local language, not in English right now." (Manager, Rural Shores, India).

To illustrate the difference to social mission-driven ISSPs, let us consider DDD. A large proportion of their staff are hearing-impaired and hence also unable to provide any voice services. However, unlike Rural Shores, DDD would invest into higher-end skill sets, such as data analysis and market research, which do not require voice. Prioritizing staff development is a main distinguishing driver. As a side effect, training hearing impaired staff in higher-end skills also positions DDD to potentially target international clients while avoiding mainstream competition in the 'voice' services space. However, as we detail below, the choice to target international vs. domestic clients is also affected by another important contingency: level of domestic competition for client projects.

In sum, level of international professional experience of the entrepreneurs affects whether founders are social mission-driven or business opportunity-driven in starting an ISSP, which, in turn, affects how much they invest into training and developing beneficiary staff, resulting in either focusing on lower cost/ low skilled services (Models S and O) or differentiated/high skilled services (Models P and D). It is critical to note that *both* strategic and operational directions can be viable options, which is why they co-exist in their respective business model configurations among ISSPs.

Domestic Competition, Target Client Market, and Social-Business Integration

A second major driver of the differentiation of ISSP business model configurations is the level of domestic competition for business client projects, and the resulting choice of target client markets. We observed that ISSPs, in terms of their target business clients, either include (1) both international and domestic clients, or (2) only domestic clients. Typical examples of (1) are Craft Silicon, iMerit, DD; of (2) are Rural Shores, HaRVa, B2R etc. We further found that the global economic positioning of the country they operate from, and the related level of domestic competition for client projects is a main driver behind the choice of target client markets. The latter, in turn, affects the way ISSPs are structured internally, specifically the degree to which business operation and social mission are integrated or decoupled.

Our data suggests that in a country like India, where the outsourcing industry is highly developed, international clients tend to favor established mainstream service providers with whom they have ongoing professional relationships. Competition for client projects among new outsourcing firms is fierce, and client expectations of service quality, scale and professionalism are high. As a result, entrance barriers for the international client market are relatively high. In other words, especially coming from highly developed outsourcing destinations, ISSPs – like other new international ventures – suffer from liability of smallness and newness (Freeman et al., 1983; Singh et al., 1986; Carroll, 1983) when facing international clients. The executive of an ISSP operating out of India illustrates this point:

> *"If TCS BPO Service (large Indian service provider) make a mistake, they (client) would say, "yes, they made one mistake, but we have such a large account with them. We'll continue with them for the project delivery." If we*

make a mistake in our initial sample, that can be the end (of the professional relationship).” (Executive, iMerit, India).

By comparison, ISSPs from Kenya for example do not face the same level of domestic competition. Many of their local peers are similarly small, and many international clients are aware about the cost and scale limitations of African providers. This in turn lowers the barrier to entry to international client markets, relative to domestic peers. The following quote from a Kenyan ISSP’s CEO demonstrates this point:

“….where would I compare Kenya to, I would say we are not (comparable to) India and we are not (comparable to) China. We are not of the lowest price and not with the biggest scale, but maybe we can do well in certain niches….” (CEO, DDD Kenya).

As a result, a large proportion of African ISSPs have targeted international client markets from early on, also to reach a more diverse pool of potential clients (compared to rather limited domestic opportunities), whereas the majority of Indian ISSPs have focused on domestic business clients. Another important driver of this choice is what we call ‘liability of embeddedness’ (LOE), which specifically applies to ISSPs rather than mainstream service providers. All the ISSPs we studied focus their social mission on particular local communities – urban slums, rural areas, etc. – within which their social mission is particularly valued. In fact, their embeddedness in specific communities often gives them exclusive access to an underutilized labor pool. Also, domestic or regional business clients, who share the same social context, may appreciate how local ISSPs try to make a difference in the community while providing valuable services to clients. In contrast, their local embeddedness may turn into a liability when facing international clients many of whom do not share the same social context. Rather than appreciating the social mission as part of the value proposition, they may benchmark ISSPs against mainstream competition, especially when ISSPs come from a global outsourcing hub dominated by mainstream competitors.

One very good example of this dilemma is the above-mentioned case of Rural Shores. Whereas local clients may not only 'accept' but also 'appreciate' the fact that Rural Shores focuses on hiring local staff that may lack English language skills but instead speak the local language, international clients may perceive this as a significant limitation when compared to mainstream providers most of whom typically hire and train staff with college degrees and standard English language skills. By contrast, in the case of providers coming from Africa, this potential liability is somewhat mitigated by the image of 'Africa' among many international clients. In fact, conversely, many international clients would choose an African provider (rather than an Indian provider) *because* of the potential development impact such projects can make in the African context. The Kenya-based ISSP Craft Silicon makes deliberate use of that image by focusing on serving domestic and international micro-finance institutions, whose mission is to make an impact in regions such as Africa. This allowed Craft Silicon to occupy a niche market, while making the hiring from rural slums a congruent part of their image towards international clients:

> *"We cannot compete with large scale BPO and financial services firms….[but] for microfinance, our brand value is very high; any good sized microfinance or well informed microfinance institution would always know us" (CEO, Craft Silicon, Kenya).*

However, we further find that LOE continues to affect strategies and operations even among ISSPs that successfully target international clients. This is particularly true for Indian ISSPs that despite fierce domestic competition manage to acquire international client projects. In order to develop client trust, while mitigating potential LOE towards international clients, iMerit for example pursues a strategy of *decoupling* social mission and business operations to better scale and customize operations to client needs and to convey a sense of professionalism towards professional clients, most of whom lack knowledge and appreciation for the social context iMerit operates in. Organizationally, iMerit has delegated the training of beneficiary staff from the neighboring rural area to a specialized community organization, while focusing on advanced client-specific training and hiring of complementary 'mainstream' staff to meet client expectations. On top of that, iMerit would refrain from even mentioning the social mission when negotiating new client deals:

> *"Our goal is to look like a professional organization… After a successful delivery, we tell our clients, 'oh by the way check out our website. Some of the young men and women that we work with are from disadvantaged backgrounds'. (Executive, iMerit, India).*

By comparison, we find that ISSPs that focus entirely on domestic business clients, typically *integrate* the social mission with their business operations. Integration, for example, means that the ISSP would involve beneficiary staff at all levels rather than attempting a particular division of labor between client-facing and back office staff. Also, in highly integrated models, most training is typically done in-house. A high level of integration is promoted by a strong buy-in of local or regional clients who share the value ISSPs create by serving their local community. In case of supportive clients, ISSPs on their part make sure that the clients are well informed about their workforce. The following quote from the Executive of Jindal Foundation, who exclusively works with domestic clients, demonstrates this:

> *"We tell the clients during initial negotiations itself that our recruitment time is 15 days for 50 people, and another 3 weeks for training because we don't find enough trained people here. We tell them upfront because they also know the challenges of working with a rural BPO player. At the end of discussions, we should know the client well and the clients should know us." (Executive, Jindal Foundation).*

An integrated strategy may also help develop longer-term client relationships which makes the training of beneficiary staff more feasible, and which is particularly important for social mission-driven ISSPs. For example, many ISSPs, who target domestic clients, would involve the clients in training beneficiary employees for customized projects. By co-creating value with the clients in this way, ISSPs aim to minimize training costs as well as "sensitize" clients about the social value that they are helping to create.

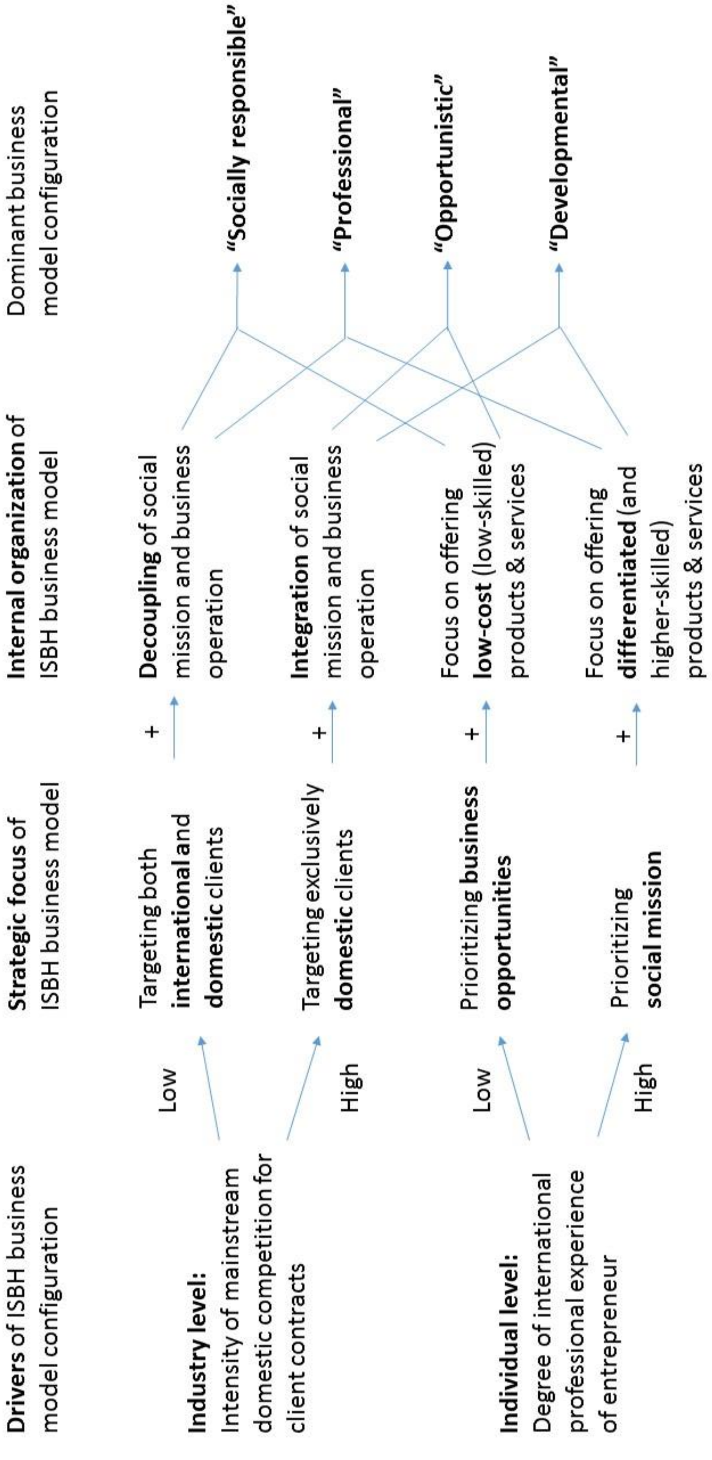
In sum, level of domestic mainstream competition for international client projects and related client expectations affect an ISSP's choice of target client markets. High level of competition would typically prompt ISSPs to focus on domestic clients (Models D and O), which helps ISSPs avoid the challenge of liability of smallness, newness and embeddedness when facing international clients. When competition is lower, ISSPs are more likely to target international clients (Models P and S). However, most ISSPs targeting international clients would decouple business operations and social missions to be more flexible and scalable, while also mitigating continuous LOE. Specifically, it is a response to the tendency of culturally and institutionally distant clients to overemphasize the need for professional service delivery on par with mainstream competition, while often underappreciating the social value ISSPs create.

Discussion

This study has examined, based on the case of impact sourcing service providers (ISSPs), how founders' background and competition conditions affect business model configurations of social-business hybrids in international contexts (ISBHs). We find that ISBHs, while sharing certain similarities, also differ in significant ways, particularly in their business model configurations. We identified four models. The "professional model" is the most sophisticated configuration. Social mission-driven, it focuses on higher-skilled differentiated services for both domestic and international clients.

Professionalism is partially accomplished by decoupling critical business operations from various aspects of the social mission. In contrast, the "opportunistic model" is the least sophisticated one. It is business opportunity-driven and targets only domestic clients, focusing on low-skilled, low-cost services, thereby integrating business operations with the social mission. The other models are combinations of the two: the "socially responsible model" is business opportunity-driven and focuses on low-cost, low-skilled services but targeting both domestic and international clients. The "developmental model" is social mission driven and focuses on differentiated and higher-skilled services, but targets only domestic clients. Next, we deconstruct each configuration and develop a two-stage model (see Figure 6) that explains how the internal organization of each business model configuration is a function of strategic focus, and how strategic focus is a function of both industry-level and individual-level drivers.

Figure 6 Two-stage model explaining emergence of four ISBH business model configurations



One core finding relates to the influence of the founder's international professional background on the tendency to either prioritize the social mission or business opportunities (stage 1), and the influence of prioritizing social mission or business opportunities on the internal organization of the ISBH (stage 2) (see Figure 6). Similar to research on commercial international ventures (e.g. Saxenian and Hsu, 2001; Saxenian, 2005) we find that founder's international background matters. Yet our findings go beyond and partly question prior research. For example, prior studies have argued that returnee entrepreneurs, i.e. home-based entrepreneurs with educational and/or professional experience abroad, often perform better than firms founded by domestic entrepreneurs. This is because returnees often possess superior technological and commercial knowledge, while also being aware of local institutions, policies and opportunities (Kenney et al., 2013), and because they have established connections to international business networks (Dai and Liu, 2009; Wang, 2015; Kerr, 2008; Jaffe and Trajtenberg, 1999; Saxenian, 2002). In other words, international experience often translates into social capital (Adler and Kwon, 2002; Graham, 2012) that can be a strong predictor of location (and market) choice of diaspora entrepreneurs (Zaheer et al., 2009). In contrast, we do not see this in our data. In our study, both domestic and international entrepreneurs seem to be able to implement viable business models, and the choice of client market seems to be a function of competitive conditions rather than the entrepreneur's background (see below).

However, we do find that international vs. domestic background matters in a founder's motivation to start a social enterprise in an international business context, and in making a social community impact. Some prior studies suggest that diaspora entrepreneurs' decisions to invest in their home countries can be motivated by emotional satisfaction and social recognition (Riddle et al., 2010; Gillespie et al., 1999; Nkongolo-Bakenda and Chrysostome, 2012), and that diaspora entrepreneurs are willing to invest in risky or small markets, as they are driven by altruistic considerations (Gillespie et al. 2001; Aharoni, 1966). Yet, other studies suggest that firms owned by diaspora entrepreneurs do not exhibit significant differences in their pro-development behavior and social responsibility when compared to other firms (Graham 2014). Our findings suggest that founders of ISSPs with either a diaspora or foreign background are typically very social-mission driven; their motivation to run a social enterprise is primarily driven by their aspiration to make an impact in the community. This can be explained by their motivation to 'give back' after making a career abroad (Riddle et al., 2010; Gillespie et al., 1999), but also by the fact that, among the range of business and location opportunities open to internationally experienced entrepreneurs, they *deliberately* choose to start a social enterprise in a developing country.

In contrast, we find that so-called 'domestic entrepreneurs', who have little international exposure and experience, are much more business opportunity-driven when starting an ISBH. This is because domestic entrepreneurs are initially much more constrained in their recognition of opportunities and choices than international entrepreneurs. Especially in the context of developing countries, tapping into social funding is a very pragmatic opportunity to start a business. In fact, social funding may be a very integral part of the business system they operate in (Whitley, 1992). Every system has unique competitive conditions and opportunity structures. In African countries, for example, foreign aid agencies and NGOs take the role of a 'supporting industry' for many businesses, so that many start-ups are incentivized to meet certain 'social requirements' to be eligible for funding (see also Manning et al. 2017). We thus hypothesize that domestic and internationally experienced social entrepreneurs are likely to differ in their motivation and overall orientation in starting and running an ISBH:

P1: Social entrepreneurs with high international professional experience ("international entrepreneurs") are likely to be social mission-driven when starting ISBHs in developing countries, whereas social entrepreneurs with low international professional experience ("domestic entrepreneurs") are likely to be business opportunity-driven when starting ISBHs in developing countries.

We find that the orientation of social entrepreneurs towards pursuing social missions vs. business opportunities matters in how they allocate resources and the extent to which they invest into a business model that benefits communities. In the context of ISBHs in general, and ISSPs in particular, our findings suggest that the different degrees of commitment to benefitting communities are reflected in the choice of products and services ISBHs provide (see Figure 6).

Domestic entrepreneurs, whose choice of starting an ISBH is mainly business opportunity-driven, are mainly interested in entering a potentially growing business, here global outsourcing, while limiting upfront investments and risks. In the context of ISSPs, we find that their decisions about service offerings are influenced by what established peers are already offering, and what requires the least initial investment in training and skill development. We find that opportunity-driven entrepreneurs – in the context of developing countries – consider hiring and training of staff from disadvantaged communities mainly as a 'constraint'. To accommodate these ‘limitations’, such ISBHs would focus on offering low-cost, routine services. Also, domestic entrepreneurs are often neither interested in benefitting communities beyond meeting funding criteria, but they also lack the skills to do so.

By contrast, international entrepreneurs, who are typically very social mission-driven when starting their ISBH, link their business model more closely to the needs and opportunities of the community they seek to benefit. Prior research has shown how social enterprises focusing on workforce development typically make sure that beneficiaries acquire training and skills that makes them competitive – beyond their initial employment (Battilana et al., 2015). Similarly, rather than seeing the initially limited skill set of impact sourcing staff as a ‘constraint’, social mission-driven ISBHs in our dataset see it as an ‘obligation’ to provide training and skill development that qualifies staff towards higher-skilled work while accommodating for potential limitations. For example, the ISSP DDD trained impaired staff in sophisticated document analysis and market research that makes full use of their cognitive capabilities while accommodating for their inability to hear and speak. Thus, ISBHs in developing countries that are strongly social mission-driven are likely to offer higher-skilled differentiated services. We propose:

P2: ISBHs in developing countries whose founders are social mission-driven are likely to focus on offering higher-skilled differentiated products and services, whereas ISBHs in developing countries whose founders are business opportunity-driven are likely to focus on lower-skilled low-cost and routine products and services.

Our second major finding relates to the influence of the intensity of mainstream domestic competition for client contracts on the choice of entrepreneurs to either target both international and domestic, or only domestic clients (stage 1), and the influence of target client markets on the choice to either integrate or decouple social mission and business operations (stage 2) (see Figure 6). One core insight is that level of mainstream competition influences which business clients ISBHs target. For example, India is a highly competitive space for starting a new outsourcing firm. Not only do international clients have a wide range of service providers to choose from, but expectations in terms of professionalisms and process standards are very high (Athreye, 2005; Ethiraj et al., 2005). On top of this, global clients are typically detached from the social context ISBHs operate in, which means their appreciation for the social mission may be very limited. In other words, ISBHs may face a *liability of embeddedness (LOE)*: whereas in a shared domestic context, the social mission may 'enhance' the value proposition of ISBHs, outside of this context it may 'endanger' it, since clients may primarily put trust into the business capacity of the provider. For example, we find that Indian ISSPs would need to run pilot projects with international clients first to gradually establish trust. As a result, many ISSPs avoid competing for international client contracts and instead focus on serving domestic clients. The unique advantage of focusing on the domestic market is that competition is typically less fierce (since domestic contracts are less lucrative) and that domestic clients share the institutional and social environment of ISBHs and potentially sympathize with the social mission of ISBHs more than international clients would. Sharing the same social and institutional setting thus turns embeddedness into an asset, and makes the targeting of clients more feasible.

In contrast, we find that ISSPs operating out of Africa are much more likely to also target international clients. This can be explained by the fact that Africa is a business context where mainstream competition for ISBHs in the outsourcing industry is less intense (Abbott 2013). Business practices and norms – both towards domestic and international clients – are much less established (see in general Porter, 1990). As a result, international clients are less pre-conceived with expectations about mainstream or hybrid competitors from the same region. In fact, in the case of impact sourcing, international clients often deliberately *choose* to outsource work to a region such as Africa either to lower costs or to signal their interest in combining business decisions with social impact (see also Manning et al., 2017). Our findings correspond with prior research suggesting that for example Kenya, due to its legacy as a 'development hub', often attracts projects from international business clients with an interest in supporting economic development beyond a pure business logic (Manning et al., 2017). In other words, operating from a less developed region lowers LOE for ISBHs towards global clients, because the latter would not benchmark ISBHs against mainstream competitors. This in turn makes the targeting of international clients much more feasible for ISBHs operating from less developed regions. We hypothesize:

> *P3: ISBHs that are founded in countries with a highly developed mainstream industry are likely to target only domestic clients, whereas ISBHs that are founded in countries with a little developed mainstream industry are likely to target both international and domestic clients.*

We further find that the targeted client market affects the degree to which social mission and business operations are either integrated or decoupled. Prior research has found that ISBHs differ in terms of their level of social-business integration (Battilana and Lee, 2014; Battilana & Dorado, 2010), whereby pace of growth seems to play a key role in the tendency to switch from more integrated to more decoupled models (Kannothra et al. 2017). We find that in the context of ISBHs another important factor is critical – whether ISBHs target domestic or international clients. Again, like in the case of choosing target clients, LOE becomes a key driver in how ISBHs manage client relationships.

In cases where ISBHs mainly serve domestic clients, ISBHs tend to integrate business operations and social missions. In such cases, ISSPs typically undertake most of the staff training themselves and organize operations and workforce design such that needs of beneficiaries are directly accommodated. This approach is supported by domestic clients caring about the social mission of the ISBH. Often, clients are invited to visit operations and appreciate efforts made to train and integrate beneficiaries, making the social mission an integral part of the value proposition. By contrast, ISBHs that mainly serve international clients typically decouple business operations from social missions. Prior research has argued that especially those social enterprises that aspire to grow fast (Jay, 2013; Kannothra et al., 2017) or whose beneficiaries and (business) clients are separate entities, such as Work Integration Social Enterprises (Battilana et al., 2015; Pache and Santos, 2013), are likely to separate business operations from social mission. However, we find that choosing to work for international clients makes the choice to decouple social missions from business operations even more likely. This is because international clients typically compare hybrid enterprises with mainstream competitors in terms of their ability to deliver high-quality products and services. Even if clients accept the social mission as part of the value proposition, their expectations in terms of standards and professionalism remain high (Kannothra et al., 2017), inferring that the social orientation may be perceived as LOE. One key approach to reduce LOE is to decouple social mission and business operations, and run the latter similar to mainstream competitors. This approach is needed less when targeting domestic clients who share the social context of ISBHs. We hypothesize:

P4: ISBHs in developing countries that target both international and domestic clients are likely to decouple the social mission from their business operation, whereas ISBHs in developing countries that target only domestic clients are likely to integrate the social mission with their business operation.

Our findings also suggest that LOE presents itself as a challenge differently depending on whether social entrepreneurs and the ISBHs they run are social mission-driven or business opportunity-driven. On the one hand, it can be assumed, and our data confirms it, that highly social mission-driven entrepreneurs are less likely than business opportunity-driven entrepreneurs to compromise on their social mission when preparing to target business clients outside of their social context, i.e. when facing LOE. For example, we show how ISSPs like DDD, Craft Silicon and iMerit continue to invest into their beneficiaries even if, like in the case of iMerit in particular, international clients lack appreciation for the social mission they pursue. On the other hand, we also find that in particular social mission-driven ISSPs are typically more prepared than business opportunity-driven ISSPs to invest into infrastructures that help mitigate LOE while being able to maintain the social mission. This is because, as we find in our data, social mission-driven entrepreneurs are typically those with extensive international professional experience prior to starting the ISSP. This experience gives them the toolset to either target international clients that may sympathize with the social mission or develop organizational solutions that reduce LOE by reducing the tension between social mission and business viability. One good example is Samasource, a highly social mission driven ISSPs, which has established an international network of partnerships with community organizations that help pursue locally embedded social missions while freeing capacity to develop highly professional business services for clients (Gino and Staats, 2012). In other words, our findings indicate that in particular ISBHs implementing the most sophisticated configuration – the 'professional' business model – are also likely to engage most extensively in both facing and managing LOE. We encourage future research to pay special attention to this group of ISBHs.

Implications

Our study has major implications for future research. We inform research on social enterprises by enhancing our understanding of antecedents and contingencies surrounding the establishment of international social ventures (Zahra et al., 2008), and inform international business research by elaborating on strategies and contingencies of targeting and managing international clients in the context of ISBHs, including the notion of liability of embeddedness (LOE).

First, with respect to antecedents and contingencies of implementing international social ventures, scholars have focused on how dual social—business goals that are embedded within hybrid organizations can cause tension (Battilana and Dorado, 2010; Battilana et al., 2015; Mair et al., 2015; Smith et al., 2013). Others have separately examined business models of hybrid organizations operating in international contexts (e.g. Bocken, et al., 2014; Seelos & Mair, 2005; Yunus et al., 2010; Desa and Kotha, 2006; Desa, 2012). Yet we have lacked an understanding of the ways in which hybrids implement 'hybrid models' in international contexts. Our study has emphasized the emergence of different configurations of hybrid business models in international contexts and their antecedents. We thereby link the discussion on the potential tension between developing professional business products and services, and pursuing a social mission, to the specifics of operating in international contexts. For example, our findings suggest, beyond previous research on hybrids, that targeting international (rather than only domestic) business clients potentially increases the tension between social and business objectives, since international clients, especially when occupying powerful positions in global supply chains, have high bargaining power towards their suppliers, thus expecting ISBHs to match regular competitors in professionalism, and quality and cost of services rendered.

We find that ISBHs employ two potential strategies to mitigate this tension. As a first strategy, ISBHs may choose whether they want to compete for international clients in the first place, which exposes them to liabilities of embeddedness towards mainstream competitors, or whether they focus mainly on domestic clients. In the latter case, their embeddedness in the local social context may turn into an asset and potential source of competitive advantage compared to both mainstream domestic and international competitors, since domestic clients may more easily buy into the social mission of the ISBH. As a second strategy, ISBHs may choose to compete for international client projects but apply the well-known strategy of decoupling of business operations from social missions (Battilana & Dorado, 2010) to convey their professionalism towards business clients without losing sight of the social mission.

Relatedly, unlike prior research on SBHs in general and ISBHs in particular (e.g. Jay, 2013), our findings challenge the view that social-business tensions either get resolved in favor of or against the social mission (i.e. ‘mission drift’). Instead, we show that first of all ISBHs can be more or less social mission-driven in the first place, which is partly related to the background and perceived opportunity space of the entrepreneur, especially in developing countries. Second, we show that ISBHs can choose from a variety of configurational options that help manage social-business tensions in viable ways. We encourage future research to further investigate such hybrid options within international business contexts.

Second, we inform international business research by elaborating on strategies and contingencies of targeting and managing international clients for ISBHs. In international business research, it has long been established that firms targeting or entering foreign markets need to overcome various liabilities compared to domestic competitors – liability of foreignness (Zaheer, 1995), newness (Stinchcombe, 1965), and outsidership (Johanson & Vahlne, 2009). We find that ISBHs are confronted with a related, yet distinct added liability when trying to attract international clients that we call *liability of embeddedness* (LOE). Whereas the recent concept of liability of outsidership emphasizes the costs of not being included in critical business networks when entering foreign markets, LOE captures the idea that social enterprises are typically strongly embedded in certain social and community contexts within which their social mission is highly valued. Trying to tap into client markets outside this context creates a 'liability' because business clients that are not part of this context may not value the social mission, and benchmark the value proposition of ISBHs against regular businesses. While geographic distance does not necessarily generate this liability, since some international clients may sympathize with the social mission, geographic distance (including cultural and institutional distance) seems likely to increase this liability. Thus, on top of 'liability of newness' coming from pursuing a new, hybrid business model, social enterprises potentially suffer from LOE due to their social mission.

Related to this, our study underscores the importance of concepts from international business theory in helping understand the specific challenges ISBHs face compared to social enterprises that solely operate in domestic contexts. For example, our notion of LOE is closely related to the concepts of cultural and institutional distance (Kostova, 1999; Xu and Shenkar, 2002) in the sense that this liability increases the more distant business clients are from the cultural and institutional context hybrids operate in. Another interesting parallel concerns the way hybrids manage this liability. Research on institutional distance suggests that one way for firms to mitigate that distance is to outsource operations to local suppliers who are much more familiar with certain institutional contexts (Xu and Shenkar, 2002; Manning et al. 2018). In turn, we find that hybrids often 'outsource' their social mission and related community work to specialized community organizations as a way to decouple business from social operations and to mitigate LOE towards clients. Further research is needed to better understand how hybrids manage this liability, and how in turn their clients and stakeholders affect it as well.

In addition, we encourage future studies to test and extend the applicability of other established international business theories and concepts to our understanding of hybrids in international contexts. For example, as more and more hybrids not only target international clients but actually expand across national borders, the logic of location and governance choice becomes eminent. To what extent can mainstream international business theories, such as the eclectic paradigm (Dunning, 1988), internalization theory (Buckley and Casson 1976), and industrial organization theory

(Caves 1971), explain how hybrids go about internationalization? Anecdotal evidence suggests that hybrids choose to disintegrate much of their social mission work to local community organizations when expanding across borders. The case of Samasource is a good example (Gino and Staats, 2012; Lacity et al., 2012). Does that suggest that potential advantages of internalization are relatively low, maybe because each local context with its specific social needs is too idiosyncratic? Is working with multiple geographically dispersed community organizations a better way to mitigate LOE than trying to get 'embedded' in various local communities and environments?

This study also has some important limitations which need to be overcome in future research. First, we did not measure an important component of the social hybrid business model, its revenue generation model and the social value created. Future research might address how these are affected as a result of pursuing for example an integrated or decoupled strategy in an international context. Second, future research needs to examine to what extent our findings apply to other global industry contexts, such as outsourcing in manufacturing or global food commodities. For example, in some industries, the option to serve domestic rather than international clients may not exist. Conversely, in contexts where business clients are beneficiaries at the same time, LOE may be a much more severe growth constraint and strategies of managing LOE may also be very different. Third, more longitudinal data is needed to better understand how and to what extent social entrepreneurs may transition from one configuration to another. For example, how can entrepreneurs switch from integrated to decoupled, or from low-skilled to high-skilled models?

In conclusion, this study shows how business models of social business hybrids may vary in international contexts. Particularly we showed how domestic mainstream competition, the founders international background and client expectations matter in how social enterprises configure themselves in international contexts. In response to Zahra et al. (2008, 2013), this study contributes to a more contextual understanding of implementing social business hybrids internationally. Our findings also have important implications for policy-makers trying to promote social enterprises in business-to-business sectors, and for social entrepreneurs trying to compete with mainstream competitors.

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CHAPTER 5

CONCLUSION

Main Findings

Guided by the overall research question, “*what are the core strategies and contingencies of managing social-business hybrids (SBHs) in global contexts*?”, this thesis investigates social-business hybrids in an international context. Investigating how hybrids approach growth and manage social–business tensions, this thesis argues that rather than dealing with ‘‘mission drift’’ as a potential consequence of growth, hybrids develop ‘‘*growth orientations*" that incorporate certain ways of managing social–business tensions. Choosing a certain growth orientation influences which social–business tensions become manifest and either ‘‘accepted" or subject to certain managerial solutions. Therefore, tensions manifest themselves in context-specific ways. This thesis also argues that SBHs with an international orientation vary in their business model configurations depending on the conditions under which they operate-they tend to implement certain combinations of characteristics and that each configuration can be equally valuable depending on the conditions under which SBHs operate. Further, this thesis also argues that SBH models can be a strategic opportunity for firms operating in latecomer economies compared to regular business models, as the former can utilize certain local resource conditions more effectively.

This thesis consists of three research papers based on field research on impact sourcing service providers (ISSPs) from four different country contexts, namely-Kenya, India, South Africa and the USA. ISSPs present the opportunity to study SBH models embedded in the global supply chain of business process outsourcing (BPO). ISSPs, like any other hybrid organizations, navigate paradoxical social business tensions- on the one hand, they strive to meet the commercial expectations of profit generation, professionalism, and growth; on the other hand, they also endeavor to create social value for the local communities they are embedded in. ISSPs present complex and dynamic social business models which are investigated as a part of this study.

The first paper (Chapter 2) investigates how social business hybrids navigate paradoxical tensions in the context of growth based on the research question: "*how do hybrids in global supply chains balance growth opportunities and social–business tensions?*" Two major growth orientations of social business hybrids are identified- ‘‘community-focused" and ‘‘client-focused" growth—their inherent tensions and ways that hybrids manage them. The former favors slow growth and manages tensions through highly integrated client and community relations; the latter promotes faster growth and manages client and community relations separately. Both growth orientations address social–business tensions in particular ways, but also create latent constraints that manifest when entrepreneurial aspirations conflict with the current growth path. Findings indicate that neither slower-paced community-focused growth nor faster-paced client-focused growth is tension-free. Rather, each orientation is associated with different ways that tensions are perceived and managed, and therefore, managing (and perceiving) tensions happen in a certain strategic frame. Findings thus stress the importance of not only analyzing individual awareness (Jay, 2013), and alignment between individual and organizational goals (Hahn et al., 2015), but also alignment between entrepreneurial or managerial aspirations and current structural conditions in understanding the management of paradoxes.

The second paper investigates the strategic potential of community based social business hybrid models for latecomer economies (in this case, for Sub-Saharan Africa) and their advantages over regular business models for the ‘catch up’ processes in emerging economies (Altenburg et al., 2013; Lorenzen and Mudambi, 2013) based on the research question: “*under what conditions is the adoption of hybrid models a feasible strategic opportunity for firms that operate in Sub-Saharan Africa and serve regional and global clients?*". Findings from this study indicate the utility of community-based social hybrid business models as an alternative to more scale dependent, low-cost production of mainstream industry models. SBHs utilize local communities as resources (e.g., utilize their knowledge of local regulations, take advantage of local funding sources, recruit local resources, etc.) and serve niche markets (local as well as international) rather than scale-dependent mainstream markets. Using an extended version of the tripod model for strategic analysis (Peng et al., 2008, 2009), this paper argues that the success of such SBH models require certain industry conditions as well as institutional and firm-level openness to using community resources and serving niche markets. For example, certain industry conditions may lower the need to scale up hybrid organizations to make them competitive and instead allow a heterogeneous population of smaller scale hybrids to emerge. We find this true in the case of impact sourcing service providers emerging out of sub-Saharan Africa.

The third paper is motivated by the research question: "*how do founders' background and competitive conditions affect business model configurations of international social-business hybrids?"* Findings that emerged from this study indicate four business model configurations that seem equally prevalent yet differ in strategic focus and internal organization: strategically, ISSPs either serve international and domestic clients, or exclusively domestic clients, and they either prioritize the social mission or business opportunities. Organizationally, ISSPs either focus on low-cost (lower-skilled) or differentiated (higher-skilled) services, and they either integrate or decouple social mission and business operations. This study elaborates what is driving the emergence of each configuration, specifically in terms of the role of founders' background and intensity of domestic competition for client projects, and how each strategic choice translates into certain implementations. This study introduces the notion of Liability of Embeddedness (LOE). LOE captures the idea that social enterprises are typically strongly embedded in certain social and community contexts within which their social mission is highly valued. Business clients that are not part of this context may not value the social mission, and benchmark the value proposition of ISBHs against regular businesses

Findings indicate that the level of international professional experience of the entrepreneurs affects whether founders are social mission-driven or business opportunity-driven in starting an ISSP, which, in turn, affects how much they invest into training and developing beneficiary staff, resulting in either focusing on lower cost/ low skilled services or differentiated/high skilled services. This study finds that the level of domestic mainstream competition for international client projects and related client expectations affect an ISSP's choice of target client markets. High level of competition would typically prompt ISSPs to focus on domestic clients, which helps ISSPs avoid the challenge of liability of smallness, newness and embeddedness when facing international clients. When competition is lower, ISSPs are more likely to target international clients. However, most ISSPs targeting international clients would decouple business operations and social missions to be more flexible and scalable, while also mitigating continuous LOE. Findings may inform research on globalizing social enterprises (Zahra et al., 2008, 2014); it also informs the research on social business models (Yunus et al., 2010) and specifically explains variations in social business models.

Implications for future research

The findings presented in this thesis contain some important theoretical implications for future research. Specifically, this thesis contributes to the literature by highlighting the globalizing nature of social business hybrid organizations (Zahra et al., 2008, 2014). All three studies of this thesis provide a more contextual understanding of hybrid organizing, broad strategies and business models adopted by SBH in an international context and the adoption of such business models considering the industry, institutional and firm-level factors.

First, this thesis contributes to a more contextual understanding of how paradoxical tensions are perceived and managed in social business hybrid organizations (Battilana and Lee 2014; Smith et al. 2013). This study identifies growth as a major driver for how paradoxical tensions are perceived and managed. Prior studies suggest that for SBHs, growth may result in "mission drift" or increased tension between the commercial and social forms of a hybrid organization (Andre and Pache, 2016; Clifford et al., 2013). Findings related to the two major growth orientations of SBHs (i.e., slower-paced, community-focused growth and faster-paced, client-focused growth) are associated with different ways that tensions are perceived and managed by SBHs. Community-focused growth aligns with community centered ways of managing social-business tensions. This does not eradicate the latent social-business tensions completely (Smith and Lewis, 2011). But it lowers the perceived tensions within that *strategic frame*. For example, differentiated core organizational activities to advance commercial and social mission (e.g., "decoupling" in Pache and Santos (2013)) may be considered as a feasible practice in a more client-focused frame, while it may add to the organizational tension in a community-focused frame. Future research should thus pay more attention to context-specific organizational paradoxes and tensions.

Second, this study draws attention to the business models of social business hybrids. The concept of the social business model (Yunus et al., 2010) and the business model lens to study social enterprises is gaining prominence due to the increasing focus on self-sustaining their operations. This thesis recognizes that social enterprises may vary in their business model configurations (e.g., Santos et al., 2015) and identifies four different categories based. This study suggests that SBHs tend to implement certain combinations of characteristics (in this case, based on founders' prior experience and intensity of domestic competition); each configuration can be equally valuable depending on the conditions under which SBHs operate. Future studies may evaluate the social business models in its entirety, including the social/profit equation. One of the questions to consider for future research may be -do certain strategic focus result in better social value creation (e.g., Developmental model) compared to others (e.g., Opportunistic model)?

Third, this thesis looked at one of the important resources available to SBHs-community linkages. Future research to carefully study organizational structures, governance modes and operational challenges of ‘community-based hybrids,' which seems to be particularly important in emerging economies. In addition to institutional conditions and entrepreneurial antecedents, local and global industry conditions are also important to understand the adoption of hybrid business models.

Fourth, this study also recognizes the increasing importance of “social responsibility” and “inclusive employment” as a managerial concern in the global business-to-business sectors, especially in global outsourcing. Outsourcing clients and providers are working toward social and environmental sustainability in their relationships and operations (Babin and Nicholson, 2010; IAOP, 2012) and this may also be influenced by legislations that institutionalize social missions in several sectors (Haigh et al., 2015). Future research may pay attention to the adoption of such practices, especially in the context of a “buyer-driven” industry like outsourcing.

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APPENDIX A: IRB APPROVAL LETTER

UMASS
BOSTON

March 10, 2017

Chacko George Kannothra
College of Management

IRB Study Number:	2015218
Title of Protocol:	Managing Hybrid Organizations in Global Contexts: The Case of Impact Sourcing Service Providers.
Type of Review:	Expedited
IRB Approval Date:	3/10/2017
IRB Expiration Date:	3/10/2018

The continuing review dated 3/8/2017 of this project has been reviewed and approved by the University of Massachusetts Boston IRB, Assurance # FWA00004634.

As Principal Investigator you are responsible for the following:

1. Submission in writing of any and all changes to this project (e.g., protocol, recruitment materials, consent form, etc.) to the IRB for review and approval prior to initiation of the change(s).
2. Submission in writing of any and all unexpected event(s) that occur during the course of this project.
3. Submission in writing of any and all unanticipated problems involving risks to subjects or others.
4. Use of only IRB approved copies of the consent form(s), questionnaire(s), letter(s), advertisement(s), etc. in your research. It is no longer necessary to have recruitment materials or consent forms stamped by the IRB.
5. Submission of a continuation prior to the IRB expiration date.
6. Submission of a final report upon completion of this project.

The IRB can terminate projects that are not in compliance with these requirements. The study is subject to continuing review on or before 3/10/2018, unless closed before that date. Please be aware of your expiration date and submit your continuing review at least 30 days before.

Contact (617-287-5374) or email (irb@umb.edu) if you have any questions or require further information.

Sincerely,

Sharon Wang, CIP, CIM
Senior IRB Administrator

IRB approval #2015218

Dorinda E Williams

Tue 3/15/2016 9:47 PM

Inbox

To:Chacko G Kannothra <Chacko.Kannothra@umb.edu>;

Cc:Stephan Manning <Stephan.Manning@umb.edu>;

Protocol entitled: "Managing Hybrid Organizations in Global Contexts: The Case of Impact Sourcing Service Providers"; protocol #2015218

The above protocol was reviewed and approved by the IRB under Expedited Category #7. This approval is valid from 3/15/16 through 3/15/17. Should the research continue, a continuing review and approval is required prior to **3/15/17**.

Any modifications or changes to the research protocol including changes to the consent procedures and interviews, must be submitted to the IRB for review and approval prior to implementation. Also, any change in the status of participants to any of the vulnerable populations (as identified in 45CFR46), including prisoners or those with diminished capacity, requires IRB review and approval prior to their continuing in the study.

If you have any questions, please contact me at x75374.

Dorinda

Dorinda Williams
IRB Administrator
Office of Research and Sponsored Programs
(617) 287-5374

APPENDIX B: EXAMPLE INTERVIEW PROTOCOL

Interview Protocol

The following interview protocol will be used as a guideline to plan and conduct interviews with entrepreneurs; the protocol for taking field notes is given at the end of this document.

Before the interview

1. Preparation for the interview:

    - Go through the online portal of NASSCOM Foundation (https://is.nasscomfoundation.org/issps/explore) or Rockefeller Foundation website (http://www.rockefellerfoundation.org/our-work/initiatives/digital-jobs-africa/) or Impact Hub (http://impacthub.org/players/service-providers/) to get an overview about the ISSP (if listed in any of these websites), and latest developments in the field.
    - Go through the web site of the ISSP (if operational) to see if the social mission of the organization, demographic profile of the employees (disadvantaged background) etc. are mentioned.
    - A brief questionnaire should be mailed to the interviewee at least a day before the interview. Ask permission for audio recording of the proposed interview along with this mail.
    - Mention that the interview data will not be shared with a third party; also, the interview data will not be used for any commercial purpose.

- Carry two copies of the interview protocol/questions, business cards/identification documents before reaching the interview venue.
- Make sure the founder/entrepreneur will be present for the interview. In unavoidable circumstances, an executive who knows about the operation of the organization may suffice.

2. As I meet the person to interview

- General introduction at the start of all interviews; greetings/salutations and exchanging basic information, business cards etc.
- Brief description about myself, professional background, research interests (1 or 2 sentences)
- Brief description about aims and objectives to be achieved from this interview. For example, -what I am interested in knowing from them, what is basically driving this trend of Impact Sourcing, why do ISSPs, clients etc. adopt this, how to make sense of this phenomenon, what is happening on ground and is impact sourcing or smart sourcing as you call it here to stay?
- Mention briefly what I found interesting about that organization at the beginning itself: For e.g., in the case of iMerit- "What is interesting about your organization is that you have a center now in NY which is very unique for a company set up in India. We heard your name mentioned during our interview with the NASSCOM Foundation as well.
- Remind that the interview will be recorded; mention the name of the person interviewed as well as my name at the beginning of recording.
- Take notes while recording.

3. Interview Questions

A. Entrepreneur's Background

- Can you say a few words about yourself and how you got associated with the company; What's your engagement here? What is your professional background?
- Questions based on professional background related to **diaspora network (Summer 2015)**
    - Which country and how long have you worked/stayed?
    - What made you relocate to this country?
    - Which institution did you join there? What program? Location?
    - Where did you work after completing your course? What industry/ technology/profession?
    - Tell me about your interaction with your home location at this point of time? Did you ever consider going back after graduating? Why or Why not? Did you consider investing/ launching a start up at this point of time in either the host or home country then?
    - Tell me about your professional networks at this point of time? Were you a part of any industry association? Elaborate how you networked with other professional then and over a period of time?
    - How did you hear about Impact Sourcing? Have you had any interaction with Rockefeller Foundation/NASSCOM Foundation etc.?
    - What motivated you to start this venture? Why this particular location? Did you know anyone specifically here professionally or personally?
    - Did you receive any institutional support when you decided to launch

your company?

- Were you aware of any government support in home country?
- Were you aware of any host country initiatives/investment promotion/ bilateral agreements/investment instruments?
- How satisfied were you with your professional life before launching this company? What prospects of growth did you have in the host country?
- What were the concerns that you had about the home country location? Are they still valid?
- Did your perception of home country change between the time you were there and you reached here?
- What was your main source of information about the home country business environment?
- How was the reaction from your immediate family? Where were they located then? Where are they located now?
- What was your alternative/ Plan B, other than launching this company?
- How did you get your first client? Subsequent clients? Do you have a marketing office back in the host country?
- How do you reach out to people from your old network?
- Do you know of others similar to you who have launched ventures in home country?
- Do you feel that you have an advantage over the local entrepreneurs/competitors? If so, how? For example, in the interactions with your local government.

- How do you engage with the local community? Professionally/personally?
- [More questions to be added based on literature review]

B. Organizational profile, environment

- Can you tell me a little bit about the inception of the organization?
  - Background of other co-founders? How did you come together to start the company?
  - What motivated you to become a social entrepreneur? What motivated you towards impact sourcing? How much were you aware of impact sourcing before?
  - Who were the partners initially? Funding partners/foundation support?
  - Elaborate on your business model- is it a for profit/not for profit organization?
  - Elaborate on your main services? [Digital Publishing, Data Management, Global Service Desks/Custom Services?
  - Elaborate on the nature of services, complexity and skill level of employees- client facing roles, turn-around time, etc.
  - What percentage of your service portfolio is related to impact sourcing? How do you envisage this to remain in future? Decrease/increase?
  - Growth plans/ other locations?

C. Social Mission

- Tell me more about your social mission? What kind of social impact do you envisage? How do you define disadvantaged?

- How do you hire people? How do you identify resources? What are the challenges that you face while hiring?
- Tell me more about your employees- where do they come from? What kind of skillsets do they possess? How do you convince them to work for you? What are the challenges that you face because of the special nature of the workforce (minority community, disabled etc.?).
- What kind of skills/educational levels these employees have when they join? What kind of training program do you have for them? How do you fund these trainings?
- How do you think your employees benefit from the opportunity?
- Tell me more about your linkages with community organizations.
- Tell me about your linkages with foundations, development organizations and government departments; what kind of support do you receive from any of these?
- Ask question related to their social mission (or lack of it) in their website as an anchor to the next set of questions.

D. Commercial Operation

- Elaborate on your engagement with clients.
  - Who are your major clients/industries etc.?
  - What kind of clients/profile of clients (international, mainstream service providers etc., for profit or non-profit)
  - What kind of client relationships have you explored till now? Direct, sub- contracting,
  - How do you deal with cyclical variation in business demands? How do

you engage your employees during this time?

- How much are your clients involved in your daily operation? How much face to face interaction is involved? How far or near are your clients located (approximate breakup).
- How do you tell clients of your social mission?
- What do they think of your social impact mission? Are they aware of the social impact?
- What was their reaction when you first told them about the employees you recruit? How did you convince the clients?
- What are the main criteria for them to say yes to you? What do you think the clients are interested in? How much does your external clients care about the social mission of your organization?
- What about the cost structure compared to mainstream Business Process Outsourcing companies? How much do the clients expect you to undercut your pricing compared to a mainstream BPO?
- Tell me about your competitors. What kind of competitors exists in the rural sourcing arena? What kind of business model do they follow, in your opinion?

E. General Questions/ Hybrid Sustainability

- What is your future plan/s for the organization?
    - How probable is that you remain in this field/remain as a social entrepreneur?
    - How do you see an opportunity to become a mainstream service provider in the future?

- What do you think is the future for impact sourcing?
- What are the (3) major challenges that you face as an entrepreneur in this field?

4. **<u>At the end of the interview:</u>**

- Thank the participant for their participation
- Go to a quiet place and write up some observational notes and journal reflections about the interview (see protocol below); if this is not possible, make sure the reflection is written down by the end of the day
- Make back up copy of recording; upload recording, and observational and journal notes to storage device.

Protocol for Observational Notes and Journal Reflections

- Observational notes
    - What was the location/setting of the interview?
    - Is the participant same as the person who agreed for the interview/any last-minute changes? This maybe important for final case selection.
    - What was their manner? Are they ready to share details about their social mission? Do questions about their social mission make them uncomfortable?
- Analytical thoughts about what you learned that is relevant to our research questions:
    - Any "aha" moments?
    - Key takeaways from each interview?
    - New understandings?

    - New questions?
- Ideas for research directions:
    - Anyone that was mentioned that should be interviewed?
    - Any new development in the field?
- Self-reflection thoughts about role as a researcher:
    - What did you learn about yourself?
    - What did you do particularly well?
    - What could you have done better?
    - Any issues to work on?

BIOGRAPHICAL SKETCH OF AUTHOR

Chacko George Kannothra is a Lecturer (equivalent to tenure-track Assistant Professor) in Strategy at the Department of Strategy and International Business at the University of Birmingham, UK. His research is inter-disciplinary and explores the core contingencies and strategies of managing social-business hybrids in global contexts. His research interests include social entrepreneurship and hybrid organizations, business models in emerging economies, and outsourcing with a focus on emerging outsourcing destinations. His teaching interests include strategic management and social entrepreneurship. Before joining the doctoral program at the University of Massachusetts Boston, he worked as a Business Analyst for Accenture and as a Consultant for the Ministry of Science and Technology, Government of India. Outside of work, he likes indoor bouldering, exploring the English countryside, and volunteering. He currently resides in Birmingham, UK.