Universidad Ramon Llull

**DOCTORAL THESIS**

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| Title | **Entrepreneurship in the service of society:**<br>**Antecedents and implications** |
| Presented by | MYRTO CHLIOVA |
| Centre | ESADE BUSINESS SCHOOL |
| Research Unit | ENTREPRENEURSHIP INSTITUTE<br>/ INSTITUTE FOR SOCIAL INNOVATION |
| Department | STRATEGY AND GENERAL MANAGEMENT |
| Directed by | DR. JAN BRINCKMANN<br>DR. ALFRED VERNIS |

**ABSTRACT**

Entrepreneurship has been recently advocated as a solution for creating social value and addressing persistent social problems. Where development aid and governments have failed to drastically improve conditions for the majority of the world´s population, scholars and practitioners express faith that "social entrepreneurship", the application of entrepreneurship to social value creation, might be more successful. Yet, such assertions have not received academic scrutiny in proportion to the enthusiastic rhetoric supporting them. Hence, it remains inconclusive how and why social entrepreneurship has emerged as an ascending organizational category, as well as what its consequences are for societies, organizations and individuals. This doctoral thesis aspires to shed light on this important but underexplored and undertheorized phenomenon. It examines facets of both the symbolic construction and the actual effectiveness of social entrepreneurship, drawing implications oriented towards both theory and practice.

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# Chapter 1: General Introduction

## 1.1 Relevance of the topic

The idea of applying entrepreneurship tools and practices to effect social value creation has gained increasing popularity in recent years. Proponents of so-called "social entrepreneurship" in both academia and the business world predict that such practices can indeed deliver social value (Austin, Stevenson, & Wei - Skillern, 2006; Bruton, Ketchen, & Ireland, 2013; Mair & Marti, 2006) and help address persistent social problems such as poverty, climate degradation, unemployment, or lack of health and sanitation. As governments and international aid have not managed to consistently address these issues (Doucouliagos & Paldam, 2008;

Moyo, 2011), hopes have been raised regarding the potential of bottom-up, entrepreneurial solutions to effect change (Easterly, 2007; Prahalad, 2009). Entrepreneurship has been celebrated as a means of creating prosperity and fostering growth (King & Levine, 1993; Schumpeter, 1934), particularly in Western societies, and by analogy its application to social issues is expected to be beneficial. Thus, given the substantial policy implications of suitable solutions to persistent global problems and the lack of alternatives, especially in developing countries, the imperative of scientifically assessing the merits and potential limitations of social entrepreneurship is clear (Bruton et al., 2013; Dacin, Dacin, & Tracey, 2011; Dacin, Dacin, & Matear, 2010).

Yet, while the rhetoric surrounding entrepreneurial solutions for social value creation has been gathering momentum, scientific examination of the phenomenon has not produced robust evidence to match it. Complicating matters, definitional debates and the lack of public data on social entrepreneurship have hindered the development of a solid foundation of scholarly research on social entrepreneurship (Dacin et al., 2010; Rivera-Santos, Holt, Littlewood & Kolk, 2014). Studies have tended to approach its examination through illustrative case studies or theoretical work, but with some notable exceptions rigorous quantitative or qualitative methods have not been applied to the task. In development economics, on the other hand, empirical studies have been common but with little theoretical explanation of the underlying dynamics at play (Bruton et al., 2013). Thus, it is not clear if the emergence of the phenomenon is driven by its actual effectiveness, or by the successful symbolic fabrication of a resonant concept.

In order to better assess the common "wisdom" that entrepreneurial solutions are justified as a means towards social value creation, I look at three aspects of the new phenomenon: ***First, which factors have enabled the phenomenon´s***

***emergence and development? Second, what theoretically shapes the societal costs and benefits of the phenomenon? Third, is there evidence that its actual development trajectory yields positive net societal benefits?***

## 1.2 Theoretical perspectives leveraged

To assess the symbolic emergence and ascendance of the phenomenon of social entrepreneurship, and to answer the first two questions, I draw on literature on the sociology of organizations. An extensive body of work already exists that examines the sociological drivers of institutions and organizations (DiMaggio & Powell, 1991; Lounsbury & Beckman, 2014; Tolbert & Zucker, 1999). While this literature has to a great extent endeavored to explain the permanence and stability of organizational phenomena (DiMaggio & Powell, 1983; Meyer & Rowan, 1977), in recent decades scholars have also emphasized explanations of change in organizational phenomena (Dacin, Goodstein, & Scott, 2002; DiMaggio, 1988). In conjunction, such studies have greatly informed our current understanding of both stability and change in fields and organizations, which cannot be attributed to effectiveness alone, but is dependent on underlying sociological processes. While this literature is extensive, there are still opportunities to expand it to new phenomena such as social entrepreneurship (Dacin et al., 2010), and to new theoretical perspectives, such as those examining organizational and market categories (Kennedy, 2008; Pontikes, 2012; Wry, Lounsbury, & Jennings, 2013).

An emerging literature within organizational sociology is looking more specifically at the emergence and the ascendance or demise of new organizational categories, which frequently form the basis for emerging markets (*ibid*). Eschewing analyses that focus either on the individual agency of a particular organization or individual

(Battilana, 2006; Battilana, Leca, & Boxenbaum, 2009), or on abstract logics as drivers of change (Thornton & Ocasio, 1999), studies of organizational categories can illuminate the complex political and cognitive processes of negotiation and consensus between a variety of actors, which ultimately result in the transformation of markets and fields or in the emergence of entirely new areas (Khaire & Wadhwani, 2010; Lounsbury & Crumley, 2007; Lounsbury & Rao, 2004; Powell & Sandholtz, 2011; Weber, Heinze, & DeSoucey, 2008; Wry et al., 2013). I have thus chosen to study the symbolic attributes and trajectory of social entrepreneurship from such a theoretical perspective, so as best to capture and represent the interplay between multiple actors and broader societal conditions, as well as their role on the emergence of a social entrepreneurship. In parallel, my study of social entrepreneurship extends theory on organizational categories, as it constitutes a compelling case for understanding the emergence of resonant yet ambiguous organizational categories, as I will explain in more detail below.

For my examination of the substantive effectiveness of the phenomenon, and for answering the third question I have posed, I have chosen to draw on perspectives from development economics and entrepreneurship. Development economists have been very active assessing certain aspects of the phenomenon of social entrepreneurship, particularly those related to the area of microcredit (Hermes & Lensink, 2011; Morduch, 1999). Their analyses are highly rigorous from an empirical perspective, typically based on extensive quantitative data. Nevertheless, the relevant literature frequently lacks a deep analysis of the underlying drivers of certain observed outcomes, and is thus limited in its theoretical contributions (Bruton et al., 2013). At the same time, entrepreneurship scholars rarely focus on the actual effectiveness of microcredit or other types of social entrepreneurship (for an exception see Bradley, McMullen, Artz, & Simiyu, 2012). I conjecture that this can partly be due to the nascent status of this research within management and entrepreneurship studies, as well as due to the imperative to present a strong theoretical basis when publishing research in the respective journals.

To resolve this impasse, I have leveraged the theory of capabilities of Sen (1999), which pertains to the field of development economics and has won its author the Nobel Prize in Economics. I argue that this theory is particularly suited to the study of phenomena such as social entrepreneurship, and entrepreneurship more broadly, whose social outcomes and objectives can be equally important to their financial ones. I complement this theoretical positioning with additional studies from the area of entrepreneurship that explicitly acknowledge the multiple outcomes of the entrepreneurial process (Ansari, Munir, & Gregg, 2012; Fauchart & Gruber, 2011; Miller, Grimes, McMullen, & Vogus, 2012).

In section 1.4 I briefly explain how my essays address current limitations in the afore-mentioned literatures and in section 1.5 I foreshadow the contributions to the relevant bodies of academic work.

## 1.3 Alternative theoretical perspectives

While delineating the literatures that primarily form the backbone of this thesis, I would also like to mention other available theoretical perspectives and their relation to my work. Due to the format of this thesis, each essay draws mainly on one to two perspectives, as outlined above. Yet, there are a number of adjacent literatures that have in the past been used for examining the social entrepreneurship phenomenon and that I touch upon throughout this thesis. Here I wish to acknowledge and briefly discuss these as well.

As mentioned, institutional theory encompasses a broad range of sub-literatures, frequently overlapping and interconnected in nature. My understanding of this literature and the positioning of my findings have thus taken into account discussions regarding institutional entrepreneurship, social movements, organizational forms, institutional logics and demands, hybrid organizations, hybrid categories, and systems of professions. The institutional entrepreneurship literature has mainly focused on efforts of individual actors, be they individuals or organizations, to enable lasting change in institutions and other organizational phenomena (David, Sine, & Haveman, 2012; Greenwood & Suddaby, 2006; Maguire, Hardy, & Lawrence, 2004). Given that certain specific actors were indeed more active than others in the establishment of social entrepreneurship, I refer to some aspects of this literature in my essays. Social movement scholars offer another explanation for change in organizations and institutions – that driven by organized collectives (Benford & Snow, 2000; Rao, 1998; Rao, Monin, & Durand, 2003). While a case can be made that social entrepreneurship is a movement, it appears to be a very loosely organized one, driven mainly by elite audiences. Thus, the conceptualization of social entrepreneurship as an organizational category more closely represents my findings; yet, insights from social movement theories, such as those pertaining to ascendance or resonance of different frames (Benford & Snow, 2000; Morrill, 2006) have permeated my discussions. Similarly, I have referred to literature developed by population ecologists, who treat the emergence of new categories as “forms” (Hannan, Pólos, & Carroll, 2007; Hsu, 2006). This literature has many points of overlap with the literature on organizational categories, yet it focuses mainly on the effects of population density and organizational positioning at a highly aggregate level, and less on the political and cognitive drivers of new categories.

Institutional scholars have also paid particular attention to broader institutional logics, their impact on organizations and the responses of these organizations to competing institutional demands (Besharov & Smith, 2014; Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011; Pache & Santos, 2010). Indeed, several influential articles have used an institutional logics perspective to talk about issues related to social entrepreneurship, given that social enterprises naturally need to cater to and accommodate multiple expectations related to their economic as well as social objectives (Battilana & Dorado, 2010; Besharov & Smith, 2014; Kent & Dacin, 2013; Pache & Santos, 2010; Tracey, Phillips, & Jarvis, 2011). The insights of this literature that have been most relevant to my thesis relate to the persistence of multiple logics at the field or organizational level (Besharov & Smith, 2014; Greenwood et al., 2011; Kaplan, 2008). While in this thesis I adopt a different unit of analysis, that of the organizational category, arguments from this literature are especially useful to my theory building sections.

The dual nature of social entrepreneurship has furthermore been conceptualized through theories of hybrid organizations and categories (Battilana & Dorado, 2010; Battilana, Sengul, Pache, & Model, 2014; Pache & Santos, 2012; Powell & Sandholtz, 2011; Wry et al., 2013). Hybrid organizations borrow elements from multiple logics in order to create novel structures. Similarly, hybrid categories are formed through a process of bricolage, or mixing, of previously unrelated elements into a novel category (*ibid*). Both phenomena are very relevant to the symbolic creation of social entrepreneurship and insights from the respective theoretical perspectives are dispersed throughout my thesis. Finally, earlier sociological research has offered several findings regarding the emergence of new professions and the jurisdictional disputes and competition between them (Abbott, 1988, 2005). While, as I will show, social entrepreneurship has not managed to become an institutionalized profession, this literature has valuable conclusions to offer for analyzing the case of social entrepreneurship, and its renewed discovery and application to the emerging organizational category literature would be extremely informative.

The theoretical perspectives examining the substantive effectiveness of social entrepreneurship have been markedly more limited than those addressing its symbolic effects. Within management and entrepreneurship literatures, a relevant emerging stream is grouped under the rubric of Base of the Pyramid (BoP) research (Kolk, Rivera-Santos, & Rufín, 2013). Following the highly popular articulation of the "BoP proposition" (Prahalad, 2009; Prahalad & Hammond, 2002), calling multinational organizations to target the extremely poor and ostensibly realize concurrent impact and profits, increased interest has been generated around BoP ventures in the field of practice and research. However, as a field of research, relevant literature is nascent and theoretically fragmented (Kolk et al., 2013). Thus, researchers typically need to borrow from other perspectives in order to confer their research greater theoretical depth, according to the specific angle or interpretation of each study. For example, excellent accounts of BoP phenomena have been developed by Kistruck and colleagues using an identity spillover perspective (Kistruck, Sutter, Lount, & Smith, 2012) and a social intermediation perspective (Kistruck, Beamish, Qureshi, & Sutter, 2013), and by Rivera-Santos & Rufin (2010) using a networks theory perspective. Finally, other scholars have leveraged psychology- or opportunity-based theories to examine social entrepreneurship (Bradley et al., 2012; Frese, 2000). While highly informative, these theories are less suitable to address the more macro level questions examined in this thesis. In my essays, I nevertheless acknowledge some of these perspectives, while positioning my research alongside them.

## 1.4 Structure of the thesis

This thesis is a monograph, following a three-article format. The two first essays have not yet been published, while the third is forthcoming in the Journal of Business Venturing (May 2015). Each of the three essays addresses one of the interconnected broader questions that drive my research: ***First, which factors have enabled the phenomenon´s emergence and development? Second, what theoretically shapes the societal costs and benefits of the phenomenon? Third, is there evidence that its actual development trajectory yields positive net societal benefits?***

The first two essays adopt a perspective that addresses primarily the symbolic and sociological antecedents and outcomes of the phenomenon. While the first focuses mainly on the antecedents of social entrepreneurship and draws on empirical data, the second adopts a theory development approach to offer more generalized propositions regarding the outcomes of social entrepreneurship and similar organizational categories. Finally, the third essay assesses the substantive effects of one variant of social entrepreneurship, based on analysis of empirical data. References and additional tables and figures supporting each essay can be found at the end of the respective chapter. Together, my essays aspire to provide a holistic view of the phenomenon at hand by addressing both its symbolic and substantive aspects. In the discussion section, findings and contributions are integrated to offer concrete suggestions and conclusions for academics, practitioners and policymakers. In the following paragraphs I explain in brief the content of each essay.

### *1.4.1 Essay I*

In the first essay I focus on the antecedents and process of the emergence and evolution of the phenomenon of social entrepreneurship. I approach this topic from an organizational theory perspective, drawing on literature on organizational categories for guidance. While social entrepreneurship has not managed to consolidate into an institutionalized field or profession, it has enjoyed increasing resonance as an organizational category, whose boundaries have nevertheless remained ambiguous. Organizational sociologists have been increasingly emphasizing the role of emerging categories as shifting "truces" at the societal level (Khaire & Wadhwani, 2010; Vergne & Wry, 2014), acknowledging their initially contested and ambiguous boundaries (Kennedy, 2008; Pontikes, 2012; Rao, 1998). Yet, ambiguity is treated as a temporary condition that recedes once contestation is resolved in favor of one emerging category with clear boundaries and a dominant definition (Grodal, Gotsopoulos, & Suarez, forthcoming; Suarez, Grodal, & Gotsopoulos, 2015). My study of social entrepreneurship challenges the expectations of extant literature, according to which emerging categories converge towards a dominant category frame over time.  Following common practice in the study of institutional change (Granqvist, Grodal, & Woolley, 2013; Greenwood & Suddaby, 2006; Maguire et al., 2004), I use a qualitative methodology based on extensive interview and archival data, synthesized through rigorous coding and grounded theory principles. Findings provide a novel theoretical lens and empirical evidence with which to better understand the drivers behind the ascendance of social entrepreneurship. They furthermore inform theory on the conditions and processes that enable organizational categories to become resonant while remaining ambiguous. My proposed framework highlights how fragmentation and new opportunities across fields give rise to multiple category frames that enjoy varying degrees of moral, cognitive and pragmatic legitimacy. In the absence of one frame that is superior across these dimensions, and in the presence of multiple key audiences with substantial power and resources, an ambiguous category can emerge that envelops divergent frames, and yet becomes resonant.

### *1.4.2 Essay II*

In the second essay I deepen my inquiry into the factors that shape the societal costs and benefits of the phenomenon of social entrepreneurship. I argue that for social entrepreneurship to persist as an ambiguous yet resonant category, there need to be benefits for the organizational category and the organizations that affiliate themselves with it, which outweigh the respective costs. I therefore endeavor to conceptually develop both the antecedents and the outcomes of resonant, yet ambiguous organizational categories. I draw on the example of social entrepreneurship and other organizational categories that exhibit similar properties, in order to elaborate my arguments. Until not long ago ambiguous classification evoked a clearly negative connotation (Zuckerman, 1999), as the failure to belong to a category with concrete boundaries and membership criteria was deemed detrimental for the prosperity of members associated with it (Grodal et al., forthcoming; McKendrick & Carroll, 2001; Ozcan & Santos, forthcoming; Zuckerman, 1999). Furthermore, even as ambiguous classification is gradually being recognized by organizational scholars as a necessary step towards novelty (Durand & Paolella, 2013; Kennedy, 2008), its role is assumed to subdue over time as it gives way to dominant categories with clear boundaries (Grodal et al., forthcoming; Suarez et al., 2015). Moving beyond conceptualizations that focus exclusively on the transient role of ambiguous classification in category emergence or exclusively on its negative outcomes, I develop a comprehensive framework that accounts for both benefits and costs of ambiguous classification at the organizational as well as category level of analysis. My synthesis and extension of theory provides a plausible explanation for the emergence and implications of social entrepreneurship, while elucidating the dynamics behind the ascendance of resonant yet ambiguous categories more broadly.

### *1.4.3 Essay III*

In the third essay included in my thesis I test one major instance of the phenomenon of social entrepreneurship to explore whether and how net benefits exist. I thus focus on the effectiveness of the most popular and widely diffused variant of social entrepreneurship, microcredit. The microcredit model, which advocates extending microloans to the poor at reasonable interest rates, has achieved considerable success at face value and challenged conceptions regarding the credit-worthiness of poor clients, boasting exemplary loan repayment rates (Yunus & Jolis, 2003). Yet, it exemplifies the contested nature of social entrepreneurship, since a growing body of literature has provided conflicting predictions and findings regarding its effectiveness (Hermes & Lensink, 2011; Khavul, Chavez, & Bruton, 2013; Morduch, 1999). I draw on the capability approach of Nobel Laureate Amartya Sen (1999) to delineate the ways in which microcredit could be expected to act as a means that reinforces the capability of poor people to live lives that they value. Sen's theory of capabilities (*ibid*), as well as recent work in entrepreneurship scholarship (Ansari et al., 2012; Fauchart & Gruber, 2011; Miller et al., 2012), highlight the need to examine human development outcomes of entrepreneurship in tandem with financial outcomes. Sen´s arguments also hint at the importance of contextual moderators that could influence microcredit's effect on those outcomes. To test my predictions, I employ a quantitative meta-analysis methodology that is relevant in the case of extensive extant empirical literature that remains inconclusive (Brinckmann, Grichnik, & Kapsa, 2010; Hedges & Olkin, 2014). In summary, my findings suggest that the effect of microcredit appears to be positive yet moderate, and varying depending on the outcome and context examined. I conclude that entrepreneurial solutions for social value creation rightfully exist and can be beneficial, especially under extremely adverse contexts where other alternatives are lacking, while cautioning that excessive enthusiasm might be unfounded.

## 1.5 Contributions

Taken together, my dissertation essays aim to advance scientific understanding of the phenomenon of social entrepreneurship, while also extending conclusions to inform theories of entrepreneurial and organizational phenomena that exhibit similar dynamics. With this thesis I thus offer several contributions to extant literature.

First, I advance institutional perspectives on the emergence and evolution of categories that take into account the persistence of resonance in the face of definitional ambiguity. I show how organizational categories, such as social entrepreneurship, can exhibit persisting resonance while their boundaries remain ambiguous. I distill conditions and processes that enable such categories to emerge, supplementing theories of categorical emergence and deepening the scholarly understanding of the symbolic properties of social entrepreneurship. Second, I conceptualize the benefits and costs that resonant ambiguous organizational categories can confer at multiple levels of analysis, in order to explain their persistence. I do this by offering an examination of ambiguous categorization that transcends focus on either its negative or its positive consequences, synthesizes the two and draws attention to their interrelated nature. Accordingly, I advance literature on ambiguous classification (Pontikes, 2012; Wry et al., 2013; Zuckerman, 1999), while also depicting the specific conditions that drive the persistence of the category of social entrepreneurship. Third, I provide evidence regarding the extent that confidence can be placed on the ability of entrepreneurial solutions to contribute meaningfully to the improvement of human welfare. By focusing on the specific context of microcredit I am able to illuminate the effectiveness of this one variant of social entrepreneurship. Concomitantly, I inform economic and entrepreneurship research, by showing how development interventions can have variable effects on financial and human development outcomes depending on varying levels of "instrumental freedoms" (Sen, 1999) in the local context.

The three thesis essays in the following chapters thus constitute the body of this PhD thesis. Each of them provides detailed information on the research gap and question addressed, the methods used, and the findings and conclusions generated. A final section of synthesized discussion and conclusions ensues after the three essays. The outcomes of my thesis have been interpreted with an eye towards guiding scholars, policy makers and entrepreneurs that work directly on the phenomenon of social entrepreneurship, as well as on other inter-disciplinary emerging phenomena where similar dynamics might be present.

I hope you find these essays and conclusions an interesting read.

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# Chapter 2: Resonant ambiguity: The emergence of an organizational category at the interstices of business, development and non-profits[1]

[1] This essay has been accepted for presentation at the 2015 EGOS and the 2015 Academy of Management conferences, and has been selected as a Best Paper (top 10% of submissions) at the latter conference.

## 2.1 Abstract

Organizational sociologists are reaching consensus that the path towards societal change often passes through the emergence of new organizational categories with initially ambiguous and contested boundaries. Nevertheless, ambiguity is treated as a temporary condition that recedes once contestation is resolved in favor of one emerging category with clear boundaries and a dominant definition. Our study of the emergence of the category of "social entrepreneurship" challenges the assumption that one category frame will become dominant over time. Instead, it offers insights into the conditions and processes that enable organizational categories to become resonant even while remaining ambiguous, namely accommodating multiple category frames that embody the expectations of multiple audiences. Our proposed model highlights how fragmentation and new opportunities across fields give rise to multiple category frames that enjoy varying degrees of moral, cognitive and pragmatic legitimacy. In the absence of one frame that is superior across these dimensions, and in the presence of multiple key audiences with substantial power and resources, an ambiguous category can emerge that envelops divergent frames, and yet becomes resonant. In juxtaposition to views of ambiguous categories as temporary and vulnerable, our model explains the emergence and persisting resonance of such categories in order to refine theory on organizational categories.

*"The notion of ambiguity must not be confused with that of absurdity. To declare that existence is absurd is to deny that it can ever be given a meaning; to say that it is ambiguous is to assert that its meaning is never fixed, that it must be constantly won."*

Simone de Beauvoir, 1948, The ethics of ambiguity, p. 129

## 2.2 Introduction

Change in organizational fields frequently manifests itself at the level of organizational categories, whose boundaries shift to reflect changing dynamics and the resulting consensus among category audiences (Khaire & Wadhwani, 2010; Pontikes, 2012). Newly formed categories embody the result of shifts in belief structures, political negotiations, innovations that emerge from everyday practice and understandings around the appropriate cognitive features of organizational categories (Kennedy, 2008; Navis & Glynn, 2010; Rao, Monin, & Durand, 2005; Rosa, Porac, Runser-Spanjol, & Saxon, 1999; Smets, Morris, & Greenwood, 2012). Being affiliated with a novel category emerging at the interstices of previously established ones might nevertheless be detrimental to the success of organizations (Zuckerman, 1999, 2004), as audiences of the category are likely to perceive them as illegitimate or diluted, and thus penalize them. Yet, certain organizations pursue affiliations with emerging categories that are initially ambiguous (Purdy & Gray, 2009; Rao et al., 2005; Rosa et al., 1999), in order to reap the advantages that come with being part of a novel organizational category and actively shaping its boundaries (Pontikes, 2012; Santos & Eisenhardt, 2009). Thus, organization scholars are increasingly recognizing categorical ambiguity as a stepping-stone in the path towards the creation of stable and coherent organizational categories (Durand & Paolella, 2013; Pontikes, 2012; Wry & Lounsbury, 2013; Wry, Lounsbury, & Jennings, 2013).

These studies typically assume that categories will gradually progress towards a consensus. Different category frames are likely to compete with each other, with one emerging as victorious (Grodal, Gotsopoulos, & Suarez, forthcoming; Kent & Dacin, 2013; Rao, 1998; Suarez, Grodal, & Gotsopoulos, 2015). Such a convergence towards a dominant category, which can be influenced by the relative political powers of important audiences, as well as their cognitive biases, enables the new category to set the foundations for the emergence and growth of an established field or market. If the novel category fails to transition through this stage, and achieve political as well as cognitive consensus, it is expected to succumb to the costs of novelty and ultimately dissolve as interest of the respective audiences wanes (Grodal et al., forthcoming; McKendrick & Carroll, 2001; Ozcan & Santos, forthcoming). Yet, these accounts overlook how under certain conditions organizational categories can fail to embody a consensus and remain ambiguous, while at the same time manage to sustain resonance to multiple audiences, grow and diffuse. In such cases, it would seem that the benefits derived from ambiguity outweigh its costs, so that category audiences will opt for cooperation, when competition for dominance becomes an unfeasible strategy. Thus, while the role of ambiguity in category emergence has been brought to the fore recently, we lack an understanding of the conditions and processes through which categories can become resonant while remaining ambiguous, instead of succumbing to the dominance of one of the competing frames (Kent & Dacin, 2013; Lounsbury, Ventresca, & Hirsch, 2003; Rao, 1998). Our research study thus aims to extend theories of organizational categorization by answering the following question: *How and why do organizational categories become resonant while remaining ambiguous?*

To shed light on the phenomenon of resonant ambiguous categories, we draw on the case of the emergence of the novel category of "social entrepreneurship", which we argue is both ambiguous and thriving over time. Ambiguity has not been a quick, transient phase in the evolution of this organizational category. While highly ambiguous categories might be vulnerable to legitimacy threats and inherent tensions in the longer term (Wry, Lounsbury, & Glynn, 2011), as we will show, the ambiguity of the category of social entrepreneurship has persisted and increased over time, casting it as a theoretically relevant setting for studying the how and why questions behind the emergence of resonant yet ambiguous categories. Our study employs a qualitative research design to address this question. Since processes of sociological change often entail both political contestation and negotiations of cognitive elements by actors and audiences intent in shaping the emerging consensus around new organizational categories, an in-depth qualitative research design was deemed most appropriate for yielding rich data. Our design aims to capture the linkages between field-level conditions, institutional actors and broader category audiences to develop a comprehensive and balanced account of the emergence of resonant ambiguous categories. Primary and archival data was synthesized through a grounded theory methodology (Gioia, Corley, & Hamilton, 2013; Strauss & Corbin, 1990) to help build and elaborate theory on category emergence that incorporates an explanation of resonant ambiguity.

Findings show that the emergence of multiple category frames that are widely fragmented and driven by diverse emerging opportunities is an initial step in the creation of a resonant ambiguous category. When the divergent frames and their boundaries enjoy varying degrees of political, cognitive and pragmatic legitimacy, then competition among them might not render one of them as clearly superior. Thus, competition might subdue when resonance of individual frames, and support and resources for these from diverse key audiences remains high, while no single category frame musters enough support to become dominant. Audiences might decide to cooperate and accept an inclusive, overarching category that envelops divergent frames, while overlooking the costs of persistent ambiguity. Moreover, such an ambiguous organizational category can become resonant to further audiences and diffuse broadly, contradicting current expectations.

The main contribution of this study is the theoretical explanation of the conditions and processes that enable the emergence of categories that are resonant yet ambiguous. While scholars have been debating the merits and costs of ambiguity as an end outcome (Durand & Paolella, 2013; Pontikes, 2012; Wry et al., 2013; Zuckerman, 1999), we consider the understudied conditions that enable such ambiguity to grow and persist over time. Understanding the origins of resonant ambiguity can better illuminate the existence and reemergence of underlying tensions that can prove to be either fruitful, or dangerous, or both, to the category's ascendance. We extend theories of categorical emergence (Grodal et al., forthcoming; Jones, Maoret, Massa, & Svejenova, 2012; Kennedy, 2008; Pontikes, 2012; Wry et al., 2013) by showing the processes through which societal conditions external to the category, as well as cognitive properties internal to different frames of the emerging category can interact and ultimately lead to the emergence of an overarching ambiguous category that aligns itself with broad audience expectations. We thus advance theory that responds to calls to study emergence and change as "important dependent variables in their own right" and to further explicate the role of ambiguous novel categories in these processes (Durand & Paolella, 2013; Kennedy & Fiss, 2013, p. 1141).

## 2.3 Theoretical Foundations

### *2.3.1 Organizational category emergence*

Organizational categories have been an implicit theme in organizational studies, often straddling different sub-streams of research (Vergne & Wry, 2014), before they have been themselves acknowledged and categorized as an explicit new stream of literature in recent years (Durand & Paolella, 2013; Glynn & Navis, 2013). More broadly, categories refer to "socially constructed partitions or taxonomies that divide the social space into groupings of objects that are perceived to be similar" (Bowker & Star, 2000; Grodal et al., forthcoming; Suarez et al., 2015, p. 438). Consequently, the prevailing perspective on organizational categories assumes they are socially constructed when "a mutual understanding of the material and symbolic resources that serve as a basis to assess membership in the category" emerges between its members and various audiences (Vergne & Wry, 2014, p. 68). Audiences are not necessarily homogeneous and consist of two broad types: producers on the one hand, and consumers or evaluators on the other (Pontikes, 2012). Producers are typically expected to actively engage in the theorization of the category, which includes the delineation of membership criteria and boundaries (Jones et al., 2012; Rao, 1998; Rao, Monin, & Durand, 2003; Santos & Eisenhardt, 2009). Consumers and evaluators are assumed to be somewhat more passive in their contributions to category definition, yet they are a critical component in reaching the mutual understanding mentioned (Grodal et al., forthcoming; Khaire & Wadhwani, 2010). A favorable reception of the theorized category by audiences can enable it to thrive, so audiences can indirectly exert pressures to the producers or proponents of categories regarding the category boundaries and membership criteria (Chen & O'Mahony, 2009; Jones et al., 2012). Finally, members are drawn to an organizational category if it offers them an identity that they value, or for opportunistic reasons, as long as the benefits of affiliation outweigh the respective costs (Glynn & Navis, 2013; Granqvist, Grodal, & Woolley, 2013; Rao et al., 2003; Weber, Heinze, & DeSoucey, 2008). Thus, the eventual consensus around a new category´s boundaries emerges between the producers, consumers and members of an organizational category through a process of negotiation and co-creation (Glynn & Navis, 2013; Rosa et al., 1999).

New organizational categories usually draw on innovations that have originated in the field of practice but also rely heavily on the social construction of these initial marginal practices into a distinct conceptualization (Jones et al., 2012; Lounsbury & Crumley, 2007). The changes that enable such emergence can be evident at multiple levels (Tracey, Phillips, & Jarvis, 2011; Zilber, 2006). At a broader level, the emergence of organizational categories depends on their alignment to broader ascending societal beliefs that confer them legitimacy (Thornton & Ocasio, 1999; Zilber, 2006). Changes in organizational categories most times also necessitate the active role of institutional or organizational actors who act as facilitators of change (Clemens & Cook, 1999). Proponents of new categories typically engage in theorization and framing, enable collective organization, and establish affiliations with allies in order to make a convincing case for the new proposed consensus (David, Sine, & Haveman, 2012; Rao et al., 2003). They might also need to foster the creation of a collective identity related to the organizational category, while developing regular exchanges and routines that can embed the category into the institutional structure (Maguire, Hardy, & Lawrence, 2004; Weber et al., 2008; Wry et al., 2011). Other influential actors can also actively shape its creation, for instance through their endorsement and the resources they procure (Purdy & Gray, 2009; Rao, 1998; Weber et al., 2008). Finally, at the micro level, individuals who are affected by changes in organizational categories can exert influence when they choose to resist, adopt, selectively adopt or translate the organizational category's frame (Ansari, Fiss, & Zajac, 2010; Granqvist et al., 2013). Organizational categories that manage to bridge expectations at the levels of society, institutional actors and individuals are thus better poised to ascend and thrive.

### *2.3.2 Categorical straddling, hybridity and ambiguity*

Ideally, an organizational category minimizes differences within the category while maximizing differences across the focal and adjacent categories (Mervis & Rosch, 1981). Yet in practice boundaries of organizational categories can exhibit different degrees of fuzziness and membership can be partial, ranging across a gradient (Mervis & Rosch, 1981). Research has revealed some of the costs and benefits of straddling different categories instead of being affiliated with a single one. For instance Zuckerman (1999) has convincingly showed the penalties that organizations can face when they straddle more than one category that the key audience of financial analysts covers. This phenomenon has been termed the "categorical imperative", referring to the need for organizations to fit neatly and coherently into a single category. More recent approaches have nevertheless challenged the universal application of the categorical imperative and ultimately added nuance to the understanding of this phenomenon. The categorical imperative can be more pronounced in markets that are relatively inert, and is of greater value to audiences of consumers and evaluators (Durand & Paolella, 2013; Pontikes, 2012). Fitting neatly into a category is therefore a property of a stable status quo.

In contrast, under conditions of change, where the consensus around an emerging organizational category is being negotiated, the categorical imperative might be less relevant (Pontikes, 2012). Audiences of producers might deviate from established categories in their effort to define and control an emerging organizational category (Santos & Eisenhardt, 2009). Producers are more likely to engage in such efforts, defying the short term costs of the categorical imperative, when they enjoy particularly high or low status in their previous categories, which reduces their pressure to conform (Kennedy & Fiss, 2013; Phillips & Zuckerman, 2001; Rao et al., 2005; Sgourev, 2013). Moreover, the emergence of new organizational categories can take place at the interstice of institutional fields, defined as "a mesolevel location that forms from overlapping resource networks across multiple organizational fields in which the authority of the dominant resource network does not prevail" (Morrill, 2006, p. 6). Interstitial spaces open up opportunities for hybrid categories that "mix elements of multiple categories" to emerge (Wry et al., 2013, p. 1311). Examples of emerging organizational categories at the interstices of fields are biotechnology, nanotechnology, mobile communications or alternative dispute resolution (Granqvist et al., 2013; Ozcan & Eisenhardt, 2009; Powell & Sandholtz, 2011; Purdy & Gray, 2009; Wry et al., 2013). Thus, activity at the interstices of fields can constitute fertile ground for the emergence of new organizational categories later on.

### *2.3.3 Category dominance versus resonant ambiguity*

Hybrid categories can suffer the liabilities of the categorical imperative, due to an initial lack of legitimacy and focus, yet recent research acknowledges that this imperative tends to wane as the category becomes more established (Durand & Paolella, 2013; Rao et al., 2005). During the initial emergence of such hybrid categories, different audiences are likely to compete to promote their own view of the category by offering one definition, or frame, as most relevant (Grodal et al., forthcoming). Frames refer to socially constructed “schemata of interpretation” that imbue events and occurrences as meaningful and “thereby function to organize experience and guide action” for individuals (Benford & Snow, 2000, p. 614; Goffman, 1974, p. 21). Frames are not merely cognitive schemata; they also embody political processes of meaning negotiation between diverse actors. So long as these alternative frames persist, categories can remain ambiguous (Pontikes, 2012). Yet, similar to the emergence of a dominant design in emerging markets, the dominance of a single category frame enables the category to reach consensus around its boundaries and move on towards growth and diffusion (Kent & Dacin, 2013; Lounsbury et al., 2003; Rao, 1998). If a dominant definition of the category fails to emerge, the category is expected to succumb to the adverse effects of ambiguity, which can stunt its growth (McKendrick & Carroll, 2001; Ozcan & Santos, forthcoming), and eventually “lose favor and gradually disappear” (Grodal et al., forthcoming, p. 24).

Yet, recently researchers have been examining cases of ambiguity and multiplicity in practices, roles, identities and institutional fields, which tends to resonate and persist over time (Besharov & Smith, 2014; Clemens & Cook, 1999; Gray, Purdy, & Ansari, 2015; Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011; Reay & Hinings, 2009; Sgourev, 2013). Ambiguity generally refers to “lack of clarity about the meaning and implications of particular events or situations” (Santos & Eisenhardt, 2009, p. 644; Sgourev, 2013). The other side of this lack of clarity is the presence of multiple interpretations or frames for the same situation, relationship or definition (Abbott, 1988; Ashforth, Rogers, Pratt, & Pradies, 2014; Carson, Madhok, & Wu, 2006; Santos & Eisenhardt, 2009; Sgourev, 2013). We propose that organizational categories can similarly accommodate and sustain ambiguity, and nevertheless resonate with audiences, grow and diffuse. Yet the conditions and processes under which categories can become resonant and thrive while remaining ambiguous have received scant attention (for an exception see Jones et al., 2012). Our study therefore aims to unpack the paradox of audiences that sometimes opt to cooperate instead of compete for dominance in defining an organizational category, in the absence of a consensus. Moreover, we examine how ambiguous categories that encompass multiple category frames can offer benefits that outweigh costs for audiences, achieving resonance and growth over time. To address the lack of knowledge regarding the conditions and processes behind the emergence of resonant yet ambiguous organizational categories, we thus focus our study on the following question: *How and why do organizational categories become resonant while remaining ambiguous?*

## 2.4 Methods

Since symbolic and cultural meanings and processes are at the heart of the production of categorical boundaries (Lamont & Molnár, 2002), we chose a research design that would enable us to access data that reveals such processes. Following prior work (Ansari, Wijen, & Gray, 2013; Granqvist et al., 2013; Purdy & Gray, 2009; Tracey et al., 2011; Weber et al., 2008), we therefore opted for a qualitative, interpretative research design that could provide rich data regarding the emergence of organizational categories, across time and across levels of analysis. Qualitative research can be particularly informative in cases where theory is still partially developed (Eisenhardt, 1989), especially so in cases of emergent phenomena. We chose the case of social entrepreneurship, as it is particularly relevant for building theory on the emergence of new organizational categories, being a relatively new category that has enjoyed great resonance and attention over the last decade (Carlyle & Sinha, 2014; Perman, 2009; Seager, 2013). Focusing on this case that is relatively recent but has nevertheless evolved over time, we collected data that is not too far removed from the actual events that have taken and are still taking place, which can thus yield insights for both the emergence and the subsequent evolution of the respective category. While our original research question at the beginning of the study was targeting new category emergence more broadly, the more we became immersed in the case, the more we realized it was representative of a resonant yet ambiguous organizational category, and reoriented and focused our research question in light of this.

### *2.4.1 Data Sources*

To investigate our question we conducted open, semi-structured interviews and collected extensive archival data. Our targeting strategy is based on the principle of purposeful, theoretical sampling (Lincoln & Guba, 1985), where researchers focus upon the most relevant informants for sourcing data that can lead to theoretical insights. We thus focus on those individuals that were reputedly the influential and recognized actors, pioneers, or experts of the emerging category, globally. From our broader knowledge of the social entrepreneurship area, we knew that these individuals had been purposefully active in this area through the establishment of organizations that identified and supported social entrepreneurs, through theorizing and advocating social entrepreneurship, channeling resources to them and organizing shared spaces for practitioners and proponents to meet. These individuals had established organizations with the explicit aim to promote their interpretations of social entrepreneurship and were therefore deemed especially suitable to explain the cognitive and political processes through which the new category had materialized. To reach these individuals we followed a snowball approach (Atkinson & Flint, 2001), as introductions and references from initial contacts helped us gain access to further ones. Interviewees were typically founders or senior leaders in their organizations and of high profile in the emergent category of social entrepreneurship (for details on the respondents see Table 2.1).

We sought to balance various dimensions in order to achieve completeness in our understanding of the conditions and processes at play in the case of social entrepreneurship. First, we made an attempt to talk to individuals from across geographical boundaries, as long as they had been involved in a very active role in the emergence of the new category, and second, we attempted to represent different frames of the category, as understood by different actors. Our early interviews alerted us to the fact that even if certain practices ultimately categorized as social entrepreneurship had originated across the world, the active work behind theorizing and advocating such practices as a distinct category was largely centered in the United States and secondarily in the United Kingdom. Namely, practices that were classified into the "social entrepreneurship" category post-hoc, after its emergence, range across countries and can even be identified throughout centuries, while the actors influential in establishing the category as a political and cognitive consensus have originated mainly in these two countries, from the 1980s onwards. However, several informants from other regions were useful in portraying the diversity and reception of the new category outside the US and the UK. Our early interviews also made us aware that controversy and ambiguity were enduring in the new category, and as mentioned we refined our research question accordingly. We therefore sought to interview actors that had been advocating different frames of the category, so that we would have a balanced understanding of the events that took place, and of the opinions, antagonisms and collaborations between different actors. Finally, in the emergence of new organizational categories it is typical for proponents of the category to originate from within the field, their efforts to build a new field, category or profession being additional to their engagement with the practice itself (Abbott, 1988). In that vein, the literature provides examples of management consultants, architects or financial advisors who have sought to manipulate and legitimate the categories that define them (David et al., 2012; Jones et al., 2012; Lounsbury, 2007). Therefore, we sought to establish whether certain members of the eventual category had been active contributing to its emergence. However, in sharp contrast to cases of other emerging categories, our interviews with these informants indicated that they had not been particularly active in this process. They did, however, exhibit varying degrees of identification with the category, and illuminated the category emergence from the point of view of prominent members, so that their views supplemented our understanding of the studied phenomenon. Details on the respondents and interviews are provided in Table 2.1. Names have been replaced with a reference number for each respondent, in order to respect their privacy.

Data collection was conducted between January 2012 and June 2014, and resulted in 41 interviews. We stopped adding new informants to the sample when theoretical saturation occurred (Glaser & Strauss, 1977), and accounts no longer revealed any additional insights to the authors. The interviews were mostly conducted by the first author, and in some cases by both authors. Due to the geographical disparity of the sample and the difficulty to readily access them, interviews were conducted mostly over the phone, while some were conducted in person. The authors promised confidentiality to the participants (Singer, Hippler, & Schwarz, 1992), in order to get more candid descriptions of the phenomenon studied, the events as they had experienced them, and their opinions.

**Table 2.1:** Respondent and interview characteristics

| Reference number | Country of origin | Function | Interview type |
|---|---|---|---|
| 1 | US | Academia | phone |
| 2 | UK | Support organization | phone |
| 3 | US | Support organization | phone |
| 4 | US | Support organization | phone |
| 5 | US | Academia | phone |
| 6 | US | Support organization | phone |
| 7 | US | Support organization | phone |
| 8 | Chile | Support organization | phone |
| 9 | India | Entrepreneur | in person |
| 10 | US | Academia, Support organization | phone |
| 11 | US | Support organization | phone |
| 12 | Czech Rep. | Support organization | phone |
| 13 | Brazil | Entrepreneur | phone |
| 14 | UK | Support organization | phone |
| 15 | UK | Support organization | phone |
| 16 | France | Support organization | phone |
| 17 | US | Entrepreneur | phone |
| 18 | US | Academia | in person |
| 19 | Kenya | Entrepreneur | in person |
| 20 | US | Entrepreneur | in person |
| 21 | UK | Entrepreneur | phone |
| 22 | India | Support organization | phone |
| 23 | US | Support organization | phone |
| 24 | India | Entrepreneur | phone |
| 25 | US | Support organization | in person |
| 26 | US | Support organization | phone |
| 27 | Paraguay | Entrepreneur | in person |
| 28 | UK | Support organization | phone |
| 29 | US | Entrepreneur | in person |
| 30 | New Zealand | Entrepreneur | phone |
| 31 | US | Academia | in person |
| 32 | US | Entrepreneur | phone |
| 33 | US | Support organization | phone |
| 34 | US | Academia | phone |
| 35 | US | Support organization | phone |
| 36 | US | Development agency | phone |
| 37 | UK | Support organization | phone |
| 38 | US | Academia | in person |
| 39 | US | Development agency | phone |
| 40 | US | Support organization | phone |
| 41 | US | Support organization | phone |

The interviews lasted an average of 55 minutes, ranging from 33 to 85 minutes. They were recorded in all cases, and transcribed verbatim by an independent professional transcription service. The interview protocol served as a guide but did not overly structure our interviews. We sought to hear the story of the emergence and evolution of social entrepreneurship from the informant’s point of view. The protocol included sections on the early beginnings of the social entrepreneurship category, broad trends that influenced it, early actors involved its promotion, early responses to the new category, dedication of supporting resources, definitional aspects and politics, the emergence and reactions to the “social entrepreneur” identity, as well as the evolution of all these issues over time. The protocol evolved over time (Gioia et al., 2013) to include more emphasis on issues relating the social entrepreneurship category with other adjacent categories and the evolution of the category in more recent years.

Following accepted practice in qualitative research (Corley & Gioia, 2004; Greenwood & Suddaby, 2006; Maguire et al., 2004), we additionally sought to supplement and triangulate our interview data with archival data. We collected materials written by our informants, or mentioned by our informants as seminal and influential articles and books on the subject. We additionally collected materials from websites of support organizations, even if they were not part of our sample. Apart from written materials, various organizations as well as media channels have also propagated videos, movies and interviews of social entrepreneurs or influential actors in the area. We therefore added all highly relevant audiovisual material we identified to our archives.

### *2.4.2 Data Analysis*

We proceeded to analyze our data according to the precepts of grounded theory (Glaser & Strauss, 1977), in order to build or extend theory (Eisenhardt, 1989; Lee, Mitchell, & Sablynski, 1999). Preliminary data analysis started before the data collection was over, by creating summaries of interviews, and noting surprising passages in the data. Towards the later stages of data collection, we started the systematic coding of the interviews' content, with the help of computer software NVivo 10. Our coding followed an inductive approach, whereby raw data provided by respondents are coded into progressively more abstract constructs (Strauss & Corbin, 1990). At a first stage we open-coded the data using in-vivo codes, namely codes making use of the respondents´ words, or wherever that was not possible, first-order codes very close to the raw data (Strauss & Corbin, 1990; Van Maanen, 1979). We coded with an eye towards identifying conditions and processes of the category's emergence, actors and their strategies and tactics, responses to strategies and tactics, and consequences (Saldaña, 2012; Strauss, 1987). We also coded for events mentioned by our informants, considering as event any specific action or occurrence mentioned by one respondent and not disconfirmed by any other respondent (Miles & Huberman, 1994), triangulating with archival data when necessary. This first round of coding produced 385 initial open codes in total. It also helped us construct a chronology of events. At a next stage we sought to identify patterns and similarities in the data, and abstract them into "second-order" themes, or "axial codes" in order to gradually develop relevant higher-order constructs (Gioia et al., 2013; Van Maanen, 1979). Throughout the coding procedure we created extensive memos, capturing insights and possible interpretations of the emerging themes and their relationships. During the first round of coding we suspended our knowledge of prior literature; yet, after axial

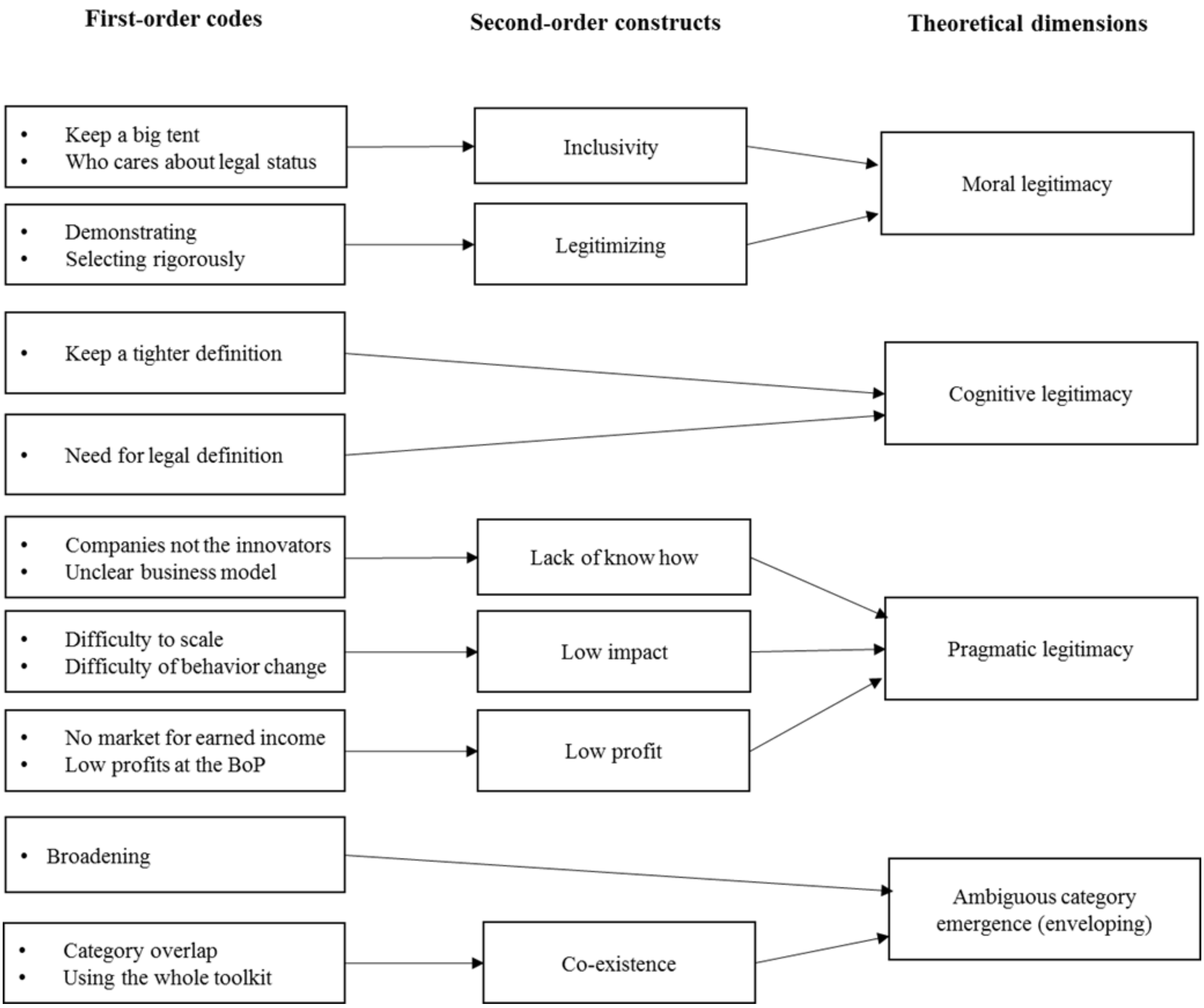



**Figure 2.1:** Illustrative examples of coding process followed to induce theoretical dimensions

codes pointed to broader patterns, we focused on those patterns which appeared to drive the story, and which had potential for building or extending theory. We thus iterated between the emergent theory, the data and prior theories, in order to reach "selective codes", and an explanatory framework (Glaser & Strauss, 1977). Figure 2.1 exhibits illustrative examples of the process of abstraction followed from in-vivo to second-order to selective codes. To ensure that our interpretations were plausible and robust, we have subjected them to multiple reviews from peers and triangulated them with our archival data (Gioia et al., 2013).

## 2.5 Case analysis

### *2.5.1 Origins of the social entrepreneurship category*

While the term "social entrepreneurship" is relatively recent, some activities it has come to be associated with have their early beginnings in the 1970s. Specifically, several unconnected efforts in development at the grassroots level, such as microcredit loans, originated in different parts of the developing world during that decade. The NGO Acción starts experimenting with business solutions to addressing poverty circa 1973 in Latin America, while soon afterwards, in 1976, the Grameen Bank is founded in Bangladesh by Professor Mohammad Yunus, to provide microloans to the poor. These pioneer organizations work unaware of similar efforts across the globe, and develop distinct approaches to the provision of microloans to poor people, which at the time constitutes a marginal practice in the development field.

While both organizations work towards the goal of improving living conditions for poor people, Acción adopts a clearly commercial approach, while the Grameen Bank prioritizes the social imperative over any commercial considerations in its work. A small number of other pioneers across developing countries as diverse as India, Brazil and Indonesia are experimenting locally with solutions for development that reject the clear distinction between the for-profit and non-profit sectors. These pioneers typically conceive of themselves as part of the local NGO or development fields; nevertheless their break from tradition is typically not broadly or even locally understood, appreciated or funded.

Towards the end of the 1970s, disenchantment with traditional development approaches spurs the US development agency, USAID, to investigate more closely the phenomenon of microloans. The PISCES Project is set up in 1979 to foster knowledge sharing and exchange of best practices between organizations working in this area. At the same time, an individual with experience that cuts across field boundaries, founds “Ashoka”, an organization with the explicit aim of identifying innovators from across the world and supporting them in order to “accelerate development”. Ashoka sought to leverage the expertise of prominent individuals with deep involvement in the NGO, government and development fields, and initially begun operations in India, Brazil and Indonesia, with scant resources. During the 80s, Ashoka´s efforts to build a practice around “social entrepreneurship” continue at a steady pace, yet under the radar and without substantial efforts at theorizing the new category to broader audiences. Ashoka is credited with the term social entrepreneurship, yet during its early steps the organization was experimenting with various alternative terms to define its activities.

Independently, during the early 80s, the category of “earned income” emerges at the interstices of the business and non-profit fields. Originating in the business sector, the CEO and top managers of Control Data Corporation in the US conceive of the idea to use business for social change, first by recruiting workers from impoverished areas, and then by providing social services and goods, advocating the superior efficiency of the business vis-a-vis the non-profit sector. Simultaneously, several entrepreneurial individuals from the non-profit arena conceive of the idea of non-profits earning income in markets to complement their resources from donations; hence, the category of “earned income” is born. Both of these efforts encounter strong resistance and little resonance at the time, especially inside the non-profit field, as the notion of applying the means of business to the ends of social welfare is highly controversial. Yet, given the pressing financial troubles of non-profits in the US, and the gradual erosion of the boundaries between for-profit and non-profits, these efforts converge into the organization of a number of conferences with the purpose of promoting earned income strategies. Thus, in 1984 the Alpha Center for Public/Private Initiatives takes shape, under the leadership of supportive individuals and organizations from both the for-profit and non-profit field.

During the 1990s in the US a number of organizations are founded, which explicitly use business methods to address social problems. An early pioneer is the Homeless Economic Development Fund, later renamed Roberts Economic Development Fund (REDF), which applies venture capital and business planning methodology to combat homelessness in San Francisco. Its CEO becomes a key driver behind the distinct conceptualization of their funded ventures as “social entrepreneurs”. The academic world too responds to changes in the field of practice. In Harvard Business School, a new center for non-profits is founded in 1993, which after negotiations between the donor, the administration and the faculty is conceptualized as the “Social Enterprise Initiative”, dedicated to the study of a range of organizations spanning the for-profit to non-profit continuum. Under the auspices of this center, Professor Greg Dees, influenced by Ashoka´s concept of social entrepreneurship, creates a similarly titled course in 1994. Over the years he elaborates and disseminates the idea across academia, founding centers dedicated to “social entrepreneurship” across a number of elite universities. In the meanwhile, Harvard Business School works to legitimize the concept of social enterprise across academia. Through these developments, the language of "social entrepreneurship" thus gradually comes into contact and is adopted by earned income proponents, whose meetings, by 1998, have been re-labeled as "Gatherings of Social Entrepreneurs".

The end of the 1990s also marks the beginning of the international spread of the social entrepreneurship category. Microcredit organizations, which are frequently cited as "social entrepreneurs" or "social enterprises", constitute by now a global field. The absorption of substantial aid funds and streamlining of operations has made the microcredit field more visible; yet, consensus has not been reached regarding the appropriate category frame, as the commercial and "pro-poor" lobbies are battling for dominance. Meanwhile, in post-communist Europe, funds dedicated to "democracy building" are phasing out their involvement, and a lack of local donor funds means "self-sufficiency" is being advocated for local NGOs, drawing on the experience of earned income proponents from the US. Furthermore, in the UK the language and practices of "social enterprise" become prominent. The government of Tony Blair begins to advocate social enterprise as a means to revolutionize and innovate the public sector, through the outsourcing of public services to individuals and organizations. The work of Michael Young, prominent British sociologist and founder of a number of grassroots social welfare organizations, is re-discovered and popularized, and a number of government bodies are set up to support the "social economy".

### *2.5.2 The emergence of an ambiguous organizational category*

The 2000s mark an era of greater confluence between emerging frames of the "social entrepreneurship" category, which is both plagued by definitional contests and enjoying increasing popularity and legitimacy. Increased connectivity and communications have reduced geographical isolation, enabling easier awareness of and response to local social welfare crises on the one hand, and connection of previously isolated practitioners. Furthermore, a bigger part of the world has adopted free markets and opened their borders to international corporations, increasing the legitimacy of business and entrepreneurship. A number of crises at the turn of the century provide an additional push in favor of the legitimacy of the social entrepreneurship category. Protests organized during the Davos conferences to express discontent with growing inequalities and globalization prompt the status quo to engage in ways to positively address social problems. The result is the Schwab Foundation, modeled after Ashoka´s support organization, which ventures out to identify "social entrepreneurs" at later stages of their development and provide them with access to an influential network of business leaders and investors. Terrorism and climate change similarly raise a greater awareness of the need to address persistent problems that are global in scope.

The community of Silicon Valley entrepreneurs is also responsible for the increasing resonance and diffusion of the social entrepreneurship category. A newly rich elite that credits entrepreneurial approaches for their successes transposes these approaches to their philanthropic giving. The burst of the tech bubble in 2000 reduces some of the fortunes made, but shifts the norm in Silicon Valley towards greater concern and receptivity to social endeavors. Certain highly successful tech entrepreneurs, prominent among them the founders of eBay, Jeff Skoll and Pierre Omidyar, inaugurate philanthropic foundations promoting versions of the "social entrepreneurship" ideal. The Skoll Foundation consciously works to diffuse and popularize the category of social entrepreneurship, while helping prominent social entrepreneurs scale up their operations. As these big foundations draw attention to the social entrepreneurship category, media outlets such as CNN, Wired Magazine and TED Talks embrace and further diffuse the concept to wider audiences. Additionally, a number of events, awards and incubators, such as “Creating a digital dividend” or “The Tech Awards” are designed with the aim of exploring applications of technology to the non-profit and development fields. Finally, in the UK, the social enterprise category remains resonant and enjoys support and legitimacy from successive governments, resulting in the reconceptualization of a number of non-profit and government activities as social enterprises.

The confluence of these divergent category frames has resulted, as we will show, in the expansion of “social entrepreneurship” into an ambiguous category that envelops them. Diffusion of these frames is continuing to grow unabated (see supplementary illustrative Figure 2.4 at the end of this chapter). The resonance that the category enjoys has paradoxically obscured its boundaries, as it has:

> “caused, if anything, a little bit of confusion because if everyone’s a social entrepreneur then you lose sight a little bit of what that unique set of qualities is” (int. #33).

Most of our respondents highlighted this expansion, loosening, and broadening of the organizational category in recent years. Some of them saw this as a beneficial development, while others were worried that it could lead to a dilution of the category, which could undermine its usefulness.

## 2.6 A model of the emergence of resonant ambiguous categories

In this section, we synthesize the findings that can be drawn from the analysis of our interview and archival data into a model that explains the emergence and persistence of a resonant yet ambiguous category. Our analysis indicates that social entrepreneurship has emerged as an organizational category that resonates with multiple audiences, while its ambiguity perseveres. Below, we elaborate on the different facets of the emergence of a resonant yet ambiguous organizational category, which are visually presented in Figure 2.2. Additional quotations that underpin our findings can be found at the end of this chapter. We begin by highlighting the conditions that enabled the emergence of such an organizational category.

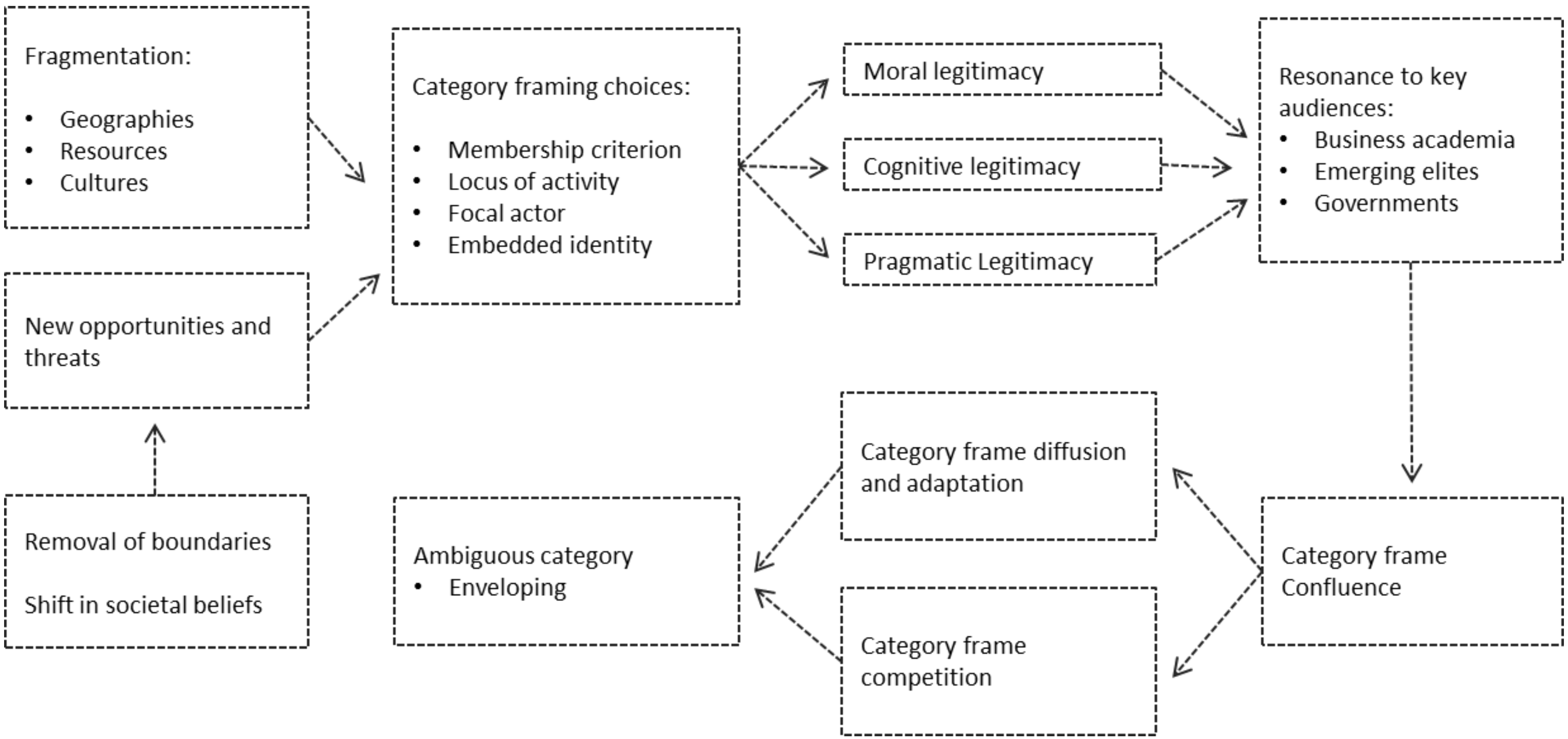
### *2.6.1 Enabling conditions*

While the emerging area of social entrepreneurship is heavily dominated by a discourse centered on individual actors and agency, on closer scrutiny certain broader enabling conditions are evident as instrumental to the emergence of the new category.

**Fragmentation: across geographies, resources, cultures**

Initial fragmentation of practices due to barriers of geography, resources and cultures enabled the initial emergence of widely divergent category frames that were unconnected from each other. The fields of non-profits, of international development and of business had initially few substantial overlaps. The

**Figure 2.2:** Enabling conditions and processes in the emergence of a resonant, ambiguous organizational category



international development field, for instance, had been driven by large-scale aid projects, which were typically oblivious to small scale NGOs operating locally, across diverse geographic locations. The few and far between NGO heads who were practicing entrepreneurial approaches for poverty alleviation were not connected to each other, nor did they have an awareness of any broader field or community of which to be a part.

Moreover, the distribution of philanthropic funds and resources was very specific to local contexts. The non-profit field had been mainly gaining prominence and consolidating in countries with a history of philanthropy, such as the US or the UK, where philanthropic donations were exceptionally high compared to other international settings. In stark contrast, the presence of philanthropic resources in other geographies internationally varied greatly, and was usually extremely limited, or entirely dependent on specific actors, such as the church. Foundations in the US and UK were typically unlikely to sponsor programs in developing countries, and exceptions were most likely related to large aid programs or international non-profits.

Further exacerbating the fragmentation internationally, local contexts had diverse cultures, which signified a varying receptivity to alternative approaches to development. Culture could, depending on the context, induce people to respond more or less favorably to the idea of entrepreneurship or innovation as a component of development. One interviewee (#15) brings this point home in his following observation:

> "I think that culture has a huge factor to play in how entrepreneurs exist and flourish and everything, in societies. And whether there are webs of support for those people that are more in the culture, or whether they're not and therefore they're more dependent on a smaller support base. So a country like Brazil or India, it turns out that there's really strong kind of

> organic social support for innovators. But in a country like South Africa or Indonesia, it's just not there and you have to start almost from scratch".

In conclusion, our data point to the fragmentation across fields in terms of geographical, resource and cultural idiosyncrasies as a critical factor in enabling a great variation of local category frames.

**Removal of boundaries**

While fragmentation at the interstices of the non-profit, development and business fields had been the norm before the 80s, during the following decades a number of developments significantly reduced both the objective and the perceived boundaries among them. Geographically, the collapse of communism and the coming of age of the post-colonization generations of newly independent countries paved the road for the opening of many markets to international trade. These trends enabled a greater ease in the internationalization of development and non-profit practices, particularly those originating in Western countries.

The walls between the non-profit sector and the business sector also became significantly weaker over the same decades. Particularly in the US, an increasing number of successful businesspeople were involved pro-bono in the boards of non-profit organizations, leading to greater mobility of ideas and persons between the two sectors. Transgressing the frontier between the non-profit and business fields could hold certain benefits to both parties. As respondent #12 observed,

> "on one hand you get NGOs that are much more self-secure. They use business practices, they plan, they generate resources, they use marketing, they use PR, they use slogans. So they started to use all the business stuff to be more successful on the market and from the other side you get the corporations that are more and more starting to act like they are not here

> just to make money [...] And as these sort of come together and mingle together, they are not there anymore".

Finally, boundaries are further eroded from the 90s onwards through the massive ease of international communications brought about by the availability of internet technology. As more people are connected to the internet and information can reach rapidly global audiences in a decentralized fashion, awareness of and response to intense social problems across vast geographical distances becomes increasingly feasible. Connectivity between like-minded individuals and the diffusion of ideas thus became possible at rates previously unimagined. Our respondents mentioned how closer interconnection across individuals globally increased the awareness of where acute social problems and inequities were happening, while they also flooded them with requests to explain their programs to interested organizations from across the globe.

**Shifts in broader societal beliefs**

Opportunities for the emergence of new category frames at the interstices of non-profits, development and business can also be traced back to shifts in the relative popularity of dominant beliefs, internationally. Overall, the legitimacy of business has increased during the last decades compared to the legitimacy of governments and traditional development. Respondents noted the disenchantment of younger generations with politics and large-scale aid interventions, and their increasing faith in the problem-solving capacity of business. More specifically, there is a concrete fascination with innovation and entrepreneurship, so that,

> "the whole role of entrepreneurship has also taken off in the last 20 years. And before that entrepreneurship was not really viewed as something you would teach in business schools, and you know, it was very very separate kind of area. And I think that the evolution of social entrepreneurship has

> come with the evolution of entrepreneurship and with a new way of thinking about business and innovation and I think it's the connection of these things that have been really catalytic" (int. #4).

Similarly, the non-profit sector has been gaining legitimacy in developed countries, being one of the fastest growing sectors (Salamon, 1994).

**New opportunities and threats**

Taken together, the increasing legitimacy of non-profits and entrepreneurship were critical in enabling the conception of new opportunities at the interstices of the fields of development, non-profits and business. First, businesses saw opportunities to get involved into what was traditionally the non-profit field, establishing new markets in the process. Such efforts originated in the US, with certain big corporations engaging vulnerable workers into their workforce, and later developing products and services with a public welfare dimension. Later on, with increasing globalization, companies were also able to conceive of opportunities to establish new markets in poor, developing contexts serving "base of the pyramid" individuals. Such an opportunity is increasingly appealing as developed markets are becoming saturated, so the imperative of growth for public companies directs them to these untapped markets and consumers.

Transgressions across fields could also be appealing to non-profits. In the US, while overall donations to the non-profit sector were increasing, the growth of the number of non-profit organizations, coupled with severe budget cuts, forced non-profits to search for alternative means of financing. As respondents noted, US government during the Reagan administration drastically reduced the public funding available to the non-profit sector, irrespective of the success of individual programs:

> “previously so much of a non-profit organization´s budget was supported by government; not all, but many. And clearly government played a big role, and particularly with the Reagan administration, but even before that, you know cuts started happening and it became clear that organizations would have to diversify their revenue stream, that was another big buzzword, you know, “how diversified are you”?” (int #6).

These pressures forced non-profits to become more receptive to the opportunity of using sales to expand their revenue streams, even though initially this activity was only seen as a secondary one.

### *2.6.2 Divergent category frames*

The new opportunities evident at the interstices of the non-profit, development and business fields were initially pursued by specific early pioneers, who helped shape the emergent category frames that eventually resulted in the ambiguous category of social entrepreneurship. For greater parsimony, we focus on two main early efforts that employed distinct choices to delineate their proposed category frames. These two frames were among the most prominent ones during the early stages of the new category. For a more exhaustive representation of these in relation to other category frames, please refer to Figure 2.5 at the end of this chapter. The first frame originates in the efforts of Ashoka, the support organization engaging in the identification and nurturing of social entrepreneurs in developing contexts, and other organizations that replicated their model. The second originates in the efforts of business managers and non-profit consultants that advocated leveraging income earned through sales for the survival of US non-profits. Throughout the 80s and 90s, most references to social entrepreneurship can be traced back to these two efforts, even though at the time both of these were relatively unknown to non-experts. Each of these efforts involved different choices regarding the criterion of membership, locus of activity, focal actor and embedded identity of the category frame promoted. Moreover, the different choices made resulted in frames of the category of social entrepreneurship that enjoyed varying levels of moral, cognitive and pragmatic legitimacy.

**Membership criterion**

Ashoka´s founder and supporters focused their frame around a very strong ideal of "systemic change" as the necessary end of the practices they promoted, in contrast to non-profit organizations that merely did good work. Initially, drawing this boundary and communicating it to audiences was a challenging endeavor:

> "it was quite difficult actually to get across the notion of; no, no, we are not looking for people who do all the beautifully good and important things like setting up another school in a village or setting up another hospital. That's not what we're looking for. We are really fundamentally looking for an entrepreneur who actually has a systems-changing idea" (int. #22)

In order to maintain this theorized boundary across vastly different geographical contexts, Ashoka had to establish a very strict system of nominations and evaluation by multiple committees, based on specific criteria that ensured the utmost ethical standards of each individual they elected as a "fellow", as well as the high ambition and potential for systemic change of their idea. Such a conceptualization rendered the emergent category agnostic regarding the legal form of the organizations included, or the use of market mechanisms for generating income.

On the other hand, the actors behind the formation of the Alpha Center for Public/Private Initiatives in the US, emphasized "earned income" as the central dimension and distinguishing boundary of the frame they supported. Their focus was primarily on the means employed by non-profit organizations in order to create additional streams of income. While the exact outcome in terms of social welfare was less strictly defined, members could include organizations that were generating revenues through a profitable or self-sustaining enterprise, while also achieving some kind of social impact through that enterprise. It was not until the late nineties that the category frame of social entrepreneurship was evoked to rename what was earlier known as "earned income" or "self-sustainability" of non-profit organizations.

**Focal actor**

A second divergent choice between the two efforts was the definition of the prototypical member of the respective category frame. Ashoka defined the focal actor as an individual who has a big idea and entrepreneurial know-how. While the word "entrepreneur" was not present during early conceptualizations of the category, it was clear from the beginning that the actors sought were talented and ambitious individuals. On the contrary, proponents converging around the idea of earned income in the US were primarily seeking out big, established organizations, which to coach and help in transitioning towards market sales. Even though earned income was based on the premise of financial diversification for non-profits, it would have been challenging for smaller organizations with few resources to finance such transitions. One respondent (#11) involved in this work notes that

> "we were certainly looking for groups and organizations that were bigger and had more of a track record, and had staff that were able to do this kind of work".

## Locus of activity

The two emerging camps of social entrepreneurship proponents also positioned themselves very differently in comparison to established institutional fields. Ashoka showed a singular focus on developing contexts, the habitual arena of development aid organizations. Nevertheless, by focusing on individuals who headed organizations at very early stages of development, Ashoka was working at the margins of the development field, where almost no other support organizations were active:

> "it was not so hard in the sense [...] that when you begin there's nobody else looking for them and they're languishing because the existing donor institutions don't know how to support them. And they're just too creative for them" (interviewee #15).

In contrast, earned income proponents were targeting a more or less established field, that of non-profits, advocating a market ideology that was very much in contrast with non-profit ideals. It was also a field increasingly targeted by consultants for the provision of management and business advice, where competition for share of mind was greater.

## Embedded identity

Finally, the two emergent frames of the social entrepreneurship category placed different emphasis on the role of identity when defining the category. For Ashoka, the process of delineating the category was intrinsically connected to helping previously unconnected and unsupported individuals find a new distinct identity. They used a methodology of listening to the person in question and co-creating a new vision with them, which should be true to their original aspiration but also expand the scope of their ambition. For individuals that had been carving a challenging path with little recognition before being identified by Ashoka, and who could not fit neatly into the pre-existing identities of the development field, such an identity was frequently an important source of psychological support. In the US, proponents of earned income tried to keep an open agenda during their early conferences, so that the definition of their practices would be co-created by all interested individuals. Nevertheless, the intense initial skepticism, and the diversity of participants, which included non-profit and business managers, consultants and entrepreneurs, did not allow for an equally strong identity to drive the evolution of the emerging frame.

### *2.6.3 Moral, cognitive and pragmatic legitimacy of category frames*

Moral legitimacy proved challenging for both emerging frames; nevertheless, the social entrepreneurship frame employed by Ashoka faced less resistance overall. The organization's founder enjoyed high legitimacy across institutional fields, due to his prior experience as an activist, management consultant, university professor and government official. The positioning of the category frame at the interstices of fields, and its targeting of unconnected and unsupported individuals dispersed across wide geographic locations meant that resistance to the new ideas they were promoting was relatively weak. The organization did however need to showcase the importance of entrepreneurship in development. It worked under the radar, slowly adding to its network of fellows, building greater legitimacy "bottom-up". The category frame of earned income was in the meantime facing strong initial resistance, ranging from lack of interest to downright hostility, as the market ideology that underlined it was contrary to the ideals held dearly by many non-profit organizations. Over time, moral legitimacy increased somewhat, albeit reluctantly, as non-profits became more eager to discover new avenues of funding, and as boundaries between the non-profit and business fields were progressively being eroded.

The two frames also faced different challenges in terms of cognitive legitimacy, namely the comprehensiveness of the category definition. The earned income frame posed an advantage in that respect. The difference between funding from donations and funding through market sales could be easily understood even by non-expert audiences, thus the category boundary was more easily observable. On the other hand, Ashoka´s preoccupation with systemic change depended on a very elaborate internal system of controls to distinguish members from traditional non-profits. Outside the organization, such a distinction based on a future anticipated end was harder to grasp by non-expert audiences. Thus initial terms used to describe the category members, such as “innovators”, did not resonate much with external audiences. As a result, the organization experimented with various ways to represent its proposed category, before it selected the term “entrepreneur”, which resonated most in developing countries, to represent the category:

> “We used those five terms: social innovators, innovators for the public, public entrepreneurs, social entrepreneurs, and sometimes we talked about public innovators. So we had five different phrases that we used. […] And the one that seemed to be easiest for people to grasp... I found it easy to explain social entrepreneur by contrasting it with business entrepreneur because everybody knows what a business entrepreneur is” (int. #15).

Finally, the emerging category frames exhibited different levels of pragmatic legitimacy, originating from the level of coupling between their rhetoric and the results they could exhibit. For Ashoka, the question was whether bottom-up, individual innovations could be attractive enough to capture the interest of philanthropic funds that were traditionally directed towards large-scale interventions. After all, achieving systemic scale was no easy feat, and countless governments and development agencies had failed to do so in the past. While focusing on bottom-up innovations, it took the organization several years to build a broad network of members that would hint at the possibility of effecting broader change. In contrast, earned income proponents were adopting a top-down approach. Since the category was relatively more observable – non-profits had to become able to survive on earned income – disparities between rhetoric and reality were more easily evident. The reality was that even non-profits receptive to the idea were facing difficulties in implementing earned income strategies. Paradoxically, in order to benefit from additional funds promised by earned income strategies, organizations needed to have sufficient assets and cash flows and be able to afford the services of dedicated consultants in the first place. Respondents mentioned how the need alone was not enough to sustain the emerging category, as the costs of participation were not easy to bear by non-profit organizations and foundations. Thus gradually several pioneers of this category frame faced challenges in terms of pragmatic legitimacy, ultimately reaching the realization that:

> "the market seemed quite small, to be honest. I think it was just because we then at that point had a very strong point of view, that that was only right for certain types of organizations, whereas in the early days we probably only thought the market was huge because we thought everyone was our client" (int. #7)!

In sum, until the end of the 1990s, new opportunities had prompted early proponents to pioneer category frames that differed in their definitional choices and the moral, cognitive and pragmatic legitimacy they had achieved.

### *2.6.4 Category resonance with key audiences: academia, new elites, governments*

Ambiguity began to emerge when the divergent organizational category frames began to gain resonance with diverse responsive audiences, each promoting their own agenda. Thus, the interest of business schools, new elites and governments substantially changed the prospects for the emerging category frames and precipitated their ascendance.

To business schools, expanding their activity to the domain of the non-profit sector was especially appealing, given that increasing numbers of their alumni were involved in the boards of non-profit organizations and interested to apply their business skills to improve their effectiveness. Harvard Business School pioneered in the promotion of "social enterprise" as part of non-profit management, setting an example that was gradually replicated by other schools. An endowment for a non-profit management center became the opportunity to redefine the area, acknowledging innovations at the interstices of the business and non-profit fields. Adopting a view of social entrepreneurship that bridged the category frames promoted by Ashoka and by earned income proponents, Harvard faculty conceptualized innovation, not income generation, as the membership criterion to their version of the organizational category, but applied it to typically larger organizations. The interest and resonance with students and professors was unexpectedly strong. The resulting "Social Enterprise Club" becoming one of the most active and popular clubs at the school, while faculty across departments found an intriguing proposition in extending their core research and teaching interests to the new area. Harvard Business School engaged in broader efforts in order to establish the organizational category of "social enterprise" across academia.

Furthermore, especially from the mid-nineties onwards, social entrepreneurship began to resonate highly with emerging elites, consisting mainly, but not restricted to, successful technology entrepreneurs from the Silicon Valley area. In contrast to established elites with entrenched views on how to conduct philanthropy, self-made entrepreneurs were eager to support causes they felt strongly about, by applying a hands-on, entrepreneurial approach. Given that they had created their own wealth through venture capital, investing and business skills, these individuals would typically reject many of the basic operating assumptions of the non-profit sector. The work conducted by Ashoka on the one hand, and some earned income proponents on the other, coupled with the increasing success and visibility of microcredit, fuelled fascination with social entrepreneurship among tech entrepreneurs. Gradually, dedicated foundations such as the Skoll Foundation and the Omidyar Network emerged with an explicit goal to promote social entrepreneurship. These and other donors suddenly dedicated substantial funds for "social entrepreneurs" and helped drastically in increasing their visibility. While organizations such as Ashoka had been expanding at slow rates with painstaking efforts to fund their programs, in a short time-span they realized the intense leverage they could get by appealing to the emerging elites. To expand, they began to identify successful entrepreneurs with an interest in a particular geographic region, such as Eastern Europe, or the US, and secure funding quickly and effectively.

The social enterprise category frame, rooted in the earned income category, also found renewed resonance with a very different group of actors, namely governments. The UK government was a pioneer in their efforts to foster a "social economy" where entrepreneurs would take up the provision of public services and revolutionize government. The UK Labour government of Tony Blair initiated such efforts, initially building on the work of local grassroots entrepreneurs, such as Michael Young, while inviting earned income experts from the US to share their experiences. Thus in the UK, the "social enterprise" frame became extremely popular, primarily through the legitimacy, resources and enabling environment nurtured on a top-down basis by the government. The resonance of "social enterprise" managed to survive the succession of the Labour government by a Conservative coalition government in 2010:

> "in the early years I think innovation was the main idea because there was plenty of money around in the Labour Government time. So it was about innovation and new approaches and better outcomes. And then certainly when the Conservative Coalition came in, it then became about money-saving. And both have the flip side. So the innovation side were interested in cost and value as well and the cost-saving people were interested in innovation as a way of strategic cost saving" (int. #37).

Respondents also mentioned how governments beyond the UK gradually expressed interest in the potential benefits of innovation and cost-saving that social entrepreneurship could offer them and began emulating its example.

### *2.6.5 Confluence of category frames*

In the early 2000s, the diverse efforts struggling to define the emerging category of social entrepreneurship began to come into contact, further precipitated by broader attention to global crises, such as the burst of the dot com bubble, the 9/11 terrorism attack, globalization and climate change, which induced greater receptivity to social value creation. Such confluence came about as previously isolated category frames began to overlap across geographies, institutional fields and pools of resources. As earned income proponent #4 emphasized,

> "Ashoka was focused outside the United States, but doing so much to promote these ideas and identifying social entrepreneurs, and at the same

> time we were doing that work within the United States, and when these things came together in the mid- to late-nineties, I think that's really where the spark came and it really took off".

Interstitial activity was also increasing across fields. Through the efforts of business academia, the fields of entrepreneurship and non-profit management had become more closely connected. Furthermore, the development field, through the dissemination and success of microcredit, had become more receptive towards entrepreneurial approaches to development. Previously underfunded social entrepreneurs were also able to establish links to companies eager to extend their sales to poor consumers. The promotion of the "base of the pyramid" proposition by Prof. C.K. Prahalad, as well as the connection of social entrepreneurs to companies through the efforts of the Schwab Foundation during the Davos conferences, opened up substantial opportunities for connecting resources across geographical and institutional boundaries. Confluence across geographies, institutional fields and resource pools resulted both in greater competition among the divergent category frames, and in their broader diffusion to and adaptation by multiple audiences.

**Category competition**

Initially, the confluence between the divergent category frames resulted in intense competition for category dominance, including heated definitional debates. The reasons behind these debates were cognitive as well as political. Respondents mentioned the fundamentally different understandings that proponents of each frame had regarding the boundaries of "social entrepreneurship". They also mentioned how debates underlined competition for capturing support and resources:

> “I think there’s quite a battle going on, in a way, for hearts and minds and certainly for resources […] the way in which various people see social enterprise” (int. #28).

Such competition involved an element of cooptation. The term “social entrepreneurship”, initially originating in the work of Ashoka, was becoming increasingly appealing to proponents of earned income strategies, due to the moral legitimacy and resonance it enjoyed. The increasing appeal of entrepreneurship to broad audiences further precipitated the resonance of entrepreneurship as a basis for the emerging category, prompting earned income proponents to rebrand their activities as social entrepreneurship, while retaining its meaning as income generation. Proponents of Ashoka´s social entrepreneurship frame, emphasizing systemic innovation as the membership criterion, perceived this appropriation with mixed feelings, while feeling powerless to reverse it. On the one hand they were content that the frame now resonated to broader audiences, while they also realized that their originally intended definition had been diluted:

> “people take over terms and they get definitions, and so I think it’s a problem. […] Certainly I felt that and there’s nothing we can do about it. It was captured by something else. […] It was the emergence of the social enterprise movement really, and they just called it social entrepreneurship because entrepreneurship was a good thing to be and it wasn’t straight forward, it had a social purpose as well... it’s just too bad that there was this pre-existing usage of social entrepreneurship because now we have both running” (respondent #15).

The two category frames were also being influenced by adjacent categories, such as microcredit and impact investing. The rise of microcredit was seeping into definitions of social entrepreneurship. Even though debates abounded regarding the actual impact and benefits of microcredit, its prominence and ascendance into a global industry was undisputable. Many non-profit microcredit organizations had achieved profitability and converted into for-profit banks connected to mainstream capital markets. This development spurred renewed interest in the so-called "win-win" proposition, namely the idea that social good and financial profits can be complementary. Even as earned income and base of the pyramid proponents had been challenged to exhibit strong evidence in support of the win-win proposition, the example of microcredit served as a lightning rod that reignited in multiple audiences the faith in, and appetite for, simultaneous impact and profits. This interest culminated in the emerging new category of "impact investing", which sought to replicate the microcredit example through investments in social enterprises across a number of areas, ranging from education to health services. Proponents of social entrepreneurship sometimes embraced enthusiastically this development, particularly if they had originated from the areas of earned income or microcredit, while others lamented it as a sign of mission drift:

> "they want their low teen returns, you know, because that's what they could get with microfinance. And so there's a huge amount of money going into it, and a huge problem, because there's very little deal flow. And the deal flow you hear about is solving problems on the outskirts of the biggest problems. Because those are the ones where the market failure is not very big, they don't need much subsidy" (int. #19).

**Category diffusion and adaptation**

The confluence of different frames nevertheless also conferred advantages to their proponents and to broader audiences. It afforded proponents of all frames greater visibility to a host of new audiences, which in turn embraced and re-interpreted the category according to their interests. The support and promotion of foundations such as the Skoll or the Schwab Foundation greatly precipitated diffusion through international media. The media took upon them the task of celebrating the heroic and inspiring nature of social entrepreneurs, with shows that helped these individuals soar from obscurity to stardom, sometimes in a matter of days. Similar media leverage was achieved through the featuring of social entrepreneurs in the Davos conferences with the help of the Schwab Foundation, a venue that accorded a huge potential for diffusing the concept.

Diffusion struck a chord with further audiences, including the public, businesses, professionals and governments across the world. Thus, social entrepreneurship frames no longer needed influential proponents to "push" for their diffusion; favorable audiences gravitated naturally towards them, without being prompted to do so. With greater connectivity and globalization, individuals across the world were being empowered by the promise of engaging in causes that mattered to them personally. A veteran pioneer (#3) of the earned income frame marveled at the

> "ever increasing number of younger people showing up at the conferences, joining the chapters, starting new businesses, it really is an encouraging thing to see, especially for someone like me who´s been in the field for more than 35 years, and it wasn´t until 10 or 15 years that this began to really move".

Reactions from business were also broadly positive, as the idea of applying more business-like methods to the provision of social services resonated highly with the business world. Furthermore, respondents mentioned how big, impersonal companies were having a hard time motivating their employees, and supporting social entrepreneurship was a means towards that end. The category was becoming increasingly interesting to professionals too, who would have shunned working in this area some years ago. Specifically, professionals with business experience would relish the opportunity to help social entrepreneurs pro bono, even to the point of paying for the privilege. Finally, governments across the world began exploring the example of social enterprise as pioneered by the UK and later the European Union, adopting innovations at a fast pace. Governments would send representatives to tour the UK, for instance, in order to identify best practices, and then replicate them fast with the advantage of the late mover.

Since the social entrepreneurship category had not converged into a dominant category frame by the time that broad diffusion started taking place, it was also more amenable to local adaptation and variation brought about by interested audiences. Social entrepreneurs were open to helping independent individuals to replicate their programs in other geographical locations, without having the means or the necessity to control their accurate replication. Furthermore, the Ashoka model of identifying and supporting social entrepreneurs had been replicated by a number of organizations, each of which had generated its own adaptation. Respondent #35, heading another organization supporting social entrepreneurs, mentioned the intense interest to replicate their original US model across the world, while infusing it with locally relevant definitions:

> "the interesting thing is, the model itself is pretty similar. So it's sort of the mechanics, the nuts and bolts of how we do what we do, that's pretty similar across these cities. What's different is; number one, sort of the frame and purpose to why they do it. And then what they choose to invest in, and who the organizations are, and their local leadership. All that stuff is very locally determined. [...] It's like it's the same tool but they're using it to hammer a different nail in different places".

### *2.6.6 Emergence of an ambiguous category*

Taken together, our findings revealed that a number of factors induced distributed interest of multiple audiences to the divergent frames vying for dominance in the emerging category. Fragmentation ensured heterogeneity in category frames, which afforded them time to develop before they ultimately got into contact with each other. These diverse frames made choices regarding their boundaries that failed to give one of them clear superiority across all dimensions of legitimacy: moral, cognitive and pragmatic. They thus became resonant to diverse audiences, each of which favored their own interpretation of the emerging category. Eventual confluence due to removal of boundaries across fields and geographies, shifts in societal logics and gradual growth of the membership base of the divergent category frames led to initial competition among them. Nevertheless, the distributed support and resources accorded to each frame, as well as the inability of a single key audience to control the category, led to an impasse. With further diffusion to broader audiences, controlling the adaptation and local variation of the new category was no longer feasible. A visual representation of the various audiences claiming a different framing of the social entrepreneurship category can be seen in Figure 2.3.

Eventually, we find that interested audiences resigned to accepting their disagreements, ultimately opting for collaboration instead of competition, as they saw the benefits of increasing resonance outweigh the benefits of intra-category competition. We find that such cooperation was manifested through a process of category enveloping. The category of social entrepreneurship gradually became hierarchical in order to accommodate persisting divergent frames. The overarching, umbrella term of social entrepreneurship is largely accepted by audiences, at the same time that they accept that each frame constitutes one of its possible components:

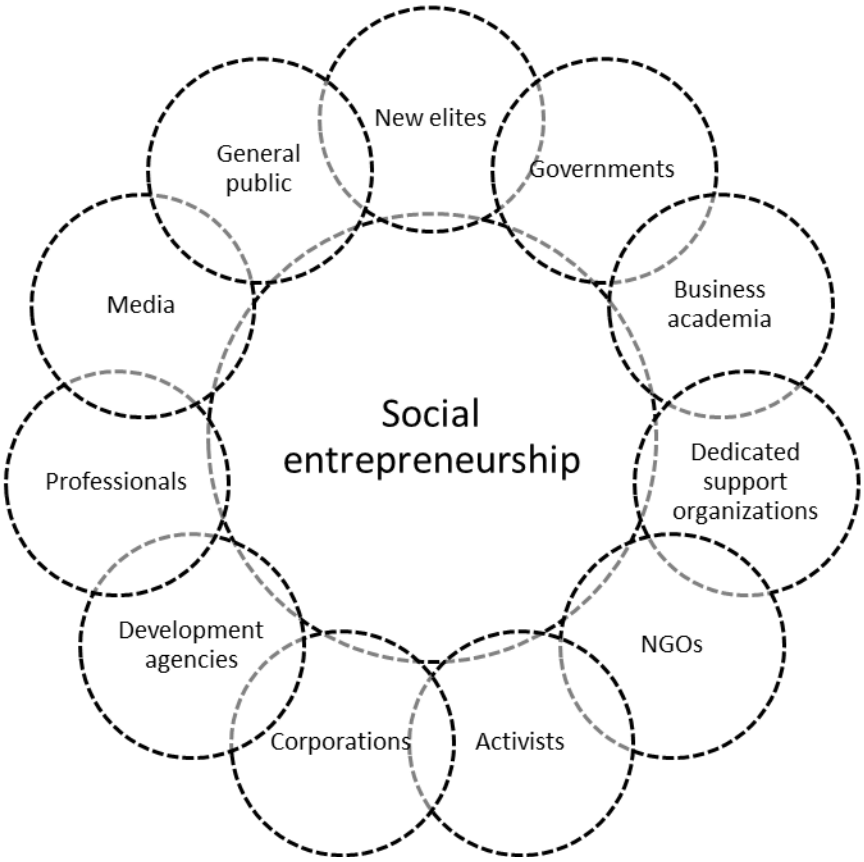



**Figure 2.3:** Audiences of the ambiguous category of social entrepreneurship

"I don't see how it's going to get resolved…the term is going to be used by both, for both things. And they're not in conflict with each other, they're just different. And, you know, this is a big moment for developing hybrids across for-profit and non-profit models of organizations, and using the whole toolkit from business to campaigns and protest. Using everything along that spectrum to solve problems. And so that's a good thing" (int. #15).

For aspiring social entrepreneurs, the interest and resources captured by the resonant new category offered benefits that apparently counterweighted the costs of affiliation, especially given the challenges of securing resources in the nonprofit and development fields. Furthermore, with the fast and broad diffusion of the term, ambiguity enabled greater appropriation. Respondents emphasized how audiences began adopting the term even when they lacked an understanding of what they meant by it, due to the opportunities and legitimacy that it could confer them. This process further blurred the boundaries of the category towards both the non-profit and the business fields. As a result, we suggest that the category of social entrepreneurship exemplifies a case of ambiguous category emergence, not only as a transient stage, but also as a persistent phenomenon. Such ambiguity might have deterred the category from becoming established and institutionalized as a distinct new professional field; yet it has enabled it to continue to be resonant as the embodiment of innovative approaches to social value creation that do not fall clearly into either the non-profit, the development or the business field, but remain at their interstices.

## 2.7 Discussion

Our model of the emergence and persistence of ambiguous organizational categories responds to calls for a dynamic (Sgourev, 2013) as well as multi-level (Besharov & Smith, 2014; Gray et al., 2015; Morrill, 2006) study of ambiguity in organizational phenomena. We contribute to the literature examining the emergence and outcomes of organizational categories by highlighting the conditions and processes through which categories emerge that are both resonant and ambiguous over time. Our findings suggest that the interstices of fields, especially when those fields are multiple and fragmented geographically, culturally and in terms of the resources they possess, constitute fertile ground for the emergence of resonant ambiguous categories. In such fragmented interstitial areas, multiple practices and their theorizations are likely to develop in parallel but isolated for long stretches of time, before being problematized and theorized sufficiently. This first observation lends credibility to the proposed importance of fragmentation as one prerequisite of plural logics (Besharov & Smith, 2014; Greenwood et al., 2011), while it emphasizes that the number of relevant fields, and the types of fragmentation present can further exacerbate the heterogeneity that is essential to the emergence of resonant yet ambiguous categories. As Lounsbury & Crumley (2007) have observed, novel practices can persist for great lengths of time in a marginal manner if not properly theorized and problematized. We find that such fragmentation across geographies, cultural values and resource contexts enables such marginal persistence of practices and corresponding frames, but also affords them time to gain strength and dedicated supporters before they are subjected to broader theorization and competition for dominance.

Our case study further highlights the impact of actors´ different choices in defining emerging category frames. The existence of multiple frames is essential for the eventual emergence of an ambiguous category. However, different frames of the category are generally expected to compete, with one becoming the most dominant one (Grodal et al., forthcoming; Kent & Dacin, 2013; Rao, 1998; Suarez et al., 2015). Besharov & Smith (2014) highlight the impact of centrality and compatibility on the result of such processes; yet, it is unclear how different category frames could become central and compatible, or not, in the first place. Our study shows that choices of early pioneers regarding the membership criterion, focal actor, locus of activity and embedded identity used to define the category result in frames with different strengths and weaknesses in terms of moral, cognitive and pragmatic legitimacy. As long as no single category frame is superior on all accounts, multiple frames are likely to persist over time. For instance, the frame proposed by one camp of early proponents ranked highly in terms of personal credibility of the entrepreneur, alignment with resonant and ascending societal beliefs, and the construction of a strong identity for members, but proved hard to define in a way that was comprehensive to broad audiences of non-experts. On the other hand, the frame proposed by the second group of early proponents enjoyed greater coherence and clarity, but suffered in terms of its positioning, target audience and pragmatic legitimacy.

These findings challenge previous studies that have tended to focus on either the political (Glynn & Navis, 2013; Kennedy & Fiss, 2013; Santos & Eisenhardt, 2009), or the cognitive factors (Durand & Paolella, 2013; Grodal et al., forthcoming; Porac & Thomas, 1990; Rosa et al., 1999) that influence the emergence and outcomes of organizational categories. We respond to calls to examine the interplay of these aspects (Kennedy & Lounsbury, 2010; Vergne & Wry, 2014), offering an integrated account that documents the concurrent impact of conscious political strategies for theorizing categories, and unconscious choices that are embodied into their cognitive properties. We further find support for the importance of pragmatic issues that weigh, together with political and cognitive aspects, into the evolution of organizational categories. Previous studies have noted that "technical" issues of efficiency can interact with political processes to influence acceptance and diffusion of practices (Seo & Creed, 2002; Zbaracki, 1998). We show that all three aspects of moral, cognitive and pragmatic legitimacy, and particularly their relative balance, are relevant to the fate of organizational categories. The inability of any category frame to emerge as superior across these dimensions may create an impasse, which cannot be easily resolved through the domination of a single category frame.

Our analysis further illuminates the conditions under which category audiences might cooperate instead of compete. Strong resonance of different category frames to diverse audiences is likely to engender competition when these come into contact with each other for the first time, during a stage of confluence across geographies, fields and resources. If multiple audiences with sufficient resources all see benefits that outweigh the costs in adopting different category frames, then those are likely to persist even if they are at odds with each other. In contrast to Morrill (2006), who suggests that convergence and contestation happen at an early stage, after which resonant category frames are developed, we find that local resonance precedes convergence, yet it can lead to resonance with an overarching, ambiguous organizational category later on. Entrepreneurial producers or “market makers” might be able to exert influence on organizational categories (Pontikes, 2012), yet a situation where they and the resources they dedicate to promoting different category frames are evenly distributed might preclude domination of one single category frame. While the assumption has been that an emerging category will languish under these conditions (Grodal et al., forthcoming; Ozcan & Santos, forthcoming), we claim that audiences might actually perceive benefits that outweigh the costs of affiliation with the ambiguous category. Furthermore, broad diffusion and adaptation of the category frames before one has emerged as dominant complicates the subsequent control of the category by any single audience. Thus, under such conditions, influential audiences are likely to opt to collaborate and “agree to disagree”. Such a stance leads to the eventual emergence of an ambiguous hierarchical category that envelops multiple frames and functions as a truce that can integrate ambiguities between the organizational (Kaplan, 2008; Reay & Hinings, 2009) and field (Greenwood et al., 2011) levels of analysis.

In that respect, our findings provide a complement and contrast to studies that detect processes of cooptation of an original category frame (Kent & Dacin, 2013;

Rao, 1998). For instance, Kent & Dacin (2013, p. 759) find that "permeability", namely "the extent to which the elements of a logic are ambiguous and loosely coupled", of the original frame of microcredit left it vulnerable to later cooptation. Our study on the one hand shows that the actors that coined the original category frames were unable to control the boundaries of the emerging organizational category as it evolved. Yet, it hints at the path dependence of the initial definitional choices that they made, as well as the importance of the influence of consumer audiences in the eventual evolution of the organizational category (Grodal et al., forthcoming). In contrast to previous expectations, we find that cooptation may be stalled while the emerging ambiguous organizational category envelops competing frames, when audience support and resources are distributed among them. In that respect, our findings show that resource dependence can provide valuable insights to explanations of persisting heterogeneity, not only at the field or organizational level (DiMaggio & Powell, 1983; Pfeffer & Salancik, 2003) but also at the level of organizational categories. We propose that beyond the impact of the overall level of resources accorded to a category frame (Chen & O'Mahony, 2009; Jones et al., 2012; Purdy & Gray, 2009), what enables an ambiguous category to emerge and persist is the even distribution of resources and of resonance across divergent category frames.

Finally, we prompt a rethinking of the implications and consequences of ambiguous categories. While ambiguity has been identified mostly as a temporary stage in the emergence of new categories, whereby hybrid categories are being crafted from two unambiguous ones (for an example see Wry et al., 2013), we show how categorical ambiguity can also be enduring when it is related to certain benefits. The advantage of an ambiguous category for audiences is its flexibility and potential for broad resonance and diffusion, while its drawback relates to the difficulty to achieve institutionalization. Building on the work of Padgett & Ansell (1993) we identify resonance to multiple audiences as a precursor of multivocality that might render an ambiguous category robust. We furthermore call for renewed attention to Abbott´s work (1988) and its potential applicability to the domain of organizational categories. When multiple audiences perceive a category as resonant and appealing for furthering the expansion of their areas of jurisdiction, we suggest that it will be more likely to endure in an ambiguous state. In the case of social entrepreneurship, several rewards can be identified from affiliation with the ambiguous category. Emerging elites can align their philanthropy with their values, governments can reinvent themselves and decrease their costs, and business schools can expand into new jurisdictional territories. Meanwhile, social entrepreneurship acts as a vehicle for professionals to imbue their lives with purpose, for non-profit organizations and development agencies to project greater accountability and efficiency, and for corporations to expand into new markets while motivating their workforce. Finally, the broad public is content to find inspiration in stories of hope and identify with a new breed of "heroes". Thus, an ambiguous enveloping organizational category serves the interests of an ecosystem of multiple audiences (Abbott, 2005).

### *2.7.1 Limitations and future research*

Our study offers an account of the emergence of an ambiguous organizational category, informing theory on this understudied and intriguing domain. Yet, as an early effort at theory development, it suffers from the limitations of single case study designs. Therefore, it remains to be explored in future studies whether the findings reported here are common in all cases of emergence of resonant yet ambiguous categories, and whether each condition is necessary or complementary for such an eventual outcome. Our analysis should not be interpreted as proof that an ambiguous category is immune to eventual demise and replacement by new categories; it merely offers an account for the persistence of highly ambiguous categories over time. We predict that as long as certain contingencies are held constant and benefits of affiliation with the ambiguous category outweigh costs, it is likely to continue to resonate. Nevertheless, it is yet to be seen if, for instance the social entrepreneurship category will withstand the pressures of the adjacent emerging category of impact investing. Social entrepreneurship is an example of a category that can be resonant due to its support for, but also challenge of the status quo (Rao, 1998; Seo & Creed, 2002); therefore, if that fine balance is tilted towards cooptation, it might leave the category devoid of its resonance to broader audiences and potential for further diffusion.

It is also useful to consider the potential boundary conditions within which our findings are likely to be observable and relevant. While we consider that the conditions we have identified are likely to produce similar outcomes at other types of interstitial spaces, further research could clarify if the technological complexity of such spaces can produce different dynamics. For instance, Grodal et al. (forthcoming) propose that in rapidly changing technological fields, categories might not have time to "deepen", namely for their network of semantic connections to become denser and for categorical boundaries to emerge, and could be overtaken by new ones before ambiguity is resolved. We suggest that the processes are likely to be similar between high-tech and low-tech fields, but their different pace could change the longevity of resonant ambiguous organizational categories. Additionally, it remains to be further explicated when ambiguity can be detrimental for the future of new categories, and when it can be beneficial. For instance, in their study, Ozcan & Santos (forthcoming) suggest that a moderating factor might be the necessity for audiences to make substantial upfront investments or concessions that are legally binding. In such a case, in contrast to the one documented here, the lack of a consensus between audiences and of a dominant frame could produce clearly adverse effects.

Further research could also analyze the extent to which our conclusions are relevant as the number of fields between which an emerging category is positioned increase. Our findings indicated that resistance was weaker and resonance higher for the frames that were positioned at the interstices of fields, as compared to those positioned within an existing field. Nevertheless, it could be that as the number of fields and influential audiences increases, additional complexity eventually decreases the chances of cooperative behavior between them. For instance, Ozcan & Santos (forthcoming) find that at the confluence of four industries (banking, phone operators, hardware, and retailers), the emergence of a dominant category and technology was particularly complex.

Finally, scholars could examine other moderating factors that influence the translation of the conditions we have detected into categorical ambiguity. It is possible, for example, that conditions similar to the ones present in this case might not result in categorical ambiguity in other cases, in the event that the interaction between different audiences remains low, even as category frames diverge. As suggested by one evaluator of this thesis, the case of corporate social responsibility (CSR) could, for instance, provide the opportunity to examine the effect of different standards and frames on category ambiguity and competition, moderated by different levels of interaction between audiences.

Summing up, we suggest that a fruitful avenue for future research could include the synthesis of multiple case studies in an effort to systematically map conditions and processes that are consistently present in the emergence of categorical ambiguity versus categorical dominance, as well as external audience competition versus collaboration. Greater attention should also be accorded to the consequences of ambiguous categorization at the field as well as the organizational and individual level, which can further refine theory on the burgeoning area of organizational categories.

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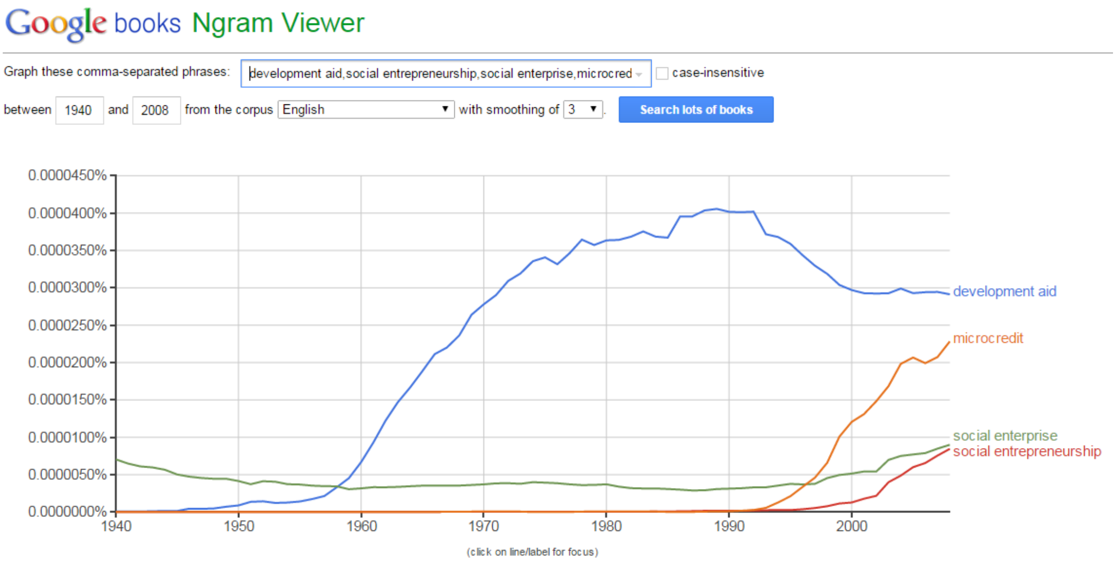
# Appendix 1: Supplementary Figures

**Figure 2.4:** Longitudinal occurrence of terms "development aid", "microcredit", social enterprise" and "social entrepreneurship" in catalogued books, 1940-2008




*Source: Google Books Ngram Viewer*

**Figure 2.5:** Frames competing to define the category of social entrepreneurship

| Promoted by: | Membership criterion | Primary locus of activity | Primary focal actor | Embedded identity |
|---|---|---|---|---|
| Support organizations (e..g Ashoka) | SE as systemic change | Developing countries | Entrepreneur | Moderate - strong |
| Business & NGO consultants | SE as earned income / financial sustainability | Developed countries | Organization | Weak |
| Business academia | SE as innovation | Both developing and developed countries | Organization | Weak |
| New elites | SE as systemic change / market creation | Both developing and developed countries | Entrepreneur | Moderate |
| Governments | SE as social service provision | Developed countries | Organization, Public sector professional | Weak |
| Development agencies | SE as microcredit | Developing countries | Organization | Moderate |
| Activists | SE as market / job creation | Developing countries | Community, Entrepreneur | Moderate |
| NGOs | SE as work integration | Developed countries | Organization, Community | Strong |
| Corporations | SE as Base of the Pyramid marketing | Developing countries | Multinational corporations | Weak |

## Appendix 2: Illustrative quotations

### Illustrative quotations – Fragmentation

"I mean, it's changing now because there's so much more social networking and other stuff, but still when you're out there, you're out there in the bush trying to make something work. When you're an entrepreneur you're working 24/7 on your own business. You know, you're not sleeping, you're not doing anything, you're just trying to concentrate. You don't have time to worry about what's going on in Davos."

"local philanthropy was not very strong, whether you´re talking about Central-Eastern Europe regions with no history of philanthropy, or whether you´re talking about Latin America, which again you know, most of the philanthropy is around the Church, and traditional philanthropy"

"I think you know, so the level of philanthropy in America, it's – I don't mean this in an arrogant way – it's very unique. It's just there's a lot more here than there is anywhere else. Right?"

"I think that culture has a huge factor to play in how entrepreneurs exist and flourish and everything, in societies. And whether there are webs of support for those people that are more in the culture, or whether they're not and therefore they're more dependent on a smaller support base. So a country like Brazil or India, it turns out that there's really strong kind of organic social support for innovators. But in a country like South Africa or Indonesia, it's just not there and you have to start almost from scratch."

**Illustrative quotations – Removal of boundaries**

"You know, it has to do with the growth… You know, what's the environment in the country and the institutions that are supporting social change? I mean, taking the case of India and building off some of the things we talked about early on, as India opened up economically…during Rajiv Gandhi as prime minister. And many more foreign companies came in to invest in India, and that had an impact. And that had an impact then about what was happening at the universities and had an impact in the growth of the non-profit sector. [...] But that looks very different in Japan and it looks very different in Brazil. I mean, Brazil it's post-democracy,[...] And in central Europe it's post-wall. And as the society is going through a great upheaval of democratization, of opening up the economies, social entrepreneurs have a new opportunity to flourish in those environments."

"we cannot underestimate the role of technology in disseminating these ideas. I remember when we first set up our first website, in '94-'95-'96, somewhere in there, and we started putting articles and papers on the website, we got emails from people in Russia, asking us how is this working, what does this mean, you know, ta dada, and I was shocked, I mean to this day, I am surprised when I go to places, the number of people who have read things that I wrote 15 years ago or something, right? And this was just, in a sense really helped me see things in a whole different light. And they would never have access to that through traditional libraries or traditional media. And I think that, so the role of technology in disseminating, pushing these ideas out into the world, was just incredible."

"we are much closer interconnected, as a world, and that we are much more aware of where suffering is occurring, and where inequities are growing... and where governments are not able to solve problems, and where companies are not responding, all of these kinds of things, and there's a tremendous sharing of knowledge, through, you know, cyberspace, I think those have all, certainly, accelerated this, in a way that we just find fascinating."

**Illustrative quotations – Shift in societal beliefs**

"the whole role of entrepreneurship has also taken off in the last 20 years. And before that entrepreneurship was not really viewed as something you would teach in business schools, and you know, it was very very separate kind of area. And I think that the evolution of social entrepreneurship has come with the evolution of entrepreneurship and with a new way of thinking about business and innovation and I think it's the connection of these things that have been really catalytic."

"And what was so striking to me at the time was, you know, I was very clear that I didn't want to replicate the development horrors of failed World Bank and huge other infrastructure projects that were pouring tons of money but weren't responsive to needs and were not incorporating the ideas and solutions that were being – that existed locally."

"And so that we are seeing younger people more and more turned off by politics and the distribution of dollars by politicians"

"And the squalor of the citizen sector circa in 1980 is hard for us to remember. Now this is the fastest growing sector. It's been growing fast. It's more exciting, more interesting than any other for several decades."

**Illustrative quotations – New opportunities**

"And that peaked in Norwich the interest in which the whole idea of a major corporation beginning to directly address social needs, and then he began to think more about alright, in addition to employment, how can we take our actual products and services , which were routed in computer technology of course, and apply them directly to social needs?”

“I think that the company eventually will have to tap those innovations because particularly consumer orientated companies have already tapped everybody else in the world, so the BOP is the last remaining market, and if these companies want to grow, they’re private companies, public companies, they have to grow or die, so then they desperately need to find how to go down market and reach these new consumers”

“So it doesn’t matter if you’re a battered women’s shelter and you’re doing great work on protecting women from domestic abuse, your programs are still going to be cut because there’s no public funds, or not sufficient private funds to fund you anymore. And so the thinking in the NGO community or the non-profit community is; well we’re going to have to change our model or go out of business. That’s what’s going on now.”

**Illustrative quotations – Membership criterion**

“for the moment I´m talking about social entrepreneurship and social enterprise as earning income. You know, there´s a broader definition of that now, and we can get to that, but back in the day, that was not the term, and people were talking about earned income, generating income”

“So, what Bill means by a social entrepreneur is entirely agnostic as to whether you are using the market mechanism or not. It is looking for a system-changing idea that will solve an important social problem, and the social entrepreneur is that person who holds that idea to solve that problem and will make it happen. And they have, as Bill puts it, all the characteristics of the business entrepreneur, who he quickly points out is very different from a business manager. A business entrepreneur is somebody who changes something systemic in their industry, in their business. It's not another good school, it's changing the way people learn. And so he distinguishes that. And his business entrepreneurs do that. They reinvent industries. They change the way business works in their field."

**Illustrative quotations – Focal actor**

"we were certainly looking for groups and organizations that were bigger and had more of a track record, and had staff that were able to do this kind of work."

"The big new idea which was, you know, individuals drive change. If you find the right kind of individual who has a big idea and the entrepreneurial know-how, that is your highly leveraged, best investment."

**Illustrative quotations – Locus of activity**

"It was identified partly by accident, had something that arose and gathered its meaning and its strength in the developing world."

"they're non-profit people who I would go around the country and give presentations to them. I remember I did a cycle of 10 cities once, and so on. And Cleveland and San Francisco, and whatever. And sometimes I'd have 20 people in the room, or 40 people. Once I had 5 people."

**Illustrative quotations – Embedded identity**

"sometimes social entrepreneurs will come to you without the understanding that they are social entrepreneurs. Without even a really clear understanding of exactly, precisely what their systems-changing idea is. But if you have a conversation with them of let's say one hour, both you and the entrepreneur arrive at the precise thing that they really, really care about. And it’s very liberating for the entrepreneur to actually hear that defined.”

“certainly the experience of being associated with Ashoka is very much about a sense of being with your people, being not so lonely and having your identity. And I totally related to it. I knew I wasn’t a grant maker at heart, and I knew I wasn’t an activist frontline person, and I really related to this whole thing”

**Illustrative quotations – Moral legitimacy**

“The role was convincing people that this person, right, that this person existed. […] Now our work is no longer about that convincing, and there is that recognition in many parts of the world.”

“when I decided to join Ashoka, I want to stress that my McKinsey partners were extremely supportive. And so […] they offered me to keep my office in the McKinsey office, and when I started building a team, they hosted Ashoka for a number of years. […] Which was extremely useful both because it saved us money obviously, and also it gave us a sign of credibility when you start. When […] no one had ever heard of it, and it’s weird Indian name, and it sounds like a sect. And then if you could say, when you can say that, you know, when you give your business card or you give your address and you said, “This is McKinsey.” So certainly this gave a stamp of credibility to an otherwise a bit weird organization.”

**Illustrative quotations – Cognitive legitimacy**

“Other places have chosen more narrow roads and in some places it’s more associated with non-profits, and some other places the term social enterprise – the difference between social enterprise and I guess other things that seek to do good, may be earned income.”

"Ashoka had other phrases. They talked about; innovators for the public, social innovators, and public entrepreneurs. We used those five terms. Social Innovators. Innovators for the public. Public entrepreneurs. Social entrepreneurs. And sometimes we talked about Public Innovators. So we had five different phrases that we used. […] And the one that seemed to be easiest for people to grasp... I found it easy to explain social entrepreneur by contrasting it with business entrepreneur because everybody knows what a business entrepreneur is."

**Illustrative quotations – Pragmatic legitimacy**

"we did kind of our assessment in 2008-2009 of kind of, the market, if you will, for our kind of consulting for social enterprise, with our definition of course, and the market seemed quite small, to be honest. I think it was just because we then at that point had a very strong point of view, that that was only right for certain types of organizations, whereas in the early days we probably only thought the market was huge because we thought everyone was our client!"

"it´s not about need, it´s about demand, willingness to pay on the part of consumers, whether they be other non-profits, whether they be grant-making foundations, or governments, or whoever it is, but you know, there´s a consumer out there that has to be the quid pro quo in terms of revenue, money, or it isn´t gonna work. And that´s one of the hardest things for people to understand, the difference between need and demand."

**Illustrative quotations – Resonance to business academia**

"I do think the endorsement by some of these major academic institutions helped. I think that Harvard's stamp of approval certainly is something, when you see a major academic institution like that give a seal of approval.  Stanford jumping on board not that far afterwards.”

“that club grew in size, one of the very largest student clubs on campus, which is a very interesting indicator, in some ways a very critical indicator, because at least at Harvard and I think at almost all of the big schools, students are really, really busy with their academic program, which are very demanding with their time, and so what a student chooses to do with the very small amount of discretionary time is an indicator of true preference. And so the fact that these students engaged in this student club and allocated some hours’ time to the Club was a manifestation of demand, true demand and interest in the subject matter, that we were seeing just blossom in over the 15, now 20 years of the presence of the school.”

“So within an academic context, I think for students there’s been a real shift in the last decade of students that are interested in specifically ways in which their skills can link to solving some problems of society. And I think… And I speak more specifically of my experience, which is in business schools.  So I think there’s been a strong interest in the students in particularly how their professional skills link to something that has impact on societal problems.”

**Illustrative quotations – Resonance to new elites**

“There were a handful of foundations, however, that I would say are foundations mostly created quite frankly by businesspeople who had been successful in creating new businesses, like the Jeff Skolls, like the Pierre Omidyars, some of these individuals who have foundations were very supportive to social entrepreneurship, I think they are faster moving, they are more supportive of innovation, they are more supportive of trying new ideas, than your traditional kind of large, established large foundation.”

“I think the commitment to the field of social entrepreneurship by Jeff Skoll and the Skoll Foundation preceded that, was also a kind of major kind of commitment and stake in the ground for that – Skoll Foundation. You know, I think the Rockefeller Foundation, Acumen, the Gates Foundation, would be kind of pivotal players, I think the, coming out of that, the legitimizing effect out of International Finance Corporation and the Grassroots Business Fund, Harold Rosen, you start to see, you know, some sort of, the role of the Skoll Foundation, celebrating and recognizing social entrepreneurs, the availability of funding, beginning to legitimize work in this area.”

“…a high tech professional, entrepreneur, highly successful, and feeling kind of a resonance with what they do. So I think there was something that captured the imagination of that community, and that community can set the tone to what’s fashionable, in some ways, in the world of thought. They can play sort of a thought meter role, and certainly in the US and probably even beyond.”

**Illustrative quotations – Resonance to governments**

“I remember the former minister telling me, “Give me ideas, we are in the political campaign. Support me now and I’ll support you later.” Right? And so people were looking at it with quite short-term political views.”

“A lot was to do with the government support for it and establishing a department within a ministry, and budgets, et cetera, et cetera. So the government has created an enabling environment for it to thrive, and has continued to develop and grow those agendas, and has brought a lot of innovations into the piece.”

“in the early years I think innovation was the main idea because there was plenty of money around in the Labour Government time. So it was about innovation and new approaches and better outcomes. And then certainly when the Conservative

Coalition came in, it then became about money-saving. And both have the flip side. So the innovation side were interested in cost and value as well and the cost-saving people were interested in innovation as a way of strategic cost saving."

**Illustrative quotations – Category frame confluence**

"Ashoka was focused outside the United States, but doing so much to promote these ideas and identifying social entrepreneurs, and at the same time we were doing that work within the United States, and when these things came together in the mid- to late-nineties, I think that's really where the spark came and it really took off."

"the platform of the World Economic Forum propelled these types of entrepreneurs into the stratosphere. Because all of a sudden, CEOs of companies just became completely enamored of this idea, the approach"

**Illustrative quotations – Category frame competition**

"So one way of understanding entrepreneurship is to think about innovation, another way is to think about business. And so if you thinking about it as business then you think earned income and selling things, and if you think about it as innovation then you think about coming up with innovative ways to solve social problems, and I think [...] they are different and so there continues to be a kind of ongoing debate about which one should be emphasized [...]"

"Language is protean and when you have something that people aspire to, a lot of people are going to appropriate. And I just don't know... So I'm happy they're appropriating, I'm thrilled that they see this as a statement about where they want to go in life. You know, and it sort of messes up the clarity of the language. If I had to, I'd prefer to have people aspiring for this."

“they saw the success of microfinance in terms of growing and they said, “Yeah, but we want to help people in different ways. We want to help people with education, with health services, with…” I don’t know, whatever. “We want to do more interesting stuff than just give loans because we don’t think loans is transformative enough. But we want to use the methods that have been demonstrated by microfinance.””

**Illustrative quotations – Category frame diffusion**

“There was basically one TV show that did it. One TV show. So that was this TV Show called Frontline PBS. Someone took their time to risk documenting the work, because it was miraculous at that time. So someone stepped out on a limb. Actually someone from the Skoll Foundation prompted it. [...] It was like a miracle. I mean, the whole world found out about it. [...] When that happened, it went from getting like 30 users a day to thousands.”

“there’s one thing that Schwab is a genius at, it is using the media to promote a concept or an idea, it’s amazing to me when you go to the Annual Meeting at Davos, it is filled with the media, and the World Economic Forum is a media event. And so to him, the media is always and correctly so, a huge power for getting a message out.”

**Illustrative quotations – Category frame adaptation**

“How to replicate our program and make it a common program across some countries in Africa and in India. […] So those kind of requests are coming from many places. And it’s also how to replicate my program in different countries.”

“over time what made it easier was independent replication. You know, that was other organizations who started saying and talking and who just basically started working finding social entrepreneurs, and who said, “We’re all about social entrepreneurship.”

**Illustrative quotations – Ambiguous categorization**

“And as I said, I think some people that did that – jumped across the bridge because they thought that that was a cool term and grabbed that, started calling themselves a venture philanthropist or calling themselves a social entrepreneur, and really didn’t know what the hell that meant, and really didn’t have a very deep understanding of what it was about.”

“I mean, in some cases dare I say it’s because consultants in particular are chasing the funding. If they can get funding for as broad a definition as possible, then they’ll go for that. I think it’s also because it has become very confused. And you have these almost privatized public services, you have these businesses they’ve set up, so-called social enterprises only for tax reasons. You know, the whole series of things, and it’s very unclear.”

“Nowadays everyone wants to be seen as a social enterprise even if it’s an NGO, so the boundaries are not necessarily clear always.”

“over time becoming less defined and more expansive, as more people get involved and more people take on that identity. It’s not narrowing. It’s getting vaguer and vaguer, that’s just my experience”

“The other thing you have is you have a gradually emerging, not a tighter, but a looser definition of what a social entrepreneur is that you get these other varieties and these other streams. And in Ashoka itself, you get less resistance to cooperating with groups, less of what I call the secret sauce attitude that they organizations develop out of self-defense when they're born.”

# Chapter 3: Ambiguous classification: Antecedents and outcomes

## 3.1 Abstract

A number of recent studies have explicitly or implicitly drawn upon cases of ambiguous classification in order to explain processes of change that impact the trajectory of institutional fields and collective identities and meanings. Yet, until not long ago ambiguous classification evoked a clearly negative connotation, as the failure to belong to a category with concrete boundaries and membership criteria was deemed detrimental for the prosperity of members associated with it. Furthermore, even as ambiguous classification is gradually being recognized by

organizational scholars as a necessary step towards novelty, its role is assumed to subdue over time as it gives way to dominant categories with clear boundaries. Moving beyond conceptualizations that focus exclusively on the transient role of ambiguous classification in category emergence or on its negative outcomes, I develop a comprehensive framework that accounts for both benefits and costs of ambiguous classification at different levels of analysis, while explicating the conditions that enable its emergence and persistence over time.

*"I don't see how it's going to get resolved. I think … the term is going to be used … for both things. And they're not in conflict with each other, they're just different. …this is a big moment for developing hybrids across for-profit and non-profit models of organizations, and using the whole toolkit from business to campaigns and protest, using everything along that spectrum to solve problems. And so that's a good thing … people are starting to think outside of the box of for-profit and non-profit and think about, how do we use everything to solve an important problem?"*

"Social entrepreneurship" pioneer, on evolution of the term

## 3.2 Introduction

In their efforts to explain institutional and organizational change, a number of scholars have begun exploring changes at the level of organizational categories (Kennedy, 2008; Wry & Lounsbury, 2013; Wry, Lounsbury, & Jennings, 2013). Under periods of field stability, organizations tend to be classified within established categories and get penalized for non-conformity to focused classification (Zuckerman, 1999, 2004). Yet, recent research underscores that organizational categories are socially constructed and embody the political and cognitive consensus between different audiences regarding established or emerging areas of organizational activity (Khaire & Wadhwani, 2010; Lounsbury & Rao, 2004; Rosa, Porac, Runser-Spanjol, & Saxon, 1999). In emerging areas specifically, being classified within an ambiguous category, or spanning a number of organizational categories, while constituting a risky strategy, can confer certain benefits to pioneers (Pontikes, 2012). Thus, increasingly scholars identify ambiguous classification as an essential stepping-stone towards the creation of new industries, markets or organizational forms (Durand & Paolella, 2013; Pontikes, 2012).

Nevertheless, researchers have failed to provide an explanation for cases of persistent ambiguity in classification. Ambiguous organizational categories are expected to “deepen” over time, as proposed category frames compete with each other leading to the ultimate dominance of one of them (Grodal, Gotsopoulos, & Suarez, forthcoming). A category frame can emerge dominant by virtue of its cognitive or political appeal across multiple audiences (Kennedy, Lo, & Lounsbury, 2010), while the lack of an eventual consensus between audiences is thought to be detrimental for the emergence and growth of the respective organizational category (Suarez, Grodal, & Gotsopoulos, 2015). These accounts, however, tend to overlook cases where multiplicity and plurality prevail over time, not only at the organizational or field level (Gray, Purdy, & Ansari, 2015; Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011; Sgourev, 2013), but also at the level of the organizational category (for an exception see Jones, Maoret, Massa, & Svejenova, 2012). Persistent ambiguous classification can challenge assumptions of category dominance and convergence (Grodal et al., forthcoming), while it implies that under specific conditions there might be benefits to being affiliated with a persistently ambiguous category that outweigh the respective costs.

In this article I therefore aim to illuminate the conditions under which ambiguous organizational categories can emerge and persist, and to synthesize the potential benefits and costs of such ambiguous categories at multiple levels of analysis. The questions that guide my analysis are the following: How and why do ambiguous organizational categories emerge and persist? What are the benefits and costs of affiliation with ambiguous (versus dominant) categories? To answer these questions, I develop a theoretical framework and propositions that relate to both the antecedents and the outcomes of ambiguous categories. I focus on outcomes of ambiguous categories at the level of the individuals and the organizations that choose to become affiliated with them, as well as at the aggregate category level. I additionally elaborate a balanced account of potential outcomes of ambiguous classification by including both beneficial and adverse ones. I invoke a number of published and unpublished cases to illustrate and lend support to my arguments.

This study contributes to organizational scholarship by addressing calls for a deeper understanding of plurality and ambiguity as persistent conditions on the one hand (Besharov & Smith, 2014; Gray et al., 2015; Greenwood et al., 2011; Sgourev, 2013), while accounting for both the disciplining and the enabling role of organizational categories on the other hand (Durand & Paolella, 2013). As an addition, it sheds light on the dynamic construction of categories (Glynn & Navis, 2013; Kennedy & Fiss, 2013) and their implications for the problem of emergence (Padgett & Powell, 2011). It does so by bridging literature discussing pluralism at the field or organizational level (Besharov & Smith, 2014; Greenwood et al., 2011) with literature exploring the emergence and implications of new organizational categories (Durand & Paolella, 2013; Kennedy, 2008; Wry et al., 2013). Finally, I challenge views that take for granted the resolution of category frame competition through either dominance or failure (Grodal et al., forthcoming; Suarez et al., 2015), by clarifying the contingencies under which audience cooperation can emerge that benefits instead of inhibits the growth of the eventual organizational category.

## 3.3 The importance of a categorical perspective

The emergence of new organizational categories has been present but largely implicit in literature examining processes of emergence of new practices in institutional fields. Change in institutional fields, professions, markets and practices has been the explicit focus of a considerable part of organization theories developed over the last couple of decades. Directing emphasis away from the inertial and isomorphic properties of institutional life (DiMaggio & Powell, 1983), organizational scholars have sought to illuminate the antecedents and processes of institutional change (Clemens & Cook, 1999; DiMaggio, 1988). For instance, literature on institutional entrepreneurship has focused on cases where specific actors use their political and social skills (Fligstein, 1997) to either change an existing institutional field (Greenwood & Suddaby, 2006), or create a new one (David, Sine, & Haveman, 2012; Maguire, Hardy, & Lawrence, 2004; Rao, 1998). Similarly, sociologists have described how social movements act as collective actors who instigate new practices, markets and institutional arrangements (Rao, Monin, & Durand, 2003; Weber, Heinze, & DeSoucey, 2008). Other streams of organization theory have eschewed the attribution of change to "intentional" actors (Meyer & Jepperson, 2000), locating the antecedents of changing dynamics at higher or lower levels of abstraction. Thus, broader shifts in institutional logics have been argued to render new practices more acceptable, facilitating their diffusion and eventual institutionalization (Kent & Dacin, 2013; Thornton & Ocasio, 1999). Furthermore, daily practices developed to address emerging challenges at the organizational or inter-organizational level have sometimes been observed to diffuse or become embedded and institutionalized at the field level (Furnari, 2014; Lawrence, Hardy, & Phillips, 2002; Lounsbury & Crumley, 2007; Smets, Morris, & Greenwood, 2012). Therefore, even though most studies examining change at the individual, organizational or field level (Tracey, Phillips, & Jarvis, 2011) do not explicitly refer to changes in organizational categories and classifications, they are inadvertently portraying elements of such processes.

As a result, a more careful reading of prior work can reveal an articulation of the link between institutional change and the emergence of new organizational categories. Scholars adopting an institutional or social movement perspective have typically referred to the emergence of new "identities" (Weber et al., 2008; Wry, Lounsbury, & Glynn, 2011), while population ecologists to new "organizational forms" (Hannan, Pólos, & Carroll, 2007). Yet, it is only in recent years that the processes and implications of organizational categories have been brought to the fore as a literature stream in its own right, deemed particularly informative for the study of change in organizations, fields and markets (Kennedy & Fiss, 2013; Pontikes, 2012; Vergne & Wry, 2014). Responding to and building on this recent interest, I argue that studying organizational categories can add substantially to our understanding of change in organizational phenomena. I use the term categories to refer to "socially constructed partitions or taxonomies that divide the social space into groupings of objects that are perceived to be similar" (Bowker & Star, 2000; Grodal et al., forthcoming; Suarez et al., 2015, p. 438).

Adopting the analytical level of categories in the study of organizational and institutional phenomena can yield a number of discreet advantages. First, categories are well suited for offering insights into the "problem of emergence" (Kennedy & Fiss, 2013; Padgett & Powell, 2011). Similarly to the forces responsible for inertia and isomorphism (DiMaggio & Powell, 1983), changes in the status quo typically hinge on both cognitive and political contingencies (Clemens & Cook, 1999). Oblivious to that reality, most studies of changing dynamics have tended to adopt a perspective that emphasizes either meanings, or politics, without integrating the two. Indeed, even the tensions and debates between the old and the new institutionalism (Hirsch & Lounsbury, 1997; Selznick, 1996) could be interpreted as an emphasis on, or neglect of, the political component of institutional change. The analytical lens of the organizational category can enable scholars to bridge this artificial divide, since categories embody agreements based on both cognitive and political aspects (Glynn & Navis, 2013; Lamont & Molnár, 2002; Lounsbury & Rao, 2004; Porac & Thomas, 1990; Rosa et al., 1999; Wry et al., 2013). Second, categories facilitate the study of the processes and dynamics underlying change. Given that organizational life is essentially socially constructed, the rise and fall of categories has direct implications for both stability and change in societies. As Kennedy & Fiss (2013, p. 1141) observe, categories can have a "dramatic impact on economy and society – an impact that often rises to the 'creative destruction' famously described by Schumpeter (1934)". New markets, for instance, are not only premised on technological changes, but also on changes in audiences' perceptions of categories (Suarez et al., 2015). Studying categories can therefore add more nuances to the study of emergence, given that actors´ classification behaviors are likely to evolve over time (Bingham & Kahl, 2012; Etzion & Ferraro, 2010; Navis & Glynn, 2010).

Additionally, by adopting the organizational category as the level of analysis, scholars do not need to make assumptions regarding the "agents" of change (Jepperson, 1991) or take a stance on the agency versus structure debate (Giddens, 2013; Heugens & Lander, 2009; Seo & Creed, 2002). A key insight from literature on organizational categories is that they function as agreements or "truces" among audiences intent on defining them (Khaire & Wadhwani, 2010; Navis & Glynn, 2010; Rosa et al., 1999; Vergne & Wry, 2014). Hence, a category perspective allows for recognizing the power of diverse, potentially distributed audiences, such as producers, consumers, evaluators, media or regulators, to influence the eventual consensus achieved (Grodal et al., forthcoming; Kennedy, 2008; Khaire & Wadhwani, 2010; Weber et al., 2008). The level of the category is thus a useful one for analyses that connect the micro level of individual action with the macro level of institutional fields and logics (Gray et al., 2015; Jones et al., 2012). Finally, while the majority of institutional studies treat change as a process that includes both diffusion and institutionalization, by focusing on categories we can disentangle these outcomes (Colyvas & Jonsson, 2011) and study them separately with greater precision.

## 3.4 Ambiguous category emergence

When looking at the role of categories on change in organizations, fields or markets, a characteristic that consistently stands out is their ambiguity during emergence. Ambiguity generally refers to a "lack of clarity about the meaning and implications of particular events or situations" (Santos & Eisenhardt, 2009, p. 644; Sgourev, 2013). The other side of this lack of clarity is the presence of multiple possible interpretations, perceptions or meanings for the same situation, relationship or definition (Abbott, 1988; Ashforth, Rogers, Pratt, & Pradies, 2014; Carson, Madhok, & Wu, 2006; Santos & Eisenhardt, 2009; Sgourev, 2013). Several studies have begun looking at ambiguity at the field or market level, in areas as varied as the emergence of cubism as an artistic innovation (Sgourev, 2013), hospital management in Canada (Reay & Hinings, 2009), emerging markets at the confluence of computing, electronics and telecoms (Santos & Eisenhardt, 2009) or the novel area of alternative dispute resolution (Morrill, 2006; Purdy & Gray, 2009). Others have emphasized the processes and consequences of ambiguity inside organizations (Besharov & Smith, 2014; Kaplan, 2008; Weick, 1995). A recent theory piece by Gray et al. (2015) has also attempted to connect multiplicity of meanings at the organizational and field level through a mechanism of "ambiguity of interactions" between actors.

In the context of organizational categories, ambiguity refers to a lack of clear boundaries of the category (Pontikes, 2012), which is a particularly prevalent phenomenon during its early emergence, when category audiences have not yet settled for a consensus regarding its meaning (Grodal et al., forthcoming; Khaire & Wadhwani, 2010; Suarez et al., 2015). Ambiguous classification has been considered to have adverse effects for the evaluation of organizations (Zuckerman, 1999). Yet, it is useful to distinguish between the different types of such classification. Ambiguous classification could either be the result of organizations spanning two or more categories, which need not necessarily have ambiguous boundaries, or of organizations being affiliated with a single ambiguous category with unclear boundaries (Hannan et al., 2007; Pontikes, 2012). Spanning different categories could mitigate both the positive and negative evaluations of audiences towards an organization (Vergne, 2012; Zuckerman, 1999). On the other hand, being affiliated with a single ambiguous category could invoke diverse responses depending on the audience. According to Pontikes (2012), audiences of "producers" of the category, such as venture capitalists, are likely to evaluate ambiguity favorably, while "consumers" of the category are not. In this article I focus on categories that are themselves ambiguous, rather than on ambiguity resulting from spanning multiple unambiguous categories.

The adverse effects of the "categorical imperative" (Zuckerman, 1999) are thought to be mitigated for novel categories as they gradually become more legitimate (Durand & Paolella, 2013; Glynn & Navis, 2013; Kennedy, 2008; Kennedy et al., 2010; Rao, Monin, & Durand, 2005). Categorical ambiguity is increasingly recognized as an integral part of the emergence of new markets, industries and roles (Grodal et al., forthcoming; Hannan et al., 2007). In the early days of new category emergence, diverse interpretations defining the boundaries of the category are expected to compete with each other, with no single one emerging as clearly superior (Granqvist, Grodal, & Woolley, 2013; Pontikes, 2012; Rao, 1998). It is broadly assumed, however, that this ambiguity will be resolved with the eventual emergence of a consensus between audiences. As consensus grows, the original divergent interpretations of the category present are expected to recede in favor of a dominant one (Rosa et al., 1999). Following research on the emergence of dominant technological designs by Tushman & Anderson (1986), scholars examining the emergence of categories (Grodal et al., forthcoming; Suarez et al., 2015) have advocated that categories follow a similar pattern of early divergence and later convergence over time. Eventual "deepening" of categories renders them less ambiguous and enables the associated market to grow (Grodal et al., forthcoming). In the event that a category fails to deepen, it is considered to be in danger of losing the favor of related audiences and eventually disappearing (*ibid*).

In spite of these predictions, dominant categories with clear boundaries might sometimes fail to emerge. While management research is biased in favor of examples of successful emergence, some authors have acknowledged that emergence of new markets or categories could remain incomplete and ambiguous (McKendrick & Carroll, 2001; Ozcan & Santos, forthcoming) and have called for research that explains the contingencies that produce this outcome (Navis & Glynn, 2010). Similarly to multiple interpretations that can remain unresolved at the organizational (Bingham & Kahl, 2012; Kaplan, 2008) or institutional level (Gray et al., 2015; Greenwood et al., 2011; Purdy & Gray, 2009), I suggest that pluralism can also persist at the organizational category level. An example is the well-researched case of TQM (Total Quality Management), which has "exploded into a broadly used, ambiguous term with unclear organizational implication" (Zbaracki, 1998, p. 603). A second example is the category of "nanotechnology", which likewise possesses ambiguously defined boundaries (Granqvist et al., 2013; Wry & Lounsbury, 2013; Wry et al., 2013). These cases not only suggest that ambiguity can persist at the category level, but also challenge the assumption that ambiguity will lead to the demise of the respective categories. Pontikes (2012) underscores the paradox of categories that are both prominent and ambiguous, and calls for research that can delineate the contextual contingencies that enable their persistence. I respond to her call to better explicate "how and why some categories that are both prominent and ambiguous (emerge and) persist". I argue that in order to address the reasons behind the persistence of ambiguity, we need to place more emphasis on the relative benefits and costs of ambiguity at various levels of analysis. Thus, the questions that guide my analysis are the following:

How and why do ambiguous organizational categories emerge and persist? What are the benefits and costs of affiliation with ambiguous (versus dominant) categories? Accordingly, the remaining article aspires to crystallize the process of the emergence and persistence of ambiguous categories, and connect it to the outcomes that such persistence entails. It adopts a much-needed dynamic (Jones et al., 2012; Kennedy & Fiss, 2013; Kennedy et al., 2010; Sgourev, 2013) and multi-level (Besharov & Smith, 2014; Gray et al., 2015) perspective on the evolution and outcomes of ambiguous classification, in tandem with a balanced account of both its penalizing and beneficial consequences (Durand & Paolella, 2013; Grodal et al., forthcoming; Pontikes, 2012; Zuckerman, 1999).

## 3.5 Antecedents of the persistence of ambiguous classification

New categories can be invented in order to accommodate the classification of organizations that do not fit neatly into extant categories. These new categories typically combine elements of preexisting ones, so that they increase their legitimacy during the stages of early emergence (Grodal et al., forthcoming). Such recombination, however, increases ambiguity and the multiple meanings assigned to the new category. During the early stages of the emergence of a new category, different actors and audiences will tend to propose different category frames. Frames refer to socially constructed “schemata of interpretation” that imbue events and occurrences as meaningful and “thereby function to organize experience and guide action” for individuals (Benford & Snow, 2000, p. 614; Goffman, 1974, p. 21). Frames are not merely cognitive schemata; they also embody political processes of meaning negotiation between diverse actors (*ibid*).

For instance Rao (1998) provides an account of multiple category frames that sought to embody the emerging category of watchdog organizations. Similarly, in the area of microcredit, diverse actors attempted to define the category prioritizing either a commercial or a social welfare logic (Kent & Dacin, 2013). Frequently, as in the case of microcredit, the original category frames have been developing independently for some time, without each supporting audience or group of actors being fully aware of other frames being proposed elsewhere. As long as marginal innovations are not properly problematized and promoted beyond their limited initial sphere of influence, they might remain marginal and unconnected to other efforts to claim a similar conceptual space (Lounsbury & Crumley, 2007). Nevertheless, as such practices gradually grow and become more visible, the inevitable confluence between divergent frames ushers in a phase of competition for category dominance (Ozcan & Santos, forthcoming). Ambiguity is likely to recede substantially over time, as confluence prompts audiences to gradually negotiate a collective dominant category definition that best represents the consensus among them (Khaire & Wadhwani, 2010). For instance, a more reformist frame eventually dominated the category of watchdog organizations in the US, and the commercial frame of microcredit organizations has largely prevailed in the respective category (Kent & Dacin, 2013; Rao, 1998). The interests of diverse audiences might remain divergent and embody latent tensions under the surface, which could be taken advantage of for shifting the collective consensus in the future (Seo & Creed, 2002). Yet, the emergence of such a consensus that ostensibly bridges divergent interests can serve as the basis for the stability of a category over a certain time span.

In certain cases, a dominant consensus might fail to emerge, and as a consequence ambiguity will be more likely to persist over time. I propose that one of the bases of persistent ambiguity is the amount of heterogeneity in the origins of the different audiences that will compete to define the category. The political as well as cognitive characteristics and expectations of different audiences will vary more, the greater the cultural, geographical and resource differentials that exist between them. Furthermore, cultural, geographic and resource differences tend to be interrelated, limiting the common ground that can be constructed among audiences. The greater the heterogeneity between audiences, the less likely it will be that the same category frame will resonate to all of them, or that skilled actors will manage to bridge successfully their expectations. However, in the event that bridging efforts (Tracey et al., 2011) do succeed under said conditions, it will be challenging for audiences to overcome the heterogeneity and plurality of interpretations of the category in order to reach a consensus. For instance, in the case of social entrepreneurship, the vast geographic dispersion among the category audiences and members brought together by early advocates resulted in great heterogeneity among the category frames that emerged. The "social entrepreneurs" they identified across the world were frequently operating in extremely diverse environments, enjoyed different levels of local support and legitimacy and possessed different backgrounds and cultural expectations (Chliova & Vernis, 2015). Thus, even when responsive audiences were bridged, it was difficult for any single actor to control the meaning of the category and establish their frame over all other possible ones. Cubism as an emerging art form provides another example of persisting ambiguity that can be traced back to the fragmentation and diversity of origins between its early conceptualizations (Sgourev, 2013). Its pioneer proponents operated under different cultural expectations and values, while they varied greatly in the resources, both material and immaterial, that they were endowed with. Such a situation resulted in the failure of any one actor to dominate the emerging innovation. Thus, I propose:

*P1: The greater the heterogeneity and fragmentation in the origins of audiences of a category in terms of cultures, geographies and resources,* *the more likely it is that the resulting category will exhibit persistent ambiguity.*

Heterogeneity can also increase as the number of preexisting categories or markets that intersect with a new category increases. New categories can bridge a number of prior organizational categories or markets. One option is for them to be positioned as a sub-category of an existing category. For instance, the emerging category of grass-fed dairy was positioned as belonging to the dairy category, while employing distinctive methods that conveyed it distinctiveness (Weber et al., 2008). Another option is for emerging categories to be positioned at the interstices of prior categories and markets. An interstice can be defined as “a mesolevel location that forms from overlapping resource networks across multiple organizational fields in which the authority of the dominant resource network does not prevail” (Morrill, 2006, p. 6). In such a case, the emerging category aims to bridge two prior categories, such as judicial dispute resolution and nonadversarial, informal dispute resolution (*ibid*). Interstices are breeding grounds of novelty and ambiguity, as “in these social locations, authority structures may be attenuated, roles and boundaries are often blurred or ambiguous, and participants are exposed to multiple models or logics, creating opportunities and resources for actors to experiment with new, multiple or hybrid forms” (Schneiberg & Clemens, 2006, pp. 218-219). Finally, new categories could emerge at the interstices of more than two categories or markets, further exacerbating the heterogeneity experienced by the aggregated audiences. An example is the emerging category of mobile payments, which is being positioned at the interstices of the telecoms, banking, hardware and retail categories (Ozcan & Santos, forthcoming). The effort to bridge more than two categories or markets results in increased heterogeneity in the interests and expectations of aggregated audiences, which could inhibit the successful emergence of a dominant category frame (*ibid*). Yet, if a dominant category manages to emerge across a number of prior categories, it is more likely that it will remain ambiguous. Hence, I expect that:

> *P2: The greater the number of prior categories is, at the interstices of which a new category emerges, the more likely it is that the resulting category will exhibit persistent ambiguity.*

While heterogeneity of origins of an emerging category can provide one set of conditions for persisting ambiguity, another set hinges on the relative power and resources of the aggregated audiences. Some audiences take on the active role of shaping the category, whereas others discover the emerging category later on and become its consumers (Pontikes, 2012; Rosa et al., 1999). Members of the category are usually active in orchestrating efforts to legitimate the category during its early stages (David et al., 2012; Tracey et al., 2011). Other audiences can be less active, responding only post-hoc to an emerging category when they become aware of it, for either opportunistic or motivational reasons (Granqvist et al., 2013; Weber et al., 2008). In addition, elite audiences and media are likely to find an emerging category resonant and attempt to imprint their own expectations and interests on it (Kennedy, 2008; Weber et al., 2008). Thus, elites and other institutional actors with resources and power are naturally expected to be able to tilt the meaning of the category to favor their own agenda (Kent & Dacin, 2013; Lounsbury, Ventresca, & Hirsch, 2003; Rao, 1998).

These attempts can be thwarted, nevertheless, when power is equally distributed between multiple influential audiences that conceive differently of the category. A balance of resources and power can result in an impasse (Ozcan & Santos, forthcoming) that preserves plurality of meanings at the category level. Similar to plurality of frames at the field level (Besharov & Smith, 2014; Gray et al., 2015), plurality can persist within emerging categories as a result of the inability of any one key audience to dominate them. An example can be found in the emergence of social entrepreneurship as an ambiguous category. Different elites, including prominent business schools, corporations, governments and newly rich philanthropists found different category frames resonant. These key audiences all garnered support for these category frames in the form of material and immaterial resources, thus making the dominance of any single frame over the rest less likely (Chliova & Vernis, 2015).

Essentially, the success and growth of a new category depends on the resources it can mobilize to its support. Resource dependence on key audiences consequently functions as a force that shapes the boundaries of the emerging category (Chen & O'Mahony, 2009). When no single key audience can muster enough resources to outnumber the efforts of other audiences, the category can remain ambiguous in order to satisfy multiple audiences. The example of the de novo category of modern architecture exemplifies this point. The dependence of architects on two sets of clients with different expectations and needs resulted in sustained ambiguity regarding the category's interpretations and boundaries (Jones et al., 2012). This line of research reinforces observations by institutional theorists regarding the impact of resource dependence on the structure and equilibria of fields. As DiMaggio & Powell (1983) have sustained, centralization of resource dependence between actors is expected to generate greater isomorphism at the field level. Following the reverse logic, heterogeneity and pluralism would be sustained to a greater extent under conditions of distributed resource dependence among actors. Extending this argument to the level of the category, I posit that:

> *P3: The more equal the distribution of resources that accrue to the emerging category frames from key audiences, the more likely it is that the resulting category will exhibit persistent ambiguity.*

Equally important to the distribution of resources for the fate of diverse emerging category frames is the balance in terms of the legitimacy they manage to garner.

The observations of Suchman (1995) regarding the types of legitimacy that organizations strive to achieve can be illuminating when applied to the emergence of novel categories. During the stage of emergence, new category frames are unlikely to gain easy acceptance or support. Given that they lack a track record of success and cannot claim adherence to already established categories, they need to convince audiences that their espoused goal or activity is morally legitimate, that their conceptualization is robust and comprehensible, and that they indeed deliver results on their claims. A number of authors have underlined these legitimacy challenges that new categories face. Vergne & Wry (2014) refer to “legitimacy” and Kennedy et al. (2010) to “valence” to indicate the need of the new category to gain resonance and acceptance for its activities. Indeed, the practice of emerging categories to reference elements of existing, established categories increases their chances of achieving moral legitimacy (Etzion & Ferraro, 2010; Hargadon & Douglas, 2001; Wry et al., 2011). Similarly, the professional credibility that early institutional entrepreneurs can confer to the new category, as well as its conceptualization as a morally acceptable endeavor, will be critical to its chances of success (David et al., 2012; Rao et al., 2003).

Notwithstanding, categories also possess an important cognitive dimension. They are expected to be easily understandable and efficient: they need to maximize inter-category similarity, while they concurrently minimize between-category similarity (Mervis & Rosch, 1981). This need for cognitive legitimacy has been termed “legitimation” (Vergne & Wry, 2014) and “coherence” (Kennedy et al., 2010) and reflects a number of cognitive processes that condition the evolution of categories (Grodal et al., forthcoming). I argue that even if a category manages to gain resonance among an expert audience, in order for it to resonate with broader, non-expert audiences it needs to be easily observable, understandable and coherent.

Lastly, emerging categories need to convince that they indeed deliver on their promises, by way of pragmatic results. Abbott (1988) has persuasively shown that audiences can only have approximate and subjective evaluations of fields of professional activity. Extending his argument, I propose that audiences will have subjective evaluations of the "effectiveness" of the activities represented by an emerging category. Yet, the ambitious rhetoric that proponents of new categories use in order to grant them moral legitimacy can backfire when big discrepancies are observed between rhetoric and reality. For instance, development agencies have faced in recent years great critique regarding their effectiveness (Easterly, 2007), while the impact of the new category of microcredit has also been hotly debated (Chliova, Brinckmann, & Rosenbusch, forthcoming; Kent & Dacin, 2013; Morduch, 1999). Even if a certain amount of decoupling is endemic in many areas of organizational life (Bromley & Powell, 2012; Wijen, 2014), when such decoupling becomes problematized and openly contested among audiences of a category, it can impact it adversely.

The imperative for any category is thus to achieve acceptable levels of moral, cognitive and pragmatic legitimacy. When multiple frames compete for dominance in the category, they are likely to differ in the legitimacy they enjoy across these dimensions. In cases where one category frame is clearly superior across them, it follows that it will have increased chances of dominance. Yet, it could well be the case that each of the competing category frames is superior regarding a different dimension of legitimacy. For instance, Jones et al. (2012) provide evidence for two competing frames, none of which was superior along the lines of both moral and cognitive legitimacy. They observed that the more moderate frame enjoyed higher moral legitimacy and acceptance by audiences, yet the more controversial one was more coherent and comprehensive to them. The category of social entrepreneurship (Chliova & Vernis, 2015) is another case in point. The frame that conceptualized social entrepreneurship as primarily social innovation was endowed with the high legitimacy of the early pioneers that promoted it, who also conveyed convincingly its altruistic values. Yet, it suffered somewhat along the dimension of cognitive legitimacy, as broad audiences frequently found it hard to distinguish social enterprises from successful non-profit organizations. On the contrary, the frame that defined social entrepreneurship as the application of strategies of earned income by non-profits was easier to conceptualize and observe, but suffered in terms of moral legitimacy, as the promotion of business values to non-profits was met with great resistance and resentment. Simultaneously, while none of the two frames could conclusively prove their efficiency, the frame that conceptualized social entrepreneurship as earned income strategies faced greater difficulties in terms of pragmatic legitimacy as non-profits that adhered to it soon realized that its implementation was extremely challenging (*ibid*). The result of an inability of competing frames to surpass the other frames across all dimensions of legitimacy can thus create a situation where clear dominance by any single one of them is unfeasible. Therefore I conjecture that:

> *P4: The more equal the distribution of moral, cognitive and pragmatic legitimacy that competing category frames enjoy, the more likely it is that the resulting category will exhibit persistent ambiguity.*

When diverse conditions favor the emergence and persistence of an ambiguous category, proponents and audiences will realize that conflicts between different frames of the category are not likely to be resolved. In that event, they may adopt a more conciliatory stance towards different category frames as they perceive that they could benefit more from welcoming a certain level of ambiguity. As a result, the category will tend to be conceptualized in a more inclusive manner, whereby divergent definitions all become acceptable, even while each audience favors its own definition. I argue that effort to incorporate the divergent frames into an inclusive whole will produce an expansion of the boundaries of the overall category. The example of social entrepreneurship can again be illustrative. During early stages of the category's emergence divergent category frames competed for prominence and dominance, yet, for reasons already mentioned, failed to achieve them. Consequently, audiences of the category including institutional entrepreneurs, governments, elite supporters, business schools, media and the practitioners affiliated with it gradually developed a more inclusive overall category to define social entrepreneurship (Chliova & Vernis, 2015). Eventually, they were more likely to frame their activities as representing a subset, rather than the entirety, of the new category. Similarly, after contestation during the early stages of the de novo category of modern architecture, and due to the persistence of two competing category frames, proponents expanded their conceptualization of the category to include both (Jones et al., 2012). Through this process, which I term "category enveloping", categories´ boundaries are expanded to include two or more competing frames. The consequence of this process is the neutralization of the competition for dominance at the category level, and the subsequent coexistence of audiences that essentially "agree to disagree". The side effect of this process, notwithstanding, is that the resulting category will remain ambiguous to outsiders, as it could mean different things to different audiences. In sum, I propose that:

> *P5: When conditions favor the persistence of ambiguity at the category level, the primary competing category frames will be incorporated within an expanded category through a process of enveloping.*

## 3.6 Benefits and costs of ambiguous classification

The phenomenon of persisting ambiguous classification indirectly implies that there might be certain advantages to ambiguity, apart from the frequently mentioned disadvantages. I identify a number of key benefits and costs of ambiguous categories, both at the level of the individuals or organizations who are affiliated with them, and at the level of the category as an aggregate. Moreover, I concur that the benefits and costs of ambiguity are closely interrelated. My analysis thus suggests that ambiguous classification can function as a double-edged sword, as is the case with other phenomena in organizational life (Ashforth & Gibbs, 1990; Bradley, Wiklund, & Shepherd, 2011; Kistruck, Webb, Sutter, & Bailey, 2014). Accordingly, I will be examining in tandem the benefit and cost that each feature of ambiguous categories can generate, first for individuals and organizations, and second for the aggregate category.

### *3.6.1 Benefits and costs at the individual and organizational level*

Entrepreneurial opportunity is integrally linked to ambiguous classification. Within established categories, competition is high and achieving sustained rents can be particularly challenging (McGrath, 2013; Peteraf, 1993). Far greater opportunities for making profits can be uncovered through innovation and entrepreneurship. Schumpeter (1934) has famously emphasized the rents that can accrue to pioneer entrepreneurs during the emergence of novelty and innovation, which have been later termed “Schumpeterian rents”. Extending Schumpeter’s arguments, it can be suggested that ambiguous categories provide greater opportunities for innovation and for appropriating profits before the category becomes established and competition diminishes profits (Suarez et al., 2015). Affiliation with an ambiguous category can be conceptualized as a high-risk, high-reward endeavor. If the entrepreneur is successful, she can capture Schumpeterian rents before the advent of the competition (Shane & Venkataraman, 2000).

Simultaneously, venturing into the unknown space of an ambiguous emerging category can entail serious risks. Organizations have no clear examples of best practices to mimic, while the ambiguous category can initially suffer in terms of legitimacy (Aldrich & Fiol, 1994). If audiences perceive the fledgling category to be of low credibility, then these perceptions will be reflected on any organizations that become affiliated with it. As Granqvist et al. (2013, p. 408) highlight, organizations might be at risk of “losing control over the meanings that a market label conveys about their firms to stakeholders". Such ambiguity could signal to audiences that the organization or the professionals associated with it are not part of a legitimate and coherent system. For example, professionals being affiliated with the ambiguous category of nanotechnology faced the risk of not being perceived as serious professionals (Kennedy et al., 2010, p. 382). Furthermore, loss of legitimacy can derive from the individual or organization being perceived as located outside established categories and therefore dispersed and unfocused. The term “categorical imperative” was coined to emphasize the adverse effect of organizations being evaluated as “jacks of all trades” that do not fit neatly into a clearly defined category (Hsu, 2006; Zuckerman, 1999). Consequently, I propose:

> *P6a: The more ambiguous the category is, into which individuals or organizations are classified, the greater the opportunities for entrepreneurial profits it entails.*
>
> *P6b: The more ambiguous the category is, into which individuals or organizations are classified, the greater the risk of delegitimation it entails.*

Ambiguous classification also affords individuals and organizations opportunities for institutional entrepreneurship. During a stage of ambiguity, while multiple interpretations are available, there is scope for changing the power structures of the status quo (Kaplan, 2008; Seo & Creed, 2002). The lack of a prevailing interpretation is conducive to astute actors using their affiliation with the ambiguous category in order to frame it to their advantage. For example, Santos and Eisenhardt (2009) describe how a number of early pioneers in ambiguous categories of high-tech managed to impose their interpretations and ultimately control the respective emerging markets. Yet, in spite of the opportunities it affords, institutional entrepreneurship could become an imperative that weighs with excessive costs the individuals or organizations exercising it. The effort to control the development of the category is additional to the efforts for successful entrepreneurship by the respective individuals and organizations. Since young ventures are typically challenged in terms of resources and personnel, diverting these scarce available resources towards institutional entrepreneurship can endanger their prospects. Tracey et al. (2011) analyze the example of a "social enterprise" organization aspiring to both successfully deliver on its mission, and help legitimize the emerging category. While initially efforts at institutional entrepreneurship increased the visibility and legitimacy of the ambiguous category, the authors attribute the ultimate failure of the organization to the double pressure to succeed on both fronts. Similar arguments underscore the benefits that second-movers into new categories enjoy, after first-movers have born the initial costs of successful institutional entrepreneurship (Dobrev & Gotsopoulos, 2010). In sum, ambiguous categories can open up the opportunity for institutional entrepreneurship, but that opportunity needs to be carefully assessed against the risks it carries.

> *P7a: The more ambiguous the category is, into which individuals or organizations are classified, the greater the opportunities they have for institutional entrepreneurship.*

*P7b: The more ambiguous the category is, into which individuals or organizations are classified, the greater the costs of institutional entrepreneurship they incur.*

Additionally, ambiguous categories condition the resources that can be commanded by affiliated individuals and organizations. Actors that are looking for high-risk and high-reward opportunities will tend to support pioneer organizations that lie in ambiguously defined categories. By betting their resources on such organizations, they aspire to capture rents from successful entrepreneurship and institutional entrepreneurship. For instance, venture capitalists are more likely to be active in their support of new ventures affiliated with ambiguous high technology categories because they see the possibility of appropriating emerging markets and steering them towards their interests (Pontikes, 2012). As a result, many organizations tend to claim a particular category label even when they do not genuinely see themselves as belonging to it. It is illustrative that a wide variety of organizations will claim to belong to the nanotechnology category (Granqvist et al., 2013), or to the social entrepreneurship category (Chliova & Vernis, 2015), for example, mainly due to the newly available resources that can be captured from funders of these emerging categories. The drawback of this opportunity relates to a decreased potential to attract resources and support from more traditional or institutionalized actors. In the case of social entrepreneurship, organizations affiliated with the category faced significant obstacles securing the support of traditional foundations and philanthropists, who were averse to the idea of mixing traditional non-profit and business activities (*ibid*). As DiMaggio & Powell (1983) have proposed, the more an organization is dependent on established institutional actors for its resources, the more likely it is to adopt institutionalized and widely approved formats instead of opting for a unique positioning. I suggest that:

*P8a: The more ambiguous the category is, into which individuals or organizations are classified, the more able they are to attract resources from entrepreneurial actors.*

*P8b: The more ambiguous the category is, into which individuals or organizations are classified, the less able they are to attract resources from institutional actors.*

Ambiguous classification also has consequences on motivational aspects. While extant categories can be highly inert and constrain pluralism for the sake of maintaining legitimacy (DiMaggio & Powell, 1983), ambiguous categories at the interstices of those extant categories can function as spaces for creativity and self-expression. Furnari (2014) argues that interstitial spaces are imbued with "liminality", namely a suspension of formal structure, which enables individuals to experiment. Ambiguity in its essence signifies acceptance towards diverse interpretations, allowing for creativity and self-expression that is unconstrained by prior norms. In the illustration of the emergence of the personal computer, for instance, such an informal, interstitial space attracted creative individuals and constituted a breeding ground for interactions and ultimately innovations (*ibid*). Similarly, Rao et al. (2003) portray the motivational effects that accrued to chefs adopting the category of nouvelle cuisine, while Weber et al. (2008) refer to the "emotional energy" and ability of expression that the new category of grass-fed dairy offered to pioneer members.  Notwithstanding, pertaining to an ambiguous category can be taxing to individuals and organizations. Ambiguity does not allow for a clear frame that they can rely upon for guidance and coherence. Conceptual clarity helps individuals make sense of their reality (Goffman, 1974; Weick, 1995) and act in a purposive way. It follows that a lack of clarity regarding the boundaries and role of an organization can inhibit the ability of its members to make sense of their environment, ultimately leading even to deferral of action

(Kaplan, 2008). In essence, ambiguity can be a challenge to individuals and organizations who will need to actively process it in order to make sense of their workplace identity (Ashforth & Reingen, forthcoming; Lok, 2010; Reay & Hinings, 2009). I propose the following:

> *P9a: The more ambiguous the category is, into which individuals or organizations are classified, the more it motivates them to express their creativity.*
>
> *P9b: The more ambiguous the category is, into which individuals or organizations are classified, the more it requires that they actively make sense of their identity.*

Finally, another feature of ambiguous classification is that it can protect to a certain extent individuals and organizations from being evaluated and having to display evidence to prove their effectiveness. Pressures for effectiveness from external stakeholders force organizations to demonstrate there is scientific, factual evidence that corroborates their ostensible impact. Organizations can respond to institutional pressures with a number of strategies (Oliver, 1991; Pache & Santos, 2010). Frequently, they will decouple their formal policies from actual practice so as to maintain the appearance of legitimacy (Bromley & Powell, 2012; Meyer & Rowan, 1977; Wijen, 2014; Zbaracki, 1998). I argue that, in terms of pressures for exhibiting pragmatic legitimacy and an appearance of effectiveness, decoupling might be easier when the organization is located within an ambiguous category. Ambiguity by definition renders acceptable multiple interpretations of the objective of the category, and consequently of the objective of the organizations that belong to it. When the ends sought cannot be defined with clarity, assessing effectiveness in a seemingly impartial manner becomes more complicated (Goodrick & Salancik, 1996; Greenwood et al., 2011). Thus, proving or disproving a decoupling between "means and ends" (Bromley & Powell, 2012;

Wijen, 2014) is a difficult endeavor both for the organization and its stakeholders, ultimately shielding it from external evaluation. Indeed, Abbott´s (1988) extensive study of dozens of professions illustrates a similar point: while fields of practice are pressured to exhibit effectiveness and efficiency, maintaining a certain level of obscurity between the means they use and the ends they pursue is vital to their survival. Extending his argument, I suggest that within ambiguous categories such obscurity is preserved naturally, buffering the organization from the need to demonstrate tangible results. On the other side, due to this opacity organizations in ambiguous categories might be more likely to lapse into greater decoupling between rhetoric and practice, which if exacerbated can eventually damage their legitimacy. As a result, organizations need to balance the trade-off between the use of ambitious rhetoric that improves chances of successful institutional entrepreneurship, and the ability to ground rhetoric in tangible results of the category (Zbaracki, 1998). In essence, the more ambitious the rhetoric is, the greater the gap that can be generated between rhetoric and actual practice. I conclude that:

> *P10a: The more ambiguous the category is, into which individuals or organizations are classified, the more it shields them from evaluation by external audiences.*
>
> *P10b: The more ambiguous the category is, into which individuals or organizations are classified, the more it allows them to decouple their activities from institutional demands.*

### 3.6.2 Benefits and costs at the category level

Beyond the level of the individual organization, categorical ambiguity has important implications for the status and future of the category in the aggregate as well. Well-formed and established categories will tend to be inert (Porac & Thomas, 1990). On the contrary, ambiguous categories have the benefit of dynamism and flexibility. Bingham and Kahl (2012, p. 28) discuss how flexibility flows from the existence of multiple analogies at the firm level: "the use of multiple analogies […] reduces commitment to any single one of them. When organizations entertain multiple analogies, they are less likely to become cognitively entrenched in any one analogy and thus can shift to a new analogy". Such flexibility is also crucial for the future prospects of the category, since changing external conditions might necessitate adaptation. By encompassing multiple interpretations, ambiguous categories can shift their direction easily and benefit from opportunities to claim new jurisdictional spaces (Abbott, 1988) and diffuse broadly (Sgourev, 2013). Padgett and Ansell (1993) have introduced the concept of multivocality to refer to actors that maintain a purposively ambiguous stance that can be beneficial in that it enables them to move towards multiple directions depending on their interests at each specific point in time. Such multivocality is relevant at the category level too (Pontikes, 2012), as it confers to the aggregate category and the affiliated audiences the ability to stir towards the direction that will ensure their survival and prosperity. Audiences can make use of categories depending on their respective goals at each point in time (Durand & Paolella, 2013), so as these interests evolve, an ambiguous category can adapt accordingly in order to remain relevant.

Multivocality of the category can nevertheless also have adverse effects. A category that spreads itself too thin can be susceptible to delegitimation due to a perceived lack of credibility (Wry et al., 2011). The more the category allows the influx of members that are not prototypical, the greater the probability these diverse members will appropriate and project it for their own purposes. This lack of consistency in membership and the resulting appropriation of the category can increase the chances that unfavorable actions of certain actors will bring critique to its entirety (*ibid*). When there is too much "hype" around new categories, there is a danger that it could lead to backlash and stigmatization of the category in the future (Granqvist et al., 2013). Furthermore, due to the adverse effects of the categorical imperative, the category might suffer delegitimation due to its inability to cater in a focused way to its membership base and supportive audiences (Hsu, 2006). Broadening of the category can reduce the coherence and the identification it can offer to its members (Granqvist et al., 2013), while it can also inhibit its appeal and fitness to the needs of each niche audience (Kennedy et al., 2010). I thus propose:

> *P11a: The greater the ambiguity of an organizational category is, the greater the multivocality that it will exhibit.*
>
> *P11b: The greater the ambiguity of an organizational category is, the greater its susceptibility to delegitimation.*

A further function of categorical ambiguity is its impact on the modes of expansion of the category. On the one hand, a category that is ambiguous will be more agile in achieving broad expansion. By remaining ambiguous, categories can appeal to very diverse audiences, and there is thus a greater chance of bridging such diverse audiences under a broad umbrella. One political or "social" skill of successful institutional entrepreneurship is being able to aggregate outliers and bridge their interests even when these vary widely (Fligstein, 1997). Yet, this endeavor will be highly challenging, and hence, I argue, easier for ambiguous categories. As Kennedy et al. (2010, p. 370) observe, according to organizational ecology "serving multiple audiences offers the promise of growth and scale economies". Categories that are ambiguous will therefore be better poised to diffuse broadly and claim new jurisdictional spaces (Abbott, 1988; Colyvas & Jonsson, 2011), overcoming geographical and cultural barriers in the process.

Nevertheless, literature discussing dominant designs and dominant categories endorses the view that the emergence of a dominant frame is fundamental for its survival and its growth in term of sales (Anderson & Tushman, 1990; Grodal et al., forthcoming; McKendrick & Carroll, 2001; Suarez et al., 2015). Furthermore, Khaire and Wadhwani (2010), studying the case of modern Indian art, have provided evidence that a tight definition that results from the emergence of a consensus between audiences will increase the value of the exchanges within the category. Inversely, a lack of consensus between audiences regarding the definition and boundaries of the category might not permit it to grow and command high values in market exchanges. This view in not necessarily in conflict with the assertion that ambiguous categories will diffuse more broadly. It simply points to a different type of growth. Penetration within an audience with similar geographical and cultural background might be stunted in the case of ambiguous categories, while the same categories are more likely to achieve growth across audiences that differ widely in their interests or even in their geographic locations. I therefore advance the argument that:

> *P12a: The greater the ambiguity of an organizational category, the greater the market growth it achieves across audiences.*
>
> *P12b: The greater the ambiguity of an organizational category, the lower the market growth it achieves within any single audience.*

Ambiguous classification is closely connected to the ability of categories to become institutionalized. The distinction between diffusion and institutionalization is not always explicitly stated in studies of organizations, yet it is an important one (Colyvas & Jonsson, 2011). New practices can become institutionalized only when they become embedded into the fabric of daily organizational life and taken for granted (Lawrence et al., 2002; Maguire et al., 2004). Similarly, a category can become taken for granted and ultimately institutionalized, only if it embeds itself into the exchanges between respective audiences, eschewing challenge and contestation. Ambiguous categories, which envelop diverse interpretations and tensions that have not been resolved or coalesced into a mutually accepted frame, are thus unlikely to become institutionalized. Audiences are not in agreement regarding their boundaries, imposing limits on the ability of institutional actors such as governments to establish relevant regulations while the category is in flux. Under certain conditions, a single frame of an overall ambiguous category can become more tightly defined and thus institutionalized, such as in the case of “social enterprise” in the UK. While not all audiences endorse the UK government´s frame of what social entrepreneurship means, this institutional actor has managed to negotiate and establish a commonly acceptable definition locally, which it has then proceeded to embed into organizational and government life (Chliova & Vernis, 2015). For the overall category of social entrepreneurship, such consensus and institutionalization has been elusive (*ibid*).

The benefit of incomplete institutionalization is nevertheless a lower resistance to the emerging category. When proposed frames are not clearly perceived, they are less likely to be endorsed by traditional actors, but equally unlikely to face great resistance. Extending Morrill´s (2006) arguments, I suggest that a dominant, clearly defined category, within which professionalization has taken place before diffusion, can suffer from repression by existing categories and the audiences supporting them when it eventually starts to diffuse. Conversely, if diffusion of a category takes place before the clear dominance of one frame, then the ambiguous category can benefit from reduced backlash against it. Accordingly:

> *P13a: The greater the ambiguity of an organizational category is, the less the resistance it faces from audiences as it diffuses.*

*P13b: The greater the ambiguity of an organizational category is, the less likely it is to become institutionalized as it diffuses.*

Finally, the level of ambiguity enables different levels of competition to emerge within and between categories. As mentioned, ambiguous categories frequently emerge at the interstices of extant categories. As a result, their early efforts can go unnoticed for some time (Lounsbury & Crumley, 2007), while the low initial legitimacy they enjoy does not attract many organizations to compete for the same space. The benefit of such a situation for the few early pioneers active in an ambiguous category is the relative ease with which they can capture whatever interest there is from early audiences and members. As the category grows, ambiguity can pose threats to early pioneers and increase competition from different frames or adjacent categories. Lack of clarity regarding the boundaries of the category can invite entry from previously unrelated organizations that seek to claim the category label for a variety of reasons. For example, in the category of nanotechnology, the inclusive and unclear definition allows a wide range of organizations to permanently or opportunistically claim the label even as they differ considerably from each other (Granqvist et al., 2013). Similarly, the recycling category has been populated by a number of actors who differ greatly in their activities and the motivations behind them, but who take advantage of the appeal of the overall recycling category to obscure such differences and compete with each other (Lounsbury et al., 2003). When the ambiguous category incorporates many elements from previously existing categories, the category can become more permeable and ultimately coopted (Kent & Dacin, 2013). Later entrants can take advantage of the inherent contradictions in the category to shift the overall consensus towards their own proposed frame through cooptation (Seo & Creed, 2002). Hence, the "permeability" of a category can enable new audiences to alter the category dynamics, such as when the microcredit category was coopted by frames originating in the financial sector (Kent & Dacin, 2013). Van Wijk et al.

(2012, p. 377) assert that, similarly, movements "are likely to be moderately permeable when issues are multifaceted or emerging or when a broad goal exists but there are multiple or ambiguous means to achieve it." The inability of audiences to observe clear boundaries fosters "affordances" (Ansari, Fiss, & Zajac, 2010), namely opportunities for new categories or audiences to coopt the original ambiguous category.

> *P14a: The greater the ambiguity of an organizational category, the lower the initial competition it faces.*
>
> *P14b: The greater the ambiguity of an organizational category, the more likely it is to be coopted as it diffuses.*

Figure 3.1 summarizes the relationships proposed, regarding the benefits and associated costs of ambiguous categories.

## 3.7 Relative balance between the benefits and costs of ambiguous classification

While it is beyond the scope of this article to delineate all the contingencies that can affect the relative weight of the benefits versus the costs incurred by ambiguity, I want to highlight certain contingencies that directly flow from the framework presented. For organizations or individuals, overcoming the costs of ambiguous classification is a sensible option if they can take advantage of the potential benefits to a considerable extent. Having the opportunity to exercise entrepreneurship and institutional entrepreneurship would thus have little appeal to organizations that are not entrepreneurial to begin with. An entrepreneurial

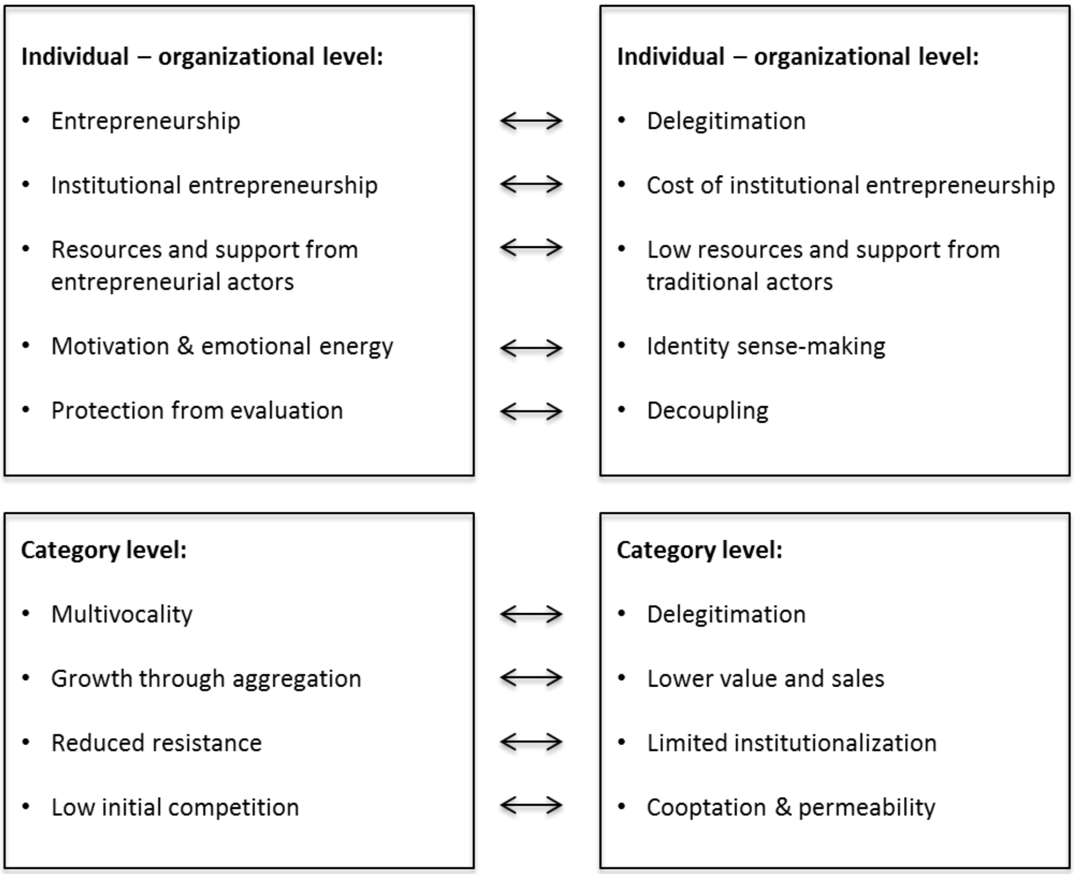



**Figure 3.1:** A framework of benefits and costs of ambiguous classification

culture and orientation (Lumpkin & Dess, 1996) would, as a result, be a defining factor in the relative benefit they could extract by being affiliated with an ambiguous category. Furthermore, the opportunity for member organizations to experience high motivation is not likely to be fulfilled if they are not genuinely attracted to the activities that the category entails. The relative weight between benefits and costs can also shift for actors for whom the respective costs are naturally lower. For instance, actors of either very high or very low status will be less deterred by the threat of delegitimation (Battilana, 2006; Kennedy & Fiss, 2013; Phillips & Zuckerman, 2001). High status actors have greater resources and can thus more easily engage in high-risk, high-reward endeavors, while they can also use their political power to influence outcomes in their favor. In parallel, the initial high legitimacy these actors enjoy shields them to a certain extent from delegitimation. Low status actors might not dispose of such material and reputational resources, but their low status ensures that they have little to lose and potentially a lot to gain by taking risks (*ibid*). Thus, both for very high and for very low status actors, being affiliated with an ambiguous category can have greater advantages than for moderate status actors.

At the category level, ambiguity is more likely to be beneficial when potential audiences exist that are both widely dispersed and potentially attracted by the emerging category. Dispersion can refer to either geographically isolated audiences, or audiences that are isolated from each other due to cultural differences. If in spite of the dispersion an ambiguous category can resonate with a number of audiences by appealing to fundamental values that traverse them, then ambiguity can help it diffuse and grow broadly. On the other hand, if the category can resonate with only specialist audiences, such as in the case of a highly technical category, then coherence and clarity of boundaries might be more conducive to its survival (McKendrick & Carroll, 2001).

## 3.8 Discussion and conclusions

This article informs a burgeoning body of work on the emergence and evolution of new categories that takes into account their importance in the social construction of organizational life (Durand & Paolella, 2013; Granqvist et al., 2013; Jones et al., 2012; Kennedy, 2008; Khaire & Wadhwani, 2010; Wry et al., 2013). I contribute to this body of work by emphasizing that ambiguity is at the core of new category emergence, and yet in certain cases it fails to recede and allow a dominant category frame to prevail. The consequence is the emergence and persistence of ambiguous categories; however, work on this area does not clearly illustrate how and why that happens. I delineate a number of conditions that explain persistent ambiguous categorization. My analysis focuses on a number of factors that contribute to the genesis of such categories, such as: a) the heterogeneity of origins of category audiences, b) the number of prior categories at the interstices of which the category emerges, c) the distribution of resources of the audiences and d) the distribution of moral, cognitive and pragmatic legitimacy across the competing category frames. I also explain the process of category enveloping, through which divergent frames are incorporated into a broader ambiguous category. While some of these factors have received fragmented mentions in prior literature (Greenwood et al., 2011; Jones et al., 2012; Purdy & Gray, 2009), my study synthesizes and expands them into an account that can collectively elucidate the emergence of persistent categorical ambiguity.

My second contribution is a portrayal of the combined benefits and costs of ambiguous categories. My underlying rationale is that the persistence of ambiguity under certain conditions points to the existence of benefits that outweigh the costs of affiliation with an ambiguous category. Indeed, while early work of organization theorists on categorization has tended to emphasize the adverse effects of ambiguity, famously coining the term "categorical imperative" to denote the need to fit into neatly defined categories (Zuckerman, 1999, 2004), recent work has progressively acknowledged some potential benefits of ambiguous classification (Durand & Paolella, 2013; Pontikes, 2012). Rather than debating whether ambiguous categories have either positive or negative consequences, I advance the view that they will possess both, and that these are intricately linked with each other. I thus eschew a priori assumptions regarding exclusively positive or exclusively negative dimensions, in favor of a balanced framework that can serve as an analytical tool for this intriguing phenomenon. According to this framework, ambiguity appears to function as a double-edged sword, whose one side of positive consequences is closely linked to the other side of negative ones.

My analysis subsequently distinguishes between benefits and costs at both the organizational and the aggregate category level. Ambiguity can have implications that accrue to those organizations that choose to claim, "hedge" or disassociate (Granqvist et al., 2013) with the corresponding category. It is therefore critical for organizations, or even individual entrepreneurs, to be able to assess the nature of these consequences and weigh them against each other to decide on a course of action. Concurrently, analyzing the impact of ambiguity at the aggregate category level can help academics better understand and predict the trajectory of a category across a number of dimensions. With this study I therefore offer a detailed, multi-level examination (Besharov & Smith, 2014; Gray et al., 2015) of organizational categories.

For reasons of parsimony, this essay focuses on broad relationships between categorical ambiguity and benefits and costs at the organizational and aggregate level. Yet, other moderating factors could add greater detail to the proposed relationships. It is possible that, beyond the ambiguity of the broader category, the adoption of a specific category frame, and the dimensions and attributes it entails also affect the benefits and costs that can be derived from being affiliated with it. For instance, resources can flow to organizations that adopt an ambiguous category frame, even from more traditional actors, if there is a close fit between the specific category frame adopted by an organization and that adopted by a specific funder. Moreover, benefits and costs at the organizational level could also derive from affiliation of a single organization with multiple *unambiguous* categories; this interesting phenomenon can offer a further opportunity for the study of ambiguity in organizational categorization in the future.

As a final contribution, this study offers some tentative early suggestions regarding the conditions that dictate when benefits or costs will weigh more for individual organizations as well as for the category as a whole. I briefly discuss the role of status, entrepreneurial orientation and motivation of actors, and the role of diversity of audiences on this balance, yet future studies could further unpack these contingencies and delineate new ones. This is an exciting domain that can generate new insights to help scholars predict with greater accuracy the evolution and trajectory of types of categories, based on their characteristics and the characteristics of their environment. Thus, future research could focus on a number of factors, including cognitive and political characteristics of each category, the type of their members and supporting audiences, the categories adjacent to them as well as broader contextual factors, in order to add more nuance and expand the views proposed in this study.

In closing, it is important to note a final limitation, which can also serve as an opportunity for future research: the scarcity in reported cases of persistent ambiguous classification. One could argue that such under-representation in the literature is the result of survival bias of clearly defined categories, or organization studies' bias towards successful examples (Ozcan & Santos, forthcoming). These factors might partly account for the problem, but I would argue that another major but less discussed bias in organizational studies is the preference towards clearly defined phenomena. The attraction of academia towards clear definitions has possibly made the study of ambiguity less legitimate or popular, and hence a more challenging endeavor (for notable exceptions see Besharov & Smith, 2014;

Greenwood et al., 2011; Sgourev, 2013). Yet, we have much to gain by juxtaposing dominance and ambiguity in organizational categories, and organizational phenomena more broadly. I hope that this study spurs further research that examines both current and historical examples that can illuminate this intriguing topic.

References chapter 3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# Chapter 4: Is microcredit a blessing for the poor? A meta-analysis examining development outcomes and contextual considerations[2]

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## 4.1 Abstract

Increasing efforts aim at economic development and the reduction of poverty in developing countries through microcredit-enabled entrepreneurship. Following the award of the Nobel Peace Prize to Prof. Yunus, microcredit lending has risen to prominence and the volume of microcredit loans has increased substantially. However, theory on the outcomes of this financing form is controversial. Furthermore, the academic community lacks conclusive empirical evidence about the impact of such programs. Primary empirical studies report fragmented and to a large extent contradictory results. In this meta-analysis, we empirically synthesize a total of 545 quantitative empirical findings from 90 studies conducted to date. Our findings reveal a positive impact of microcredit on key development outcomes at the level of the client entrepreneurs. Additionally, we scrutinize how the development context influences the effectiveness of microcredit and find that microcredit generally has a greater impact in more challenging contexts. With our findings we contribute to research on the nexus of entrepreneurship and economic development, and offer recommendations for practitioners and academics working on this promising frontier.

*"If we are looking for one single action which will enable the poor to overcome their poverty, I would go for credit. [...] If we can come up with a system which allows everybody access to credit while ensuring excellent repayment - I can give you a guarantee that poverty will not last long."*

Mohammed Yunus (1994)

*"Micro-lenders make the people of this country their guinea pig. They are sucking blood from the poor in the name of poverty alleviation."*

Sheikh Hasina, Bangladesh Prime Minister (The Financial Times, 2010)

## 4.2 Executive Summary

Poverty remains one of the key global challenges. According to the World Bank (http://www.worldbank.org/en/topic/poverty/overview), 1.22 billion people lived in extreme poverty with an income of less than $1.25 a day in 2010. Furthermore, these people have little means for personal development (Chen and Ravallion, 2007). Their lack of access to financial resources has been proposed as a key obstacle blocking their development (Chen and Ravallion, 2007; Stiglitz, 1990; Yunus, 1998). Without access to financial resources poor individuals face difficulties to initiate, maintain and expand economic activities. Due to a lack of financial capital they have little chance of benefiting from positive effects of entrepreneurship even though these individuals might perceive promising business opportunities.

While some scholars proposed microcredit as a salient instrument to address credit constraints, enable entrepreneurial activity and broadly foster individual development, other scholars challenge the proposed benefits (Kent and Dacin, 2013; Morduch, 1999; Stewart et al., 2010). Furthermore, the controversy in the theoretical domain is reflected by conflicting findings about consequences of microcredit in the empirical domain (Hermes and Lensink, 2011; Khavul et al., 2012).

To address the controversy, our meta-analysis synthesized the vast yet fragmented empirical research on outcomes of microcredit. Following Amartya Sen’s prominent theorizing on capabilities and his conception of development as freedom (1999), we report the effect strengths of microcredit on various financial (venture survival, venture growth and venture profitability as well as the financial well-being of the individual) and non-financial (empowerment, education, health and nutrition) outcomes. Moreover, we scrutinize how the development context – namely characteristics at the country level – affect the strengths of the microcredit-outcome relationships. Some scholars have argued that microcredit is a substitute for traditional financing instruments (Ghatak, 1999; Stiglitz, 1990), hence suggesting that the performance effect should be greatest in less developed countries where institutions fail. In contrast, others have proposed synergistic relationships between increasing levels of social, economic and institutional development and the performance effects that additional development interventions such as microcredit can generate (De Soto, 2003; Sen, 1999).

Building on 545 empirical effect sizes from 90 individual studies, our meta-analysis uncovers various positive effects on human development outcomes including venture growth, venture profitability, financial well-being, health & nutrition, empowerment of women as well as education. However, the effect strengths are markedly different. Further, no effect was determined with regard to the survival of microcredit funded ventures. With respect to the development context, we find that the majority of moderating effects are negative, indicating support for the view that microcredit is most beneficial in weak institutional environments, for instance where access to health support or education is limited or political freedom and transparency are reduced (for specific contextual effects consult Methodological controls revealed that the magnitude of the effect for the dependent variable of venture growth was statistically different for effects based on changes across treatment and control groups over time ($r = .08$, $p < .01$) versus for effects based on absolute values across groups ($r = .12$, $p < .01$). However, the direction of the relationship does not change. As expected, effects representing change provide a more conservative estimate of the MC effect on venture growth. Disaggregated results are included in Table 4.1.

Heterogeneity across studies is high for the majority of dependent variables. The proportion of "true heterogeneity" to total variance ($I^2$) is over 75% for the majority of variables, suggesting the need for further moderator analysis. The results of our exploratory analysis scrutinizing the contextual dependence of the

MC-development relationships are summarized in Table 4.2, while detailed results are provided at the end of this chapter. Results indicate that the majority of the moderating relationships were statistically significant. The impact of most context moderators of interest on the relationship between MC and human development is negative (i.e., as the contextual situation of a country improves the effectiveness of MC decreases). An exception is the impact of certain contextual moderators on ). Yet, we also find exceptions to this general pattern, including positive moderating effects of economic development on the relationships between microcredit and venture growth as well as financial well-being of clients. Moreover we find that in a context of greater political freedom, the effectiveness of microcredit for women's empowerment is increased.

We discuss our various findings and point to future research opportunities that can help determine how and under which circumstances microcredit financing can foster the economic and broader development of the poor at the base of the pyramid. Furthermore, we encourage researchers to make comparisons across different development interventions to gain a better understanding of the promise of microcredit financing vis-a-vis alternatives for fostering development.

## 4.3 Introduction

Large parts of the world's population live in poverty and do not have access to financial resources (Chen and Ravallion, 2007). In consequence, these individuals face challenges to initiate, maintain or grow their venture activities and to participate in market transactions. Without the capability to actively engage in market transactions, they and their associated families might be forced into subsistence-based lives (Yunus, 1998). A lack of collateral, frequently non-existent credit histories and limited property rights of poor individuals coupled with high transaction costs of the minimal loan amounts demanded, thwart conventional banking organizations from providing credit to the poor and lead to an imperfect credit market (Ghatak, 1999; Stiglitz, 1990; Webb et al., 2013). Although these individuals and their families might perceive promising business opportunities, failure to obtain the necessary financial resources can prevent them from pursuing these opportunities and engaging in entrepreneurial activities. As a consequence, they have little chance of benefiting from the wealth-enhancing effects of entrepreneurship (Guiso et al., 2004; King and Levine, 1993; Schumpeter, 1934) and thus of escaping persistent poverty traps (Yunus, 1998). In this regard, it is important to note that entrepreneurship for individuals living in poverty in developing countries has important ramifications that transcend the generally studied entrepreneurship phenomenon in developed countries.

In the past decades, microcredit (MC hereafter) has become a popular instrument to address credit constraints and enable entrepreneurial activity (Yunus, 1998). MC schemes refer to “the issuance of small, unsecured loans to individuals or groups for the purpose of starting or expanding businesses” (Khavul, 2010: 58). According to data collected by the Microfinance Information Exchange, more than 3,600 MC providers had reached over 205 million borrowers as of 2010 (Maes and Reed, 2012).

While MC has grown into a worldwide industry, scholars have raised doubts regarding the actual impact of MC for the client entrepreneurs (Hermes and Lensink, 2011; Morduch, 1999). They point to a lack of profit-generating potential of the financed ventures (Bradley et al., 2012; Hulme, 2000; Karnani, 2007); a lack of management skills of the entrepreneurs (Evers and Mehmet, 1994); and high interest rates (Webb et al., 2013). This raises the question of whether entrepreneurs are able to generate sufficient income to cover the costs of loans and assure loan repayment. Hence, controversy in the theoretical domain leaves the academic community in doubt about the effects of MC on development outcomes for the MC recipients (Kent and Dacin, 2013).

In order to address the controversy in the theoretical domain, a proliferating body of empirical studies has emerged, investigating the effects of MC on recipients. Surprisingly, while some studies present positive results of MC (Dunn and Arbuckle, 2001; Khandker, 2005; McKernan, 2002), several other studies have reported non-significant, or even negative impacts of MC on financial outcomes (Banerjee et al., 2009; Coleman, 1999; Copestake, 2002; Stewart et al., 2010). Overall, the current lack of conclusive empirical evidence in this body of literature (Hermes and Lensink, 2011; Kent and Dacin, 2013; Khavul et al., 2012) casts doubt on the capacity of MC to improve the financial standing of enterprising individuals. Ambiguity also remains regarding MC’s ability to generate a positive impact on additional development outcomes, such as empowerment, education, health and nutrition. Entrepreneurship and development scholars alike have called for greater attention to multidimensional outcomes that extend beyond wealth creation (Fauchart and Gruber, 2011; Gimeno et al., 1997; Miller et al., 2012). MC might help improve the capabilities of poor people on several dimensions of human development (Sen, 1999); yet, empirical studies in this area have failed to reach robust conclusions.

Furthermore, to date little emphasis has been placed on the context in which MC programs are implemented. Following a normative call for a greater need for financial resources for the poor, MC programs have been institutionalized in a multitude of countries with diverging economic, social and institutional settings. Following contingency theory, the context in which MC is deployed, and more specifically the country-related characteristics, likely affect the outcomes of MC (Sen, 1999; Weiss and Montgomery, 2005). Yet, opposing streams of literature suggest competing arguments as to where the benefits from MC are strongest. On the one hand, scholars perceive MC as a substitute for traditional financing instruments in environments where credit markets have failed (Ghatak, 1999; Stiglitz, 1990); hence, the performance effect of MC should be greatest in less developed markets. On the other hand, development literature proposes synergistic relationships between higher levels of social, economic and institutional development and the performance effects that development interventions such as MC can achieve (De Soto, 2003; Sen, 1999). However, to date we lack substantive empirical evidence on whether MC displays supplementary or complementary fit properties.

Given these gaps in the literature, our study addresses three research questions: (1) How does MC affect entrepreneurial outcomes at the individual level of the client (i.e., in terms of venture survival, growth and profitability)? (2) How does

MC affect other key development outcomes at the client level (such as financial well-being, empowerment, education, health and nutrition)? (3) In which contexts do clients benefit most from MC in terms of the outcomes mentioned above? For theoretical guidance, we draw on Amartya Sen's capability approach and his conception of development as freedom (Sen, 1999).

We contribute to the literature in several ways. First, we synthesize literature from both entrepreneurship and development economics, which has been conducted on the topic of MC, in order to develop predictions regarding the effectiveness of MC. Given the interdisciplinary nature of research on the development outcomes of entrepreneurship, we seek to provide insights both for the entrepreneurship community – which has only recently begun to address this important yet distinct entrepreneurship context – and the development economics literature which generally fails to consider either theoretical or methodological advances in entrepreneurship research (Bruton et al., 2013). Second, we provide substantive empirical evidence of MC's impact on both financial and non-financial development outcomes for MC recipients based on a meta-analysis of the existing research. A meta-analysis is an established and powerful method to systematically synthesize empirical research findings and a logical next step in situations where rich, yet contradictory results exist. Our meta-analysis is based on substantial empirical evidence as we synthesize a total of 545 empirical effect sizes from 90 studies. Third, we examine how the development context in which MC is deployed affects the relationship between MC and the different outcomes. Taken together, these contributions provide a starting point for entrepreneurship scholars wishing to address the important topic of MC, while they offer practical implications for policy makers and entrepreneurs.

## 4.4 Theory and hypotheses

MC has sparked substantial academic interest in a number of fields, including development economics (Khandker, 2005; Morduch, 1999; Roodman and Morduch, 2009) and more recently entrepreneurship (Bradley et al., 2012; Bruton et al., 2013; Bruton et al., 2011; Kent and Dacin, 2013; Mair and Marti, 2009). Sen's theoretical framework on development can act as an overarching basis for synthesizing extant MC literature, connecting it to predictions derived from entrepreneurship theories and enriching our understanding of multidimensional outcomes that are meaningful for MC's success (Ansari et al., 2012; Roodman, 2012; Sen, 1999). The pillars of Sen's theory are the concepts of functionings, capabilities and freedoms. In his framework, functionings, a concept borrowed from Aristotle, refers to achievements people enjoy on a variety of key aspects of quality of life. Simply put, functionings are "various things a person may value doing or being" (Sen, 1999: 75), such as being healthy, having a job, being properly nourished, participating in one's community or having self-confidence. The concept of capability introduces the idea of agency in choosing one's functionings. A person's "capabilities" in this framework are thus the "alternative combinations of functionings that are feasible for her to achieve" (Sen, 1999: 75). The distinction between actual achievement and capability is illustrated in an example offered by Nussbaum (1997: 289): "The person with plenty of food may always choose to fast, but there is a great difference between fasting and starving". Thus it is the concept of capabilities, or "freedoms" that is central in assessing the success of development interventions. While the two terms have been used interchangeably in Sen's work, capability has been more frequently used to denote the construct at the individual level, while freedom has tended to be used at the country level. We will be employing a similar mode of usage throughout this article.

Sen's theory is particularly relevant to MC for a number of reasons. It suggests that MC can act as a means of development by increasing individuals' capabilities to act as entrepreneurs and improve their livelihoods. Additionally, Sen provides compelling arguments that a number of aspects of socioeconomic development can act concurrently as antecedents and as outcomes in the process. While he avoids compiling a definitive list of those capabilities (Nussbaum, 1997), he elaborates on certain non-financial capabilities that are particularly influential, such as health, education and women's empowerment (Sen, 1999). These aspects have been extensively studied in empirical work on MC (Hashemi et al., 1996; MkNelly and Dunford, 1998; Pitt and Khandker, 1998; Wydick, 1999). Moreover, Sen argues for the acknowledgement of multiple "ends" of development as legitimately valued outcomes (Ansari et al., 2012; Nussbaum, 1997; Sen, 1999). According to him, financial ends alone can paint an incomplete picture when looking at development. Building on Aristotle's observation that "Wealth is evidently not the good we are seeking; for it is merely useful and for the sake of something else" (Aristotle, Nichomachean Ethics, cited in Sen, 1999: 14), he suggests that wealth is primarily a means - instead of an end - of the development process, which might in turn facilitate other valued outcomes.

### *4.4.1 Microcredit, entrepreneurship and venture outcomes*

MC rests on the expectation that the availability of affordable credit will positively influence the entrepreneurship of clients, and ultimately their financial well-being (Sen, 1999; Yunus, 1998). The availability of credit is what enables entrepreneurs to pursue opportunities without being constrained by their current level of financial resources (Guiso et al., 2004; King and Levine, 1993; Schumpeter, 1934). Entrepreneurs can venture into rewarding projects if financial resources are available. Financial capital has been found to provide the “ability to buy time, undertake more ambitious strategies, change courses of actions, and meet the financing demands imposed by growth”, thus aiding both the survival and the growth of new ventures (Cooper et al., 1994: 391). The availability of financial capital also acts as a buffer against shocks that might threaten small and vulnerable ventures (Bradley et al., 2011). Absence of such resources, however, can constrain their ability to execute promising ideas and decrease their profitability (Parker and Van Praag, 2006).

In resource-scarce environments, MC can offer a solution to the lack of financial resources that entrepreneurs face. Alternative financing sources such as funding provided by family and friends (Collins et al., 2009) are unlikely to be sufficient in poor contexts where saving is difficult, because individuals usually need the resources they have to fulfill their own basic needs. Additionally, formal institutions such as banks have traditionally been reluctant to lend to the poor (Khavul et al., 2012), as their lack of collateral coupled with the absence of, or weak enforcement of, property and legal rights imposes high agency costs, while transaction costs are high compared to the loan amounts requested (Ghatak, 1999; Parker and Van Praag, 2006; Webb et al., 2013). The result has been a widespread inability of poor people to secure loans at reasonable interest rates. Frequently this leads to a heavy dependence on short-term and high-interest loans extended by moneylenders, which can contribute to indebtedness (Yunus, 1998) while further exacerbating the problem of lack of credit and loan default (Stiglitz and Weiss, 1981).

Furthermore, in poor environments people frequently have no other market participation option than entrepreneurship; however, making downpayments to successfully set up or extend a productive activity generally requires a minimum availability of funds (Yunus, 1998). Lump sums of money are difficult to build through saving, due to the precarious situation of poor people as well as their lack of safe avenues for depositing savings (Collins et al., 2009). The lack of credit therefore limits abilities to invest in basic supplies, tools and materials, even for the most elementary types of entrepreneurial activities, as well as the ability to meet temporary cash-flow shortages that any such activity might face. Furthermore, being uninsured, poor people naturally tend to be risk-averse as even one unsuccessful project or investment could have a detrimental impact on their livelihood and survival (Bradley et al., 2012). Thus, the availability of credit options offered by MC organizations could remove some of the barriers that constrain entrepreneurial activity in poor contexts.

Although the literature in this field also points to issues that may decrease the effectiveness of MC such as a lack of profit-generating potential of the financed ventures (Bradley et al., 2012); a lack of entrepreneurial skills (Evers and Mehmet, 1994); and high interest rates (Pretes, 2002; Webb et al., 2013), overall, we expect MC availability to increase a poor person's capability to start, maintain and grow a business, and to successfully navigate it to a profitable level. This should be especially true in deprived contexts where financing alternatives either do not exist or are even more expensive due to high interest rates charged by informal moneylenders. Therefore, we hypothesize that:

> *Hypothesis 1a: Microcredit has a positive impact on the clients' venture survival.*
>
> *Hypothesis 1b: Microcredit has a positive impact on the growth of the clients' ventures.*
>
> *Hypothesis 1c: Microcredit has a positive impact on the profitability of the funded ventures.*

### 4.4.2 Microcredit and personal finance outcomes

The main premise of MC proponents is that the aforementioned increased capability in achieving successful entrepreneurial outcomes will naturally translate into better financial well-being for the poor entrepreneurs. In essence, the justification of using MC as a development intervention rests precisely on its theorized ability to lift people out of poverty (Yunus, 1998). By providing financial resources to operate and run a micro-venture, MC can increase the financial well-being of funded individuals, especially in deprived contexts where entrepreneurship is often the only possibility to earn money due to the absence of alternative employment opportunities. Financial returns from successful entrepreneurial activities can enable loan repayment, while any surplus is expected to serve as additional income for their household (Bradley et al., 2012; Woller, 2004). In addition, MC can smooth income and consumption, hence having an additional positive effect on the financial well-being of funded individuals (Morduch, 1999). Empirically several studies have provided evidence of increased financial well-being for MC clients (Hossain, 1988; Khandker, 2005; McKernan, 2002). Thus, we expect the following:

> *Hypothesis 2: Microcredit has a positive impact on the personal financial well-being of clients.*

### 4.4.3 Microcredit and human development outcomes

While proponents of MC have traditionally focused on its alleged impact on financial outcomes, growing attention has begun to focus on other, non-financial, "human development" outcomes (Hermes and Lensink, 2011; Sen, 1999; Ul Haq, 1996). Based on Sen's work, human development has been conceptualized as the “process of enlarging people’s choices. The most critical ones are to lead a long and healthy life, to be educated and to enjoy a decent standard of living. Additional choices include political freedom, guaranteed human rights and self-respect” (Ross-Larson and Hanlon, 1990:1). Sen (1999) places special emphasis on health, education and women’s empowerment as particularly influential components of development. These important development outcomes can be achieved either through economic activities, which can increase the disposable income of poor people and subsequently impact their standard of living, or through policies and programs to directly improve human development. In this study, we focus on MC´s ability to impact these major human development outcomes.

The capability to lead a healthy life is such a key human development outcome. If financial circumstances of poor clients improve, they can allocate some of the funds earned through their ventures towards pressing health and nutrition needs (Barnes et al., 2001; Pitt et al., 2003). Adding to the positive impact through entrepreneurial activity and greater financial well-being, participation in MC programs can also provide direct educational benefits around appropriate preventive health practices, such as the selection of nutritious foods, care-taking of infants or immunization of children (Hadi, 2001; MkNelly and Dunford, 1998). These educational components are a frequent add-on to MC programs, leveraging the relationships and common spaces established through the interaction between the MC organizations and the client groups for the lending activities. Finally, the availability of even small loan amounts on an ongoing basis can facilitate direct allocation of funds for health expenses (Collins et al., 2009; Ranis et al., 2000). This availability can buffer shocks from unpredictable circumstances and increase the survival and health of clients. We therefore posit that:

*Hypothesis 3: Microcredit has a positive effect on the health of client entrepreneurs and their families.*

An additional non-financial impact of MC might be improved education of the clients' children (Wright, 2000; Yunus, 1998). Following prior arguments, MC has a positive effect on households' financial budgets. Financial income enables parents to send their children to school, as access to schooling is often relatively costly in developing countries considering both direct costs (tuition, material, school uniforms etc.) and indirect opportunity costs (children could spend their time working and contributing to the families' income). An increase in families' financial budgets can be used to cover the schooling costs and increase their willingness and ability to send their children to school (income effect). Although we acknowledge that opening or expanding a venture could also prevent parents from sending their children to school so that they can work in their parents' businesses (a kind of substitution effect), we believe that in the majority of cases the 'income effect' (Chen and Snodgrass, 2001) on the family's budget coupled with the educational input MC organizations provide to clients will outweigh the substitution effect resulting from the substitutability of parents' and children's labor. In consequence, this will lead to a positive impact of MC on education. In addition, research has shown that group repayment schemes as used by the majority of MC institutions have a positive influence on children's duration in the school system and literacy levels (Holvoet, 2004). Hence, we posit:

*Hypothesis 4: MC has a positive effect on the education level of client entrepreneurs' children.*

The empowerment of women has been debated extensively in discussions of MC and its outcomes. Empowerment can be defined as "women's capacity to increase self-reliance, their right to determine choices, and their ability to influence the direction of change by gaining control over material and nonmaterial resources"

(Sanyal, 2009). Women's empowerment is particularly relevant in the cultural context where MC was originally developed. Serious voids exist in women's autonomy and rights in some developing countries, which in turn constrain their involvement in entrepreneurship and more broadly in the labor market, limiting their mobility outside the confines of their homes (Mair et al., 2012).

The MC provision is in the vast majority of cases directed towards female clients, giving them greater control of resources, ownership and operation of enterprises, and abilities to contribute towards their household's income (Sen, 1999; Woller, 2004). It has been suggested that this increases women's empowerment, as it unleashes their productive potential previously constrained by social norms (Parker, 2009; Pitt and Khandker, 1998). For instance, Hashemi et al. (1996) find that participation in MC enables female clients to negotiate gender barriers more effectively, develop identities, and gain experience and confidence in the public sphere. The authors further find that women's mobility outside the household, their ability to make decisions, and their understanding of legal and political issues increases. Additionally, the creation of closer relationships, generated through participation in MC groups, enables them to better support each other and organize the protection of their common interests (Sanyal, 2009). Bradley et al. (2012) underline the transformative effect of MC-financed entrepreneurship, which can result from having started and managed a business. Thus, we propose:

> *Hypothesis 5: Microcredit has a positive effect on the empowerment of women client entrepreneurs.*

### *4.4.4 Context-related Moderators*

Whether and how MC influences the various outcomes discussed above could be context-dependent. The extent to which a development intervention such as MC can be expected to improve capabilities might depend on the wider freedoms a country enjoys (Sen, 1999; Sen, 2010). Sen (1999) highlights five salient “instrumental freedoms”: economic facilities, political freedoms, social opportunities, transparency guarantees, and protective security, which should all be taken into account when discussing interventions aimed at enhancing development outcomes. Economic facilities refer to being able to maintain a decent standard of living financially, while social opportunities capture the quality of health, nutrition and education. Political freedoms denote the existence of a political system that ensures a fair, democratic process so that citizens can exercise their voice and decision-making in society. Transparency guarantees describe the existence of solid institutions and laws that can provide a basis for the proper functioning of government, business and civil society, and have been emphasized by several scholars as crucial to development (De Soto, 2003; McMullen, 2011; North, 1990; Portes and Haller, 2005). Finally, protective security is the level of a safety net for the truly vulnerable members of a society, which ensures they are not marginalized or left destitute.

In order to explore the nature of the moderating relationships between the above five instrumental freedoms highlighted by Sen (1999) and the outcomes of MC, we employ the concept of fit (Cable and Edwards, 2004; Shelton, 1988). More specifically, we aim at investigating the intervention-environment fit where MC is the intervention and the five instrumental freedoms addressed above describe the environmental context. Whether and to what extent MC achieves the desired outcomes could depend on whether MC has a complementary or a supplementary fit with the instrumental freedoms existent in the context where MC is deployed.

One line of thought suggests a supplementary fit between MC and instrumental freedoms. In a favorable environment, MC constitutes an intervention that matches other contextual variables. The success of MC would then be enhanced by higher levels of instrumental freedoms. This argument is consistent with Sen's expectation that certain capabilities or freedoms mutually reinforce others (Sen, 1999). For example, one could argue that economic facilities increase the positive effect of MC on outcomes because entrepreneurs whose ventures are funded by MC can make better use of these facilities. Rosenbusch et al. (2013) have shown that businesses can be more entrepreneurially oriented in munificent environments with abundant resources and opportunities, and as a consequence, their performance increases. Opportunities for growth instead of subsistence entrepreneurship should be greater in such contexts (Bradley et al., 2012; Gries and Naudé, 2011). Hence, in a more economically vibrant context, MC-financed entrepreneurs may have an easier time to deploy resources and assure venture survival as well as achieve higher sales and profits than in more deprived contexts. Subsequently, the increased performance of the venture could have positive effects for other outcomes such as health and nutrition or education of the entrepreneurs' children.

High transparency should also enable MC-funded businesses to increase entrepreneurial and other outcomes. In an environment with less corruption and stronger institutions, profits are expected to be higher because business owners do not need to pay bribes, which act like a tax on the business owners' income. Scholars have maintained that corruption and lack of legal frameworks hinders entrepreneurship and innovation (Anokhin and Schulze, 2009; De Soto, 2003; McMullen, 2011; Portes and Haller, 2005) and decreases the options for entrepreneurs. Hence, entrepreneurs' expectations for future development of the business are more limited (Acemoglu and Robinson, 2012; Aidis and Mickiewicz, 2006) and they invest less into the business (Johnson et al., 2002). In contrast, in a more transparent environment, the money provided by MC institutions is more likely to be used productively to improve the owners' ventures and personal situation.

For the other instrumental freedoms, not much research exists regarding their effect on entrepreneurship. Yet, they also have the potential to influence the impact of MC. In contexts with high political freedom for example, MC-financed entrepreneurs can voice their needs and may be able to improve economic policies in their favor in the long run. Further, in democratic structures there should be a closer link between MC and the empowerment of women because female entrepreneurs have greater opportunities to voice their opinions and exercise individual agency. With respect to social opportunities, their prevalence is an important contextual requirement that could facilitate individual economic achievement (e.g. Sen, 2010), which could enhance education, health and nutrition options. Finally, a context with more protective security may enable MC-funded entrepreneurs to take greater risks, for example by expanding their ventures, because they can rely on a safety net in case of failure. Hence, their options for entrepreneurial activity are increased. This could lead to superior financial performance of the venture and subsequently improved human development.

By contrast to the previously discussed rationale provided by Sen, a complementary intervention-environment fit can occur if MC is more effective in environments with low instrumental freedoms. Recently scholars pointed to the usefulness of entrepreneurship as a response in environments of market or government failures (Austin et al., 2006; Cohen and Winn, 2007; Mair and Marti, 2009; McMullen, 2011; Santos, 2012). In these contexts other interventions and market mechanisms are either unavailable or scarce. In environments with high instrumental freedoms, developmental effects might be achieved without the use of MC (Schreiner and Woller, 2003). In a situation of low instrumental freedom, however, MC could be needed to make up for contextual deficiencies. Following complementary fit arguments (Mischel, 1977), the effectiveness of MC should increase in contexts of low instrumental freedoms, as there is a general lack of other means to support entrepreneurs and their ventures. Complementary fit arguments have been used to justify the initial development of MC organizations, which initially appeared in challenging contexts with limited opportunities (Stiglitz, 1990; Yunus, 1998).

Empirical evidence buttresses the claim that the availability of financial resources can be most critical for ventures in challenging environments (Bradley et al., 2011). In environments with low transparency guarantees, people at the base of the pyramid are also more prone to be exploited by lenders, both formal and informal, as these would rarely face severe legal consequences for any misconduct. The same is true for contexts with low political freedoms, where existing and potential entrepreneurs cannot voice their needs. MC can therefore act as one of the few alternative types of financing which fosters the desired development outcomes while substituting for the lack of other institutions (Mair and Marti, 2009; Mair et al., 2012). In an environment with low protective security it can be argued that entrepreneurs have no other options, as there is no safety net through which to receive benefits to cover their needs. Hence, entrepreneurship is often the only option to earn money and improve financial well-being as well as non-financial outcomes such as education, health and nutrition. Finally, underdeveloped social opportunities may create a similar effect. MC may be the only way for people in this type of context to obtain healthcare and education, therefore the effect of MC on outcomes may be stronger in environments less developed in that respect.

Taken together, it is not clear whether MC provides a supplementary or complementary fit to the dimensions of instrumental freedom as there are theoretical arguments supporting both views. On the one hand, MC-induced entrepreneurship could partly substitute for the lack of market or government alternatives (Austin et al., 2006; Cohen and Winn, 2007; Mair and Marti, 2009;

McMullen, 2011; Santos, 2012), such that in very deprived contexts MC may add more value than in less deprived environments. On the other hand, entrepreneurial outcomes from MC funding may be facilitated by higher degrees of instrumental freedoms as choices for entrepreneurs and their ventures increase in such contexts (Bradley et al., 2012; Gries and Naudé, 2011; Sen, 1999). Based on the existence of these two contradictory lines of argument we propose the following research question:

> *Research Question: How do instrumental freedoms moderate the relationships between microcredit and different outcomes of development?*

## 4.5 Methods

### *4.5.1 Search and identification of studies*

In order to collect a representative body of studies to meta-analyze, we relied on three different approaches as described in previously published meta-analyses (Brinckmann et al., 2010; Rosenbusch et al., 2013). First, we conducted a systematic search in the academic databases of EBSCO, EconLit, ABI Inform and ISI Web of Knowledge, during the period October to December 2011. We used combinations of keywords containing two or three of the following: “microfinance”, “micro-finance”, “microcredit”, “micro-credit”, “microloans”, “micro-loans”, “microenterprise”, “micro-enterprise”, “microdebt”, “empirical” and “quantitative”, and searched the databases in the fields of title, abstract and article keywords. We also manually searched a number of respected management and entrepreneurship journals (“Academy of Management Journal”, "Administrative Science Quarterly", "Strategic Management Journal", "Journal of Business Venturing", "Entrepreneurship Theory & Practice" and "Strategic Entrepreneurship Journal") using the same keywords. We did not limit our searches to a specific time period, although the recent emergence of the phenomenon of MC and its even more recent exploration through quantitative methods in academic literature resulted in a set of studies that were all dated after 1980. Finally, we reviewed studies from the reference sections of studies that had already been identified as relevant through the initial database search, as well as from reference sections of qualitative reviews on MC (Duvendack and Palmer-Jones, 2011; Goldberg, 2005; Morduch and Haley, 2002; Stewart et al., 2010; Woller, 2004).

### *4.5.2 Inclusion criteria*

We employed a number of inclusion criteria in order to make use of the maximum number of studies, while retaining conceptual and analytical clarity on the specific relationships studied. We thus only included studies if they:

1. Consider microcredit programs, and not pure micro-savings or micro-insurance programs. MC is sometimes bundled with other products such as savings, insurance or agricultural materials (Brau and Woller, 2004). We only considered studies eligible when credit was included. Savings as an add-on to MC was eligible; however, we did not look at standalone micro-savings programs.

2. Study the direct provision of credit to poor people. In developed countries, "microenterprise" programs provide business training and support to people to help them secure funding from other sources. We have therefore excluded

studies on microenterprise programs that cannot distinguish between participants that finally managed to secure funding and those who did not.

3. Consider the actual participation and receipt of loans by MC clients. A number of studies alternatively look at the “intention to treat” the person, which signals eligibility to become a client in the future (Banerjee et al., 2009). As we are looking at the impact of the programs, we track only actual participation.

4. Refer to MC programs offered by any types of MC organizations, including for-profit, government, non-profit and cooperative legal forms. Both studies that refer to microloans specifically intended for entrepreneurship, and those that refer to general-purpose microloans, fall within the scope of our analysis. General-purpose loans can be used to finance venture activities or more broadly support the entrepreneurs’ operations. Further, a lack of rigorous monitoring of the loans and the generally non-formalized nature of the ventures makes the ultimate use of these loans hard to verify (Ansari et al., 2012; Collins et al., 2009). In the development environment we analyze, where the majority of individuals are self-employed and pursuing unregistered, informal economic activities, the distinction between the individual and the venture is generally difficult to make. Thus, proclaimed business loans are sometimes used for personal purposes, while personal loans are used to support an individual’s productive activity. We therefore include all types of MC loans, and run a robustness check to ensure no differences arise from different categorizations.

The application of these criteria resulted in 153 studies that were conceptually relevant for quantitatively assessing the relationship between MC and our chosen outcomes. Unfortunately, a number of studies, even though quantitative, do not report the necessary statistics. Due to the nature of the meta-analytical methods used in this paper only studies for which bivariate statistics were available have been included. We contacted authors of studies that did not report the necessary statistics, and when they have provided them (in 6.8% of cases), the respective studies were included in our meta-analysis. The final sample of studies coded is therefore k=91 (59.48% of conceptually relevant studies). This procedure and its outcome are comparable to other meta-analyses published in entrepreneurship (Brinckmann et al., 2010; Unger et al., 2011). We provide the list of studies at the end of this chapter.

### *4.5.3 Measures*

**Dependent variables**

The outcomes of MC are measured in a variety of ways in the literature. Based on prior theorizing, we were particularly interested in measures that represented the following categories of outcomes: venture survival, venture growth and venture profitability, financial well-being of the clients, health of clients, education of clients' children, and empowerment of female clients. A common challenge in MC research is the precise measurement of outcomes of interest in the largely developing and informal contexts where MC is deployed, because official records and clear boundaries between the individual, the household and the microenterprise are lacking. Thus, proxies are commonly used for the measurement of key outcomes, for example income or expenditures are used as a proxy for financial well-being. Table 4.10 at the end of this chapter lists the different operationalizations used in our sample of studies for each dependent variable, their frequency in our data, and illustrative examples.

When considering the different dependent variables and the respective outcomes of MC, it is important to keep the general development context in mind. For instance, in poor countries in the developing world, venture survival can be interpreted differently than in developed countries. The size, formality, regularity and/or sophistication of a venture's operations might be considerably different compared to ventures in developed countries, which are commonly scrutinized by entrepreneurship scholars. In poor contexts, low opportunity costs and a lack of alternatives may lead individuals to continue operations that have limited economic promise (Baker et al., 2005; Gries and Naudé, 2011). Similarly, venture growth and profitability need to be understood in light of the limited scale of operations funded by MC.

**Independent variables**

In most cases the independent variable is dichotomous, capturing the participation (or not) in MC programs, where participation entails receipt of at least one loan. We have also included continuous operationalizations of participation in MC programs, measured as time of participation since receipt of loan (these consisted of only .022% of the sample of outcomes measuring health & nutrition).

**Moderating variables**

To measure instrumental freedoms at the country-level, we have used established measurements publicly available from the United Nations Development Programme (http://hdr.undp.org/en/data) and Worldwide Governance Indicators project (http://www.govindicators.org/). We use the functionings, namely the actual achievement levels on different dimensions, as indicators of freedoms, following prior literature (Nussbaum, 1997). Nussbaum (1997: 291) notes that "it is easier to get information on health achievements than on health capabilities; to some extent we must work with the information we have, while not forgetting the importance of that distinction". The Human Development Index has been developed based on Sen's theory to highlight country-level functionings on a variety of human development indicators (Sen, 2010; Ul Haq, 1996). We use the HDI index of income to measure economic facilities, and the HDI index of education and HDI index of health to measure the two main aspects of social opportunities at the country level. We employ the Worldwide Governance Indicators' "voice and accountability" indicator as a measure of political freedoms and "control of corruption" indicator as a measure of transparency guarantees (Kaufmann et al., 2007). Finding a reliable metric for the dimension of protective security was not possible; while the World Bank measurements (http://databank.worldbank.org/data/) include an indicator of total social insurance contributions as a percentage of a country's revenue, the data is incomplete for many countries, thus we have excluded this dimension from our analysis. For all the moderating variables, we have used the measurement that corresponds to the country and the year of data collection of each study included in our dataset.

**Control variables**

MC scholars (Hermes and Lensink, 2011; Khavul, 2010; Roodman and Morduch, 2009) highlight the importance of the quality of MC studies. Qualitative differences between studies could influence the results of this meta-analysis. To ensure that our results are not biased, we controlled for methodological characteristics of the primary studies. We included dummy variables indicating whether studies a) followed an experimental or a non-experimental design, b) were longitudinal or cross-sectional, and c) employed a control group in their design. Experimental studies are expected to better mitigate biases of selection and self-selection, however they possess some limitations that prevent researchers from depending exclusively on such designs (Hermes and Lensink, 2011; Khavul, 2010; Roodman and Morduch, 2009). Therefore, both experimental and non-experimental designs are commonly used to study the effects of MC. Longitudinal research designs and the use of control groups are also expected to produce more valid results and reduce potential biases (for a detailed discussion of research designs, see Woller, 2004). We additionally controlled for a potential publication bias with a dummy variable indicating peer-reviewed publications, versus non-peer-reviewed (including practitioner reports, dissertations and unpublished academic work). Finally, we control for the broader region/continent where each study has been conducted.

For the main relationships between MC and dependent outcomes meta-analyzed, we conducted subgroup analyses to see if the control variables mentioned above would raise any concerns[3]. While the direction and significance of the effects remained identical for all relationships, for the dependent variables of venture growth, the effect strength was smaller for effects representing changes over time, versus effect sizes representing absolute values. For the respective relationship, we thus report findings both in disaggregated (for change effects and

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[3] Out of the 4 final effect sizes included in the “venture survival” calculation, all employed a control group and were longitudinal, and none were experimental. Out of the 34 effect sizes included in “venture growth”, 33 employed a control group, 2 were experimental and 10 longitudinal. Out of the 6 included in “venture profits”, all employed a control group, 2 were experimental, and 4 longitudinal. Out of the 62 final effect sizes included in the “financial well-being” calculation, 58 employed a control group, 6 were experimental and 23 were longitudinal. Out of the 42 ones included in the “health and nutrition” outcome, 41 employed a control group, 6 were experimental and 9 longitudinal. Out of the 26 final effect sizes included under “empowerment”, 24 employed a control group, 3 were experimental and 10 were longitudinal. Finally, out of the 24 effect sizes included under “education”, 23 employed a control group, 3 were experimental and 6 were longitudinal.

for absolute size effects) and in aggregated format. In the moderation analyses, regressions enabled us to control for the method variables mentioned above, by including them into our models.

### 4.5.4 Data Analysis

In a first stage, we extracted the corresponding effect sizes from each study for each dependent variable. We coded the Pearson's product-moment r correlation reported in studies, or any other bivariate measurement that can be converted to r (Lipsey and Wilson, 2001). Several studies reported the exact statistics only when relationships exhibited statistical significance. Excluding these non-significant effect sizes might lead to results being upward biased. We therefore set the t-value to 0, when an effect size was reported as insignificant but its specific p-value had not been reported. This incidence occurred to a limited extent, in 9.3% of effect sizes. A robustness check revealed no changes when these cases were completely excluded from the sample.

When more than one sample was used in the same study, we coded the effect sizes of each sample separately. In certain cases more than one study reported effect sizes taken from a common sample. If the overlapping studies reported the same types of relationships, effect sizes were taken from only one of the studies. If they reported different relationships, then effects were coded for all the relationships present, and the sample – not the study – was considered the unit of analysis. Once effect sizes had been coded, corrections were made for "artifacts" in measurements in the primary studies that can create systematic sources of variance and artificially distort findings (Geyskens et al., 2009; Hunter and Schmidt, 2004). Specifically, we corrected for artificial dichotomization and reliability of the measurements of the dependent variable (Hunter and Schmidt, 2004). Corrections for the measurements of the independent variable were not applicable: participation in MC programs is a naturally dichotomized and also objective measure, thus not vulnerable to artifacts of dichotomization or reliability.

After applying the corrections for the artifact of dichotomization and reliability, effect sizes were averaged out so that only one effect size was provided by each study for each relationship studied (Geyskens et al., 2009). We also checked for outliers that might bias our results (Lipsey and Wilson, 2001), excluding from the final analysis the few averaged effect sizes (12 out of 557) that deviated more than 2 standard deviations from the average of the effect sizes reported. After the combination of studies using the same sample and the removal of outliers, the final number of effect sizes used is 545, derived from 90 studies. The removal of outliers produces more moderate averaged effect sizes, especially in the dependent variables of health and nutrition, and of education. However, due to the limited number of outliers and their extreme values we consider their removal justified.

To combine the findings from the selected studies we have followed the Hedges & Olkin methodology (Hedges et al., 1985) and formulae provided by the CMA meta-analysis software (Borenstein et al., 2009). This methodology combines the averaged effect sizes of the primary studies into a total average effect, while controlling for their different variance and sample weights, and enables a test of the main relationships of interest in our study. We also calculated significance levels and confidence intervals, as well as the $I^2$ heterogeneity metric and prediction intervals according to the Hedges & Olkin approach (Borenstein et al., 2009). All results reported were calculated using random effects models, with the exception of the $I^2$ heterogeneity metric, which was calculated using fixed effects models.

For testing the moderator effects we ran weighted least squares (WLS) meta-analytic regressions for each dependent variable as suggested by Lipsey and Wilson (2001). In a meta-analytic regression, the effect size for the main relationship is the dependent variable whereas the moderators are the independent variables influencing the main relationship. Furthermore, we included a number of control variables that capture the part of the variance in results attributable to methodological differences between the empirical studies. Given the rather high correlations between some of the country-related moderators (which are to be expected due to their interrelatedness (Sen, 1999), but which may cause multicollinearity), we decided to run separate models, including all control variables and regressing each of the moderating variables on each dependent variable of interest, i.e. on the relationships between MC and different outcomes. Two dependent variables, namely venture survival and venture profits, were excluded from the meta-regression analysis, due to the small number of available effect sizes.

### *4.5.5 Robustness checks*

Several robustness checks were conducted to ensure no biases affected our results. First, results were also calculated without artifact corrections of effect sizes as well as under different assumptions regarding the reliability correction[4].

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[4] The original effect sizes (prior to averaging out) that were coded as subjectively measured and thus relevant for a reliability correction were 96, out of which only 5 reported a Cronbach's alpha. In the main analysis we therefore chose to use the average of the reported reliabilities for the correction, when Cronbach's alpha was not reported. However, to ensure that such a choice would not influence the reported results, we also conducted robustness checks a) without any artifact

Second, we compared results across different legal forms of MC organizations (i.e. for non-profit, for-profit and government organizations) and across different types of loans (entrepreneurship or general purpose loans, where this information was available). Third, we excluded the cases of effect sizes mentioned earlier, which had been coded with a t-value =0 because their precise p-value had not been reported. Additionally, we tested to see if different proxies for each of our dependent variables resulted in statistically significant differences in the relationships tested. Results remained stable across all of these robustness checks. Finally, we ran checks for the potential existence of publication bias potentially affecting the results of the meta-analysis. The calculation of Rosenthal's fail-safe N (Rosenthal, 1979) and the funnel plot graphic tests (Egger et al., 1997) indicate that publication bias is unlikely to affect our results.

## 4.6 Results

We tested our hypothesized relationships using random effects models, since random effects models yield more conservative estimations than fixed effects models (Geyskens et al., 2009). Table 4.1 summarizes the results of the meta-analysis, reporting the average weighted effect size for each relationship, its statistical significance and key heterogeneity metrics.

The results suggest that MC has a positive impact on diverse dependent variables, albeit with different magnitudes. The effect of MC on venture survival is positive ($r = .10$, $p < .10$), yet marginally significant, as the confidence interval includes zero.

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corrections, b) with corrections, assuming Cronbach's alpha=1 where it had not been reported, and c) with corrections for both subjective and objective measures of the dependent variables.

Thus, we find only weak support for hypothesis 1a. Turning to the other dimensions, our findings corroborate the expectation that MC helps entrepreneurs achieve greater growth in their ventures ($r = .08$, $p < .01$) and increased profits ($r = .11$, $p < .05$), lending support to hypotheses 1b and 1c respectively. The effect of MC on financial well-being of entrepreneurs is also positive ($r = .16$, $p < .01$) supporting hypothesis 2. Turning to the human development outcomes of MC, the effect on health and nutrition ($r = .08$, $p < .01$) as well as education ($r = .05$, $p < .01$) of the clients and their families is positive, substantiating hypotheses 3 and 4. MC further has a positive impact on female empowerment ($r = .21$, $p < .01$), providing support for hypothesis 5.

Methodological controls revealed that the magnitude of the effect for the dependent variable of venture growth was statistically different for effects based on changes across treatment and control groups over time ($r = .08$, $p < .01$) versus for effects based on absolute values across groups ($r = .12$, $p < .01$). However, the direction of the relationship does not change. As expected, effects representing change provide a more conservative estimate of the MC effect on venture growth. Disaggregated results are included in Table 4.1.

Heterogeneity across studies is high for the majority of dependent variables. The proportion of "true heterogeneity" to total variance ($I^2$) is over 75% for the majority of variables, suggesting the need for further moderator analysis. The results of our exploratory analysis scrutinizing the contextual dependence of the

MC-development relationships are summarized in Table 4.2, while detailed results are provided at the end of this chapter. Results indicate that the majority of the moderating relationships were statistically significant. The impact of most context moderators of interest on the relationship between MC and human development is negative (i.e., as the contextual situation of a country improves the effectiveness of MC decreases). An exception is the impact of certain contextual moderators on

**Table 4.1:** Effect of microcredit on different outcomes

| Dependent variable | *k* | *N* | *r* | Confidence Interval (95%) | *Vw* | *Vb* | Total Variance | *I²* | Prediction interval (95%) |
|---|---|---|---|---|---|---|---|---|---|
| Venture survival | 4 | 3,78 | 0.10† | -0.02: 0.22 | 0.01 | 0.05 | 0.06 | 85.89 | -0.10: 0.30 |
| Venture growth (change e.s.)[5] | 11 | 4,668 | 0.08** | 0.04: 0.12 | 0.10 | 0.01 | 0.11 | 11.81 | 0.08: 0.08 |
| Venture growth (absolute e.s.) | 23 | 16,294 | 0.12** | 0.05: 0.19 | 0.16 | 0.57 | 0.74 | 95.60 | -0.22: 0.46 |
| Venture growth (total) | 34 | 20,962 | 0.12** | 0.06: 0.17 | 0.27 | 0.72 | 0.98 | 93.69 | -0.16 : 0.40 |
| Venture profits | 6 | 4,723 | 0.11* | 0.02: 0.19 | 0.03 | 0.03 | 0.07 | 55.67 | -0.04 : 0.26 |
| Financial well-being | 62 | 42,854 | 0.16** | 0.12 : 0.21 | 0.52 | 2.01 | 2.53 | 95.21 | -0.19 : 0.51 |
| Health & nutrition | 42 | 33,542 | 0.08** | 0.04: 0.11 | 0.43 | 0.33 | 0.75 | 78.50 | -0.09 : 0.25 |
| Empowerment of women | 26 | 16,608 | 0.21** | 0.14: 0.27 | 0.29 | 0.55 | 0.84 | 85.60 | -0.07: 0.49 |
| Education | 24 | 20,71 | 0.05** | 0.02: 0.08 | 0.18 | 0.08 | 0.26 | 69.99 | -0.06 : 0.16 |

k: number of studies

N: combined sample size

r: Pearson correlation

confidence interval: interval within which effect sizes are expected to lie due to the level of standard error

Vw: Total variance *within* studies

Vb: Total heterogeneity *between* studies

Total variance: *Vw* + *Vb*

I²: % of true between-study heterogeneity to total variance

prediction interval: interval within which effect sizes are expected to lie due to level of heterogeneity between studies

† $p < .10$

* $p < .05$

** $p < .01$

[5] For the venture growth variable, effect sizes which measured the variables as absolute values at one point in time (but typically as a difference from a comparable control group some time after the MC loan had been received) were significantly different from those measuring the change in each group compared to a baseline before MC reception – yet, they were of the same direction and significance. We make use of the more conservative effect size based on change measurements in our Results and Discussion sections, but present the detailed breakdown here for completeness.

the MC-women's empowerment relationship. Further, results are mixed regarding the impact of contextual factors on venture and financial outcomes. We find that favorable economic facilities have a positive effect on the MC-venture growth and the MC-financial well-being relationships, while the effects of the remaining moderators are negative.

**Table 4.2: Summary of effect of country-level moderators on MC outcomes**[6]

| Country-level moderators | Venture Growth | Financial Well-being | Health & Nutrition | Empowerment | Education |
|---|---|---|---|---|---|
| Economic facilities | positive** | positive ** | negative ** | n/s | negative ** |
| Social opportunities (health) | n/s | n/s | negative ** | n/s | negative ** |
| Social opportunities (education) | negative** | negative ** | negative ** | n/s | negative ** |
| Political freedoms | negative** | negative ** | negative ** | positive** | negative † |
| Transparency guarantees | negative** | negative ** | negative ** | n/s | negative ** |

n/s: non-significant relationship

† $p < .10$

* $p < .05$

** $p < .01$

[6] For the dependent variables of venture survival and venture profits there were not sufficient observations to include them into the moderator analysis.

## 4.7 Discussion

### 4.7.1 Theoretical implications

MC has been suggested as one of the few interventions that have a significant impact on improving the lives of people at the base of the pyramid by enabling participation in the economic system. MC provides individuals with financial resources that can be used to start, maintain and grow their own ventures, which can enhance their financial well-being and broader human development outcomes. The proposed core link between MC and the different development goals is small-scale entrepreneurship, which gives people the opportunity to earn money and create value in their communities. Although MC has received much positive attention over the last decades culminating in the Nobel Peace Prize for Mohammed Yunus who pioneered MC lending, critics have pointed to negative consequences for borrowers such as social pressure on those who cannot repay (Hulme, 2000). After decades of theoretical and empirical research with conflicting findings the academic world is still faced with three major questions: *(1) What are venture related outcomes of MC? (2) How does MC influence individuals' financial situations and broader development outcomes? And (3) is the effectiveness of MC context-dependent?*

With respect to the first two questions, our results support Roodman's (2012) view on MC: there are positive effects on several human development outcomes but their magnitudes suggest that MC might not be transformational for many of the desired outcomes. The availability of MC appears to facilitate entrepreneurship at the base of the pyramid, extending research typically conducted in developed contexts (Cooper et al., 1994; King and Levine, 1993; Schumpeter, 1934).

The effect that stands out in terms of its magnitude is the one on empowerment of women which supports previous arguments (Hashemi et al., 1996; Sanyal, 2009) that MC may have more of a psychological effect related to being an entrepreneur and contributing money to support the family. The strong impact on empowerment may seem surprising considering the long and hotly debated discussion on this topic with many pro and contra arguments (Khavul, 2010). While MC might not change constraining structures that prevent women from engaging in economic activity (Goetz and Gupta, 1996; Rahman, 1999), participation in these programs assigns them responsibilities and rights (Mair et al., 2012). Thus, repeated social and economic interactions ultimately might confer more power to women and facilitate the joint pursuit of common causes that improve welfare of their respective communities (Sanyal, 2009). This effect can create a virtuous cycle, as a greater number of empowered women have the opportunity to engage in entrepreneurship and more generally market activity, and through these become further respected and empowered.

The effects of MC on other human development outcomes appear less pronounced. Our findings support proponents' claims about potential beneficial effects on health and nutritional outcomes and on educational outcomes for their children. However, the meta-analysis revealed both effects to be relatively small, which could indicate that the benefits from MC may be partially offset by detrimental effects. For example, some parents may take their children out of school so that they can work in the family business (Morduch, 1999; Wydick, 1999).

Overall, our results support theorizing by Sen (1999) that development instruments such as MC can have a broad positive impact that goes beyond immediate outcomes and covers a range of development goals (Austin et al., 2006; Miller et al., 2012). This is an important contribution to the literature as we previously lacked substantive empirical evidence about whether and how specifically MC can facilitate development goals. Our findings suggest that immediate outcomes relating to the funded venture are positively affected, while simultaneously – and following Sen's theorizing – in an interwoven fashion development progress also extends to other areas including health, education and empowerment. Hence, an intervention aiming at giving people at the base of the pyramid the opportunity to become entrepreneurs can foster development in such contexts (Mead and Liedholm, 1998; Parker, 2009).

A further contribution relates to the exploration of the way in which the context affects MC-development outcome relationships. Any instrument that aims at enhancing entrepreneurship and development may require specific conditions in order to increase its effectiveness. The theoretical debate highlighted that on the one hand MC could have more positive performance effects in benign environments because entrepreneurs have more options to develop their ventures. On the other hand, MC could be more beneficial in challenging environments where it may provide the only chance for individuals to improve their financial situation and subsequently gain access to education, healthcare and nutritious food. The literature provides theoretical arguments for both views (Cohen and Winn, 2007; Mair et al., 2012; Santos, 2012; Sen, 1999) yet empirical evidence was lacking.

Our findings illustrate that the vast majority of the moderating effects tested are negative, indicating support for a complementary fit. In other words, in most cases MC is more beneficial in hostile environments. We conjecture that in these hostile environments MC serves as a means to overcome the lack of access to alternative developmental opportunities. MC increases options where a low degree of instrumental freedoms leads to market failures and therefore a lack of alternative choices for people at the base of the pyramid (Cohen and Winn, 2007; Mair and

Marti, 2009; Mair et al., 2012; Santos, 2012). This finding can refine prior literature theorizing a positive moderating effect of strong institutions for entrepreneurial outcomes (De Soto, 2003; Portes and Haller, 2005). In particular, under conditions which are generally detrimental for entrepreneurship (Anokhin and Schulze, 2009), MC may act as a substitute for institutional voids, essentially creating semi-formal institutions that drive development outcomes (Mair and Marti, 2009; Mair et al., 2012).

Nevertheless, there are exceptions to this general pattern, including the moderating effects of economic facilities on the relationships between MC and venture growth as well as financial well-being of clients. These positive moderator effects indicate that MC-funded venture growth and personal financial outcomes are higher under favorable economic conditions. This result is in line with previously conducted research which shows that environmental munificence facilitates the success of entrepreneurial ventures (Rosenbusch et al., 2013). Better economic conditions increase opportunities for entrepreneurs to take risks, be pro-active and innovative and in turn, to increase sales and profits (Rosenbusch et al., 2013). The MC-empowerment link constitutes another exception. The rather strong relationship between MC and empowerment of women seems to apply more universally, compared to MC's relationships with other development outcomes. Only one of the instrumental freedom dimensions has a significant moderating influence – political freedom. In a political system where women can more easily voice their opinion and exercise individual decision-making and agency, MC can be expected to have an even stronger effect on empowerment than in other contexts.

Our findings can also contribute to our understanding of the positive synergetic contextual considerations stressed by Sen (1999). It appears that greater development at the societal level does not imply that interventions such as MC will necessarily improve their effectiveness. Rather, certain types of interventions such as MC can actually become less relevant in the presence of more traditional market-based means such as conventional loans. Thus, a careful consideration of the respective instrument and the level of development in a given context is warranted (Schreiner and Woller, 2003). With respect to MC, it appears that it is a tool that can influence outcomes that go beyond strictly financial ones, especially when other financing forms are missing and the societal context is characterized by market and government failure. At a more general level, our results call for a greater consideration of contextual effects in theory development. With respect to the extant empirical research in this domain our results caution that empirical results have to be interpreted with care, especially if they are based on specific settings. As results are likely context dependent, they may not be generalizable beyond the specific setting, so further research needs to scrutinize specific findings in other contexts. This further supports the need of replication research to substantiate our knowledge in this domain (Banerjee and Duflo, 2008).

### *4.7.2 Practical implications*

Our findings suggest that MC has a positive impact on the financial and human development outcomes of poor individuals in challenging contexts. Thus, MC may be considered an overall positive instrument. However, given that its effects on some outcomes are moderate, proponents should be more cautious and avoid overly enthusiastic claims regarding its potential. As Morduch (1999: 1609) foresaw, “the promise of microfinance should be kept into context”. From a policy point of view, the impact of MC for the economic and human development of people at the base of the economic pyramid should best be evaluated in comparison to alternative interventions, and not in absolute numbers. For instance, the overall effectiveness of development aid programs has been estimated through meta-analysis to be close to zero (Doucouliagos and Paldam, 2008). In comparison, even programs with small expected effectiveness would be preferable. The effect sizes resulting from our study are, however, comparable to those of other meta-analyses investigating determinants of entrepreneurship and entrepreneurial outcomes. For example, Zhao and Seibert (2006) obtained effect sizes between r =-.16 and r =.19 for the relationships between personality traits and entrepreneurial status. Unger et al. (2011) reported a correlation of r =.12 for the link between human capital and entrepreneurial performance in developing contexts. Different social capital dimensions produced correlations between r =.04 and r =.19 with entrepreneurial performance in developing contexts (Stam et al., 2014). Hence, the strength of the effects of MC for entrepreneurship and entrepreneurial outcomes appears to be similar to those of other resources such as human and social capital. It is important to note though, that the development context of the other meta-analyses is markedly different. Further, when deciding if a particular program is desirable for a specific context, global estimates should be complemented with context-specific insights (Whittington et al., 2012). Finally, given the overall low development impact, a search for additional and novel intervention instruments and a more specific analysis of the effectiveness of different MC programs might be warranted.

In terms of human development outcomes, policymakers should be aware that MC appears to have beneficial effects on a number of outcomes. However, due to the relatively small magnitude of the detected effects, we would caution against using MC as the primary solution for non-financial problems, especially in the fields of health and education, where estimated effects are small. As with financial outcomes, a comparison of the effect of MC to those of traditional health and education interventions should form the basis for decision-making on appropriate programs.

In turn, MC appears to be a promising instrument for fostering women's empowerment, supporting prior literature (Mair et al., 2012; Sanyal, 2009). This is an important finding that lends credibility to the practice of MC providers to emphasize women entrepreneurs as MC recipients in contexts where their rights are constrained. As both practitioners and academics have pointed out, women might be more likely than men to invest the credit in productive endeavors, and to distribute the earnings generated towards the well-being of their entire families (Armendariz and Morduch, 2007; Littlefield et al., 2003). While some critics have argued that women do not always retain the ultimate control of these loans and might sometimes be pressured to repay loans their husbands are managing (Goetz and Gupta, 1996), our study supports the view that for the greater part women can be expected to benefit from MC involvement (Kabeer, 2001). Especially in traditional societies where their mobility and market participation are extremely constrained, the activities they engage in due to MC provisions have the potential to improve their status in their families and communities (Sanyal, 2009). In sum, we consider MC as one of an array of possible facilitators of development in poor economic environments; other instruments such as social safety, educational, health directed instruments, as well as property rights and law enforcement should also be considered (Hulme, 2000).

With respect to conditions that improve the effectiveness of MC our findings suggest that MC adds most value in deprived contexts with low instrumental freedom. However, if the growth of the MC-financed ventures is the goal of the intervention, MC needs to be supplemented with instruments facilitating the economic development of the poor in broader terms (Kabeer, 2005), as ventures require economic conditions with opportunities for growth and access to resources. If an environment lacks such conditions, MC's influence on venture development and personal financial well-being of the recipients may be limited.

### *4.7.3 Limitations and future research*

Several limitations are present in the primary studies on MC. First, some concerns have been raised in the MC literature regarding issues of selection and self-selection effects leading to endogeneity concerns. Experimental research designs may be less prone to suffer from such problems, yet these designs are rarely employed as they are extremely costly and complete randomization is rarely feasible or ethical (Hermes and Lensink, 2011; Roodman and Morduch, 2009). However, even if treatments are not entirely randomized, most MC studies employ a treatment and a control group that have been chosen to be similar, and results reported reflect the differences between treatment and control group, post treatment. The use of similar control groups thus enables us to have reasonable confidence in our findings. Additionally, we have controlled for varying methodologies used in the primary studies, and reported the effect of method-selection, which can further guide future research towards more rigorous practices.

Second, a key constraint in relevant research is the lack of a clear theoretical model (Hermes and Lensink, 2007) that distinguishes between direct and indirect effects, and the temporal stages of the impact of credit on different dependent variables. As Sen (1999) highlighted, key development variables can operate both as means to and ends of development, and be linked in an intricate web of interrelationships. Thus, untangling these cause and effect relationships can lead to extremely complex models (Duvendack and Palmer-Jones, 2011) that are difficult to test. Primary studies rarely test mediation models or agree on a common theoretical framework. Given Sen's (1999) theorizing, we selected certain development outcomes. We hope that our findings point to more fertile ground for future research that aims to identify key effects and distinguish more clearly between immediate and ultimate effects. At the same time, we should bear in mind Sen's (1999) warning that establishing clear causalities might be a challenge difficult to resolve in this area.

Third, further limitations result from the challenging context of poor communities where transactions are usually minuscule and rarely reported in written form, while funds are used interchangeably for a multiplicity of purposes (Portes and Haller, 2005). This challenge is evident in the relative lack of precision in the description of the individuals and the measurements used in primary studies (Hermes and Lensink, 2007). While economic studies tend to use rigorous research designs, they sometimes define variables with limited precision and frequently rely on rough proxies. Additionally, in practice MC organizations rarely track the actual use of the loans, thus limiting our understanding of the exact process between the provision of the MC and the resulting outcomes. In fact, MC often serves as a line of credit for the informal venture and the client. It is issued as a personal loan and frequently serves to finance immediate expenses related to the individuals and their families (Collins et al., 2009). Furthermore, the requirement to save during receipt of MC loans prevents us from untangling the effect of the savings component of MC loans. While we partially account for most of these issues in our robustness checks, further research should be directed at distinguishing these effects more concisely.

Fourth, most studies we located originated from the field of economics, and thus typically focus on macro-level characteristics to a much greater extent than they focus on individual or venture-level characteristics. This limitation restricts the conclusions that can be drawn about the applicability of MC to specific ventures or individuals. For instance, it is scarcely reported whether loans are provided to new or established ventures, a difference that might, however, affect the outcomes resulting from these loans. Furthermore, with the exception of a study by Bradley et al (2012), we know little about the motivation behind specific ventures. Yet, as these authors suggest, variables such as experience, business expertise or the type of entrepreneurship (e.g. necessity vs. opportunity entrepreneurship) can additionally determine the outcomes of MC. In general, MC research rarely investigates the impact of the characteristics, strategies and actions of individual entrepreneurs (Bruton et al., 2013; Frese, 2000).

As our research depicts the limitations of extant literature, it can also serve in guiding future research. First, we would like to encourage researchers to explore the intermediate relationships between MC, specific entrepreneurial activities and financial as well as non-financial outcomes with greater rigor. Researchers are advised to use clearly defined constructs, and theoretical models that aim at disentangling direct and indirect effects of MC. While many variables are expected to be interrelated, individual studies commonly focus on a limited set of variables and primarily focus only on financial effects. We advise entrepreneurship researchers to include non-financial outcomes that transcend the strictly financial measures, as complex development phenomena cannot be reduced to financial variables alone (Sen, 1999). In terms of methodology, researchers in entrepreneurship can build on but also extend current analyses on MC from the economics field (Bruton et al., 2013). The extant literature suggests that when financial and temporal considerations allow it, experimental designs should be given precedence, and if this is not a possibility then a longitudinal design employing a comparable control group is strongly recommended.

Entrepreneurship researchers can also add greater nuance to the study of MC, by incorporating the great wealth of insights and variables pertaining to the individual, the opportunity or the venture level of analysis. By considering the personal characteristics, motivation and actions as well as strategies employed by the individuals, we can better prescribe MC to specific entrepreneurs that are more likely to make good use of the instrument. Additionally, the age of the venture and the nature of the industry or the opportunity might be critical factors. For instance, an attention to the type of entrepreneurship can help researchers better conceptualize and specify phenomena such as MC entrepreneurship or entrepreneurship in developing contexts, as necessity entrepreneurship is more likely to persist in the absence of alternatives and is not necessarily an indicator of success (Acemoglu and Robinson, 2012; Baker et al., 2005). Further, researchers can also build on work exploring the impact of specific characteristics of the MC programs on overall success. For instance, Karlan and Valdivia (2011) examined whether entrepreneurship training influences the outcomes of MC, but found little or no evidence that such training affected revenues, profits or employment. In contrast, training seems to have a positive effect on entrepreneurial outcomes in other contexts (for a review of the literature on entrepreneurial training see Glaub and Frese, 2011). However, the strength of the effect largely depends on the type of training and on the methodology used to assess training outcomes (Glaub and Frese, 2011). Linking this general finding to MC research, questions arise on whether training might also enhance the effectiveness of MC on different outcome dimensions. Further, future research on the impact of MC could identify types of training that might increase the effectiveness of MC.

Finally, researchers could further scrutinize the mechanisms behind our finding that more deprived and hostile environments tend to moderate MC's impact positively. One of the puzzling questions that arise from our findings regards the specific mechanisms through which MC can add value despite difficult environmental conditions such as corruption and a lack of democratic structures.

Far from being the final word on the topic of MC's impact, we hope that our meta-analysis provides a comprehensive snapshot of extant literature and points to productive avenues for future research. As entrepreneurship research increasingly penetrates debates around development, we see a fruitful opportunity for two previously unconnected streams of research to engage in greater dialogue. Debates around MC and other forms of development entrepreneurship stand to gain both from the long-standing tradition of development economics and from the specific insights that entrepreneurship scholarship can contribute. We hope that our study provides guidance and encouragement for researchers wishing to explore this important, ambitious and fascinating new frontier.

References chapter 4


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# Appendix 1: Overview of studies included in the meta-analysis

**Table 4.3:** Studies examining education effects

| **Authors, year** | **Subsamples** | *N* | **Average *r*** | **Average *SE*** |
|---|---|---|---|---|
| Abera, 2010 | | 361 | 0.20 | 0.05 |
| Aideyan, 2009 | | 281 | 0.28 | 0.08 |
| Anyango et al., 2007; Brannen, 2010 | | 170 | 0.14 | 0.07 |
| Barnes et al., 2001a | | 453 | 0.14 | 0.19 |
| BIDS study (Khandker et al., 1998; Khandker et al., 2008; Khandker, 2001; Nanda, 1999; Pitt & Khandker, 1998; Pitt et al., 1999; Pitt et al., 2003; Pitt, 2000) | Sample 1 | 1280 | 0.01 | 0.03 |
| BIDS study (Khandker et al., 1998; Khandker et al., 2008; Khandker, 2001; Nanda, 1999; Pitt & Khandker, 1998; Pitt et al., 1999; Pitt et al., 2003; Pitt, 2000) | Sample 2 | 752 | 0.01 | 0.04 |
| Casabonne, 2006 | | 5901 | 0.01 | 0.02 |
| Chen & Snodgrass, 2001 | | 600 | -0.07 | 0.13 |
| Coleman, 1999 | | 294 | -0.06 | 0.06 |
| Enterprising Solutions Global Consulting, 2004 | Sample 1 | 346 | 0.15 | 0.14 |
| Enterprising Solutions Global Consulting, 2004 | Sample 2 | 542 | 0.23 | 0.12 |
| Enterprising Solutions Global Consulting, 2004 | Sample 3 | 471 | 0.27 | 0.10 |
| Hiatt & Woodworth, 2006 | | 318 | 0.00 | 0.06 |
| Kondo et al., 2008 | | 2200 | 0.00 | 0.02 |
| Maldonado & Gonzalez-Vega, 2008 | Sample 1 | 355 | -0.04 | 0.05 |
| Maldonado & Gonzalez-Vega, 2008 | Sample 2 | 135 | -0.07 | 0.08 |
| MkNelly & Dunford, 1999 | | 157 | 0.02 | 0.08 |
| Nanor, 2008 | | 710 | 0.09 | 0.04 |
| Nawaz, 2010 | | 176 | 0.09 | 0.11 |
| Pronyk et al., 2006 | | 843 | 0.02 | 0.03 |
| Rahman & Ahmad, 2010 | | 994 | 0.12 | 0.02 |
| Setboonsarng & Parpiev, 2008 | | 2881 | 0.00 | 0.02 |
| Shimamura & Lastarria-Cornhiel, 2010 | | 248 | -0.02 | 0.08 |
| Todd, 2000 | | 242 | 0.15 | 0.09 |

**Table 4.4:** Studies examining women's empowerment effects

| **Authors, year** | **Subsamples** | ***N*** | **Average *r*** | **Average *SE*** |
|---|---|---|---|---|
| Amin & Pebley, 1994 | Sample 1 | 250 | 0.25 | 0.09 |
| Amin & Pebley, 1994 | Sample 2 | 250 | 0.22 | 0.09 |
| Amin et al., 1995 | | 3443 | 0.22 | 0.02 |
| Amin et al., 1998 | | 2364 | 0.15 | 0.02 |
| Barnes et al., 2001a | | 453 | -0.03 | 0.09 |
| Chen & Snodgrass, 2001 | | 600 | 0.13 | 0.10 |
| Dunn & Arbuckle, 2001 | | 480 | -0.10 | 0.15 |
| Fofana, 2009; Fofana, 2011 | | 394 | 0.14 | 0.04 |
| Garikipati, 2008 | | 291 | 0.15 | 0.09 |
| Haque et al., 2011 | | 50 | 0.19 | 0.09 |
| Hashemi et al., 1996; Schuler & Hashemi, 1994 | Sample 1 | 626 | 0.44 | 0.06 |
| Hashemi et al., 1996; Schuler & Hashemi, 1995 | Sample 2 | 599 | 0.64 | 0.05 |
| Hiatt & Woodworth, 2006 | | 318 | 0.00 | 0.07 |
| Holvoet, 2005 | | 597 | 0.30 | 0.08 |
| Maldonado & Gonzalez-Vega, 2008 | | 135 | 0.00 | 0.09 |
| MkNelly & Dunford, 1998 | | 200 | 0.05 | 0.09 |
| MkNelly & Dunford, 1999 | | 157 | 0.19 | 0.13 |
| Nwanesi, 2006 | | 83 | 0.47 | 0.18 |
| Osmani, 2007 | | 84 | 0.62 | 0.09 |
| Pronyk et al., 2006 | | 843 | 0.16 | 0.07 |
| Puhazhendi & Badatya, 2002 | | 115 | 0.59 | 0.08 |
| Raftus, 1998 | | 120 | 0.01 | 0.11 |
| Rahman et al, 2009; Rahman, 2010 | | 571 | 0.35 | 0.14 |
| Setboonsarng & Parpiev, 2008 | | 2881 | 0.01 | 0.02 |
| Sharif, 2004 | | 483 | 0.12 | 0.05 |
| Zeller et al., 2001 | | 221 | 0.22 | 0.10 |

**Table 4.5:** Studies examining financial well-being effects

| Authors, year | Subsamples | *N* | Average *r* | Average *SE* |
|---|---|---|---|---|
| Abera, 2010 | | 326 | 0.08 | 0.06 |
| Aideyan, 2009 | | 281 | 0.04 | 0.06 |
| Al-Mamun et al. , 2011 | Sample 1 | 151 | 0.50 | 0.06 |
| Al-Mamun et al. , 2011 | Sample 2 | 182 | 0.48 | 0.05 |
| Amin et al., 1998 | | 2364 | 0.15 | 0.02 |
| Anyango et al., 2007; Brannen, 2010 | | 279 | 0.12 | 0.07 |
| Bali Swain & Wallentin, 2009 | | 961 | 0.14 | 0.03 |
| Bali Swain et al. , 2008 | | 89 | 0.20 | 0.13 |
| Barnes et al., 2001a | | 453 | 0.12 | 0.06 |
| Barnes et al., 2001b | | 965 | 0.19 | 0.08 |
| Benson et al., 2011 | | 54 | 0.01 | 0.06 |
| BIDS study (Khandker et al., 1998; Khandker et al., 2008; Khandker, 2001; Nanda, 1999; Pitt & Khandker, 1998; Pitt et al., 1999; Pitt et al., 2003; Pitt, 2000) | | 1073 | 0.04 | 0.04 |
| Buckley, 1996 | | 120 | 0.36 | 0.22 |
| Chan & Ghani, 2011 | | 72 | 0.38 | 0.17 |
| Chen & Snodgrass, 2001 | | 600 | 0.10 | 0.04 |
| Chowdhury et al., 2005 | | 909 | 0.47 | 0.05 |
| Coleman, 1999 | | 294 | 0.03 | 0.06 |
| Copestake et al., 2005 | | 500 | 0.00 | 0.06 |
| Deininger & Liu, 2009 | | 2406 | 0.04 | 0.02 |
| DeLoach & Lamanna, 2009 | | 3316 | 0.05 | 0.02 |
| Dunn & Arbuckle, 2001 | | 480 | 0.03 | 0.03 |
| Dunn, 2005 | | 2015 | 0.09 | 0.06 |
| Edgcomb & Garber, 1998 | | 143 | 0.03 | 0.10 |
| Enterprising Solutions Global Consulting, 2004 | Sample 1 | 346 | 0.06 | 0.08 |
| Enterprising Solutions Global Consulting, 2004 | Sample 2 | 542 | -0.04 | 0.06 |
| Enterprising Solutions Global Consulting, 2004 | Sample 3 | 471 | 0.16 | 0.08 |
| Fofana, 2009; Fofana, 2011 | | 394 | 0.20 | 0.05 |
| Garikipati, 2008 | | 291 | 0.26 | 0.08 |
| Hiatt & Woodworth, 2006 | | 318 | 0.09 | 0.06 |
| Hossain, 1988 | | 280 | 0.28 | 0.07 |
| Hulme et al., 1996 | | 144 | 0.13 | 0.07 |
| Imai & Azam, 2010 | | 2617 | -0.01 | 0.01 |
| Khandker et al., 2010 | | 3488 | 0.02 | 0.02 |
| Kondo et al., 2008 | | 2200 | 0.14 | 0.04 |
| Lhing et al., 2010 | | 162 | 0.15 | 0.08 |
| Li et al., 2011 | | 424 | 0.07 | 0.05 |
| Maldonado & Gonzalez-Vega, 2008 | Sample 1 | 355 | 0.00 | 0.06 |
| Maldonado & Gonzalez-Vega, 2008 | Sample 2 | 135 | -0.17 | 0.10 |
| MkNelly & Dunford, 1998 | | 200 | 0.14 | 0.07 |
| MkNelly & Dunford, 1999 | | 157 | 0.17 | 0.09 |
| MkNelly & Lippold, 1999 | | 61 | 0.33 | 0.17 |
| MkNelly et al. , 1996 | | 128 | 0.51 | 0.11 |
| Mosley, 2001 | Sample 1 | 60 | 0.42 | 0.10 |
| Mosley, 2001 | Sample 2 | 55 | 0.34 | 0.12 |

| | | | | |
|---|---|---|---|---|
| Mosley, 2001 | Sample 3 | 35 | 0.44 | 0.13 |
| Mosley, 2001 | Sample 4 | 25 | 0.37 | 0.17 |
| Mustafa et al., 1996 | Sample 1 | 191 | 0.04 | 0.07 |
| Mustafa et al., 1996 | Sample 2 | 649 | 0.05 | 0.04 |
| Nanor, 2008 | | 710 | 0.12 | 0.04 |
| Nawaz, 2010 | | 176 | 0.06 | 0.09 |
| Nwanesi, 2006 | | 83 | 0.02 | 0.11 |
| Owuor, 2009 | | 400 | 0.23 | 0.06 |
| Pisani & Yoskowitz, 2010 | | 279 | 0.10 | 0.14 |
| Pronyk et al., 2006 | | 843 | 0.20 | 0.05 |
| Puhazhendi & Badatya, 2002 | | 115 | 0.31 | 0.08 |
| Rafiq et al., 2009 | | 253 | 0.31 | 0.08 |
| Rahman & Ahmad, 2010 | | 994 | 0.34 | 0.01 |
| Setboonsarng & Parpiev, 2008 | | 2881 | 0.48 | 0.01 |
| Shirazi & Khan, 2009 | | 3000 | 0.01 | 0.06 |
| Takahashi et al., 2010 | | 200 | 0.24 | 0.13 |
| Tesfay, 2009 | | 351 | 0.33 | 0.05 |
| Zaman, 2000 | | 547 | 0.01 | 0.06 |

**Table 4.6:** Studies examining health and nutrition effects

| Authors, year | Subsamples | *N* | Average *r* | Average *SE* |
|---|---|---|---|---|
| Abera, 2010 | | 361 | 0.09 | 0.05 |
| Ahmed et al., 2000; Ahmed et al, 2001 | Sample 1 | 2973 | 0.06 | 0.04 |
| Ahmed et al., 2000; Ahmed et al, 2001 | Sample 2 | 1705 | -0.05 | 0.08 |
| Ahmed et al., 2003 | Sample 1 | 711 | 0.08 | 0.05 |
| Ahmed et al., 2003 | Sample 2 | 729 | -0.11 | 0.07 |
| Aideyan, 2009 | | 281 | 0.40 | 0.05 |
| Anyango et al., 2007; Brannen, 2010 | | 170 | 0.38 | 0.10 |
| BIDS study (Khandker et al., 1998; Khandker et al., 2008; Khandker, 2001; Nanda, 1999; Pitt & Khandker, 1998; Pitt et al., 1999; Pitt et al., 2003; Pitt, 2000) | | 1869 | 0.05 | 0.05 |
| Coleman, 1999 | | 294 | 0.00 | 0.06 |
| Copestake et al., 2005 | | 500 | -0.01 | 0.07 |
| Deininger & Liu, 2009 | | 2406 | 0.02 | 0.02 |
| DeLoach & Lamanna, 2009 | | 3316 | 0.02 | 0.02 |
| Diagne, 1998 | | 252 | -0.13 | 0.09 |
| Doocy et al., 2005 | Sample 1 | 340 | 0.04 | 0.07 |
| Doocy et al., 2005 | Sample 2 | 612 | 0.04 | 0.13 |
| Edgcomb & Garber, 1998 | | 143 | 0.22 | 0.12 |
| Enterprising Solutions Global Consulting, 2004 | Sample 2 | 542 | 0.26 | 0.08 |
| Enterprising Solutions Global Consulting, 2004 | Sample 3 | 471 | 0.52 | 0.13 |
| Fernald et al., 2008 | | 109 | 0.06 | 0.16 |
| Hadi, 2001 | | 376 | 0.26 | 0.08 |
| Hamad & Fernald, 2010 | | 1593 | 0.03 | 0.03 |
| Hashemi et al., 1996; Schuler & Hashemi, 1994 | Sample 1 | 626 | 0.12 | 0.04 |
| Hashemi et al., 1996; Schuler & Hashemi, 1994 | Sample 2 | 599 | 0.30 | 0.04 |
| Hiatt & Woodworth, 2006 | | 318 | 0.00 | 0.06 |
| Kabeer & Matin, 2005 | | 401 | -0.02 | 0.07 |
| Kondo et al., 2008 | | 2200 | -0.01 | 0.05 |
| MkNelly & Dunford, 1998 | | 200 | 0.06 | 0.10 |
| MkNelly & Dunford, 1999 | | 157 | 0.04 | 0.13 |
| MkNelly & Lippold, 1999 | | 61 | 0.51 | 0.25 |
| MkNelly et al. , 1996 | | 128 | 0.49 | 0.13 |
| Mohindra et al. , 2008 | Sample 1 | 1564 | -0.14 | 0.05 |
| Mohindra et al. , 2008 | Sample 2 | 796 | -0.18 | 0.07 |
| Mustafa et al., 1996 | Sample 1 | 191 | 0.00 | 0.07 |
| Mustafa et al., 1996 | Sample 2 | 649 | 0.04 | 0.04 |
| Nawaz, 2010 | | 176 | 0.18 | 0.12 |
| Pisani & Yoskowitz, 2010 | | 279 | 0.10 | 0.06 |
| Pronyk et al., 2006 | | 843 | 0.08 | 0.09 |
| Rahman & Ahmad, 2010 | | 994 | 0.08 | 0.02 |
| Setboonsarng & Parpiev, 2008 | | 2881 | 0.02 | 0.02 |
| Strobach & Zaumseil, 2007 | | 96 | 0.36 | 0.11 |
| Todd, 2000 | | 242 | 0.14 | 0.09 |
| Zeller et al., 2001 | | 221 | 0.11 | 0.09 |

**Table 4.7:** Studies examining venture growth effects

| Authors, year | Subsamples | *N* | Average *r* | Average *SE* |
|---|---|---|---|---|
| Abera, 2010 | | 326 | 0.09 | 0.06 |
| Adekunle, 2011 | | 283 | 0.13 | 0.07 |
| Amin et al., 1998 | | 2364 | 0.00 | 0.02 |
| Anyango et al, 2007; Brannen, 2010 | | 170 | 0.09 | 0.08 |
| Bali Swain & Wallentin, 2009 | | 961 | 0.05 | 0.03 |
| Bali Swain et al. , 2008 | | 89 | 0.28 | 0.10 |
| Barnes et al., 2001a | | 453 | -0.02 | 0.06 |
| Barnes et al., 2001b | | 965 | 0.15 | 0.05 |
| BIDS study (Khandker et al., 1998; Khandker et al., 2008; Khandker, 2001; Nanda, 1999; Pitt & Khandker, 1998; Pitt et al., 1999; Pitt et al., 2003; Pitt, 2000) | | 1537 | 0.04 | 0.01 |
| Buckley, 1996 | | 120 | 0.07 | 0.16 |
| Chen & Snodgrass, 2001 | | 600 | 0.08 | 0.06 |
| Coleman, 1999 | | 294 | 0.03 | 0.06 |
| Dunn & Arbuckle, 2001 | | 480 | 0.03 | 0.02 |
| Edgcomb & Garber, 1998 | | 143 | 0.30 | 0.11 |
| Enterprising Solutions Global Consulting, 2004 | Sample 1 | 542 | 0.06 | 0.06 |
| Enterprising Solutions Global Consulting, 2004 | Sample 2 | 471 | 0.18 | 0.12 |
| Hossain, 1988 | | 975 | 0.35 | 0.02 |
| Kabeer & Matin, 2005 | | 401 | 0.08 | 0.05 |
| Kondo et al., 2008 | | 2200 | 0.05 | 0.03 |
| Lhing et al., 2010 | | 162 | 0.10 | 0.12 |
| Maldonado & Gonzalez-Vega, 2008 | Sample 1 | 355 | 0.00 | 0.05 |
| Maldonado & Gonzalez-Vega, 2008 | Sample 2 | 135 | 0.00 | 0.09 |
| MkNelly & Dunford, 1998 | | 200 | 0.06 | 0.07 |
| MkNelly & Lippold, 1999 | | 66 | 0.42 | 0.21 |
| Mosley & Steele, 2004 | | 45 | 0.37 | 0.17 |
| Mustafa et al., 1996 | Sample 1 | 191 | 0.00 | 0.07 |
| Mustafa et al., 1996 | Sample 2 | 649 | 0.08 | 0.04 |
| Pisani & Yoskowitz, 2010 | | 279 | 0.16 | 0.06 |
| Raftus, 1998 | | 120 | 0.10 | 0.11 |
| Rahman & Ahmad, 2010 | | 994 | 0.05 | 0.02 |
| Setboonsarng & Parpiev, 2008 | | 2881 | 0.37 | 0.01 |
| Shimamura & Lastarria-Cornhiel, 2010 | | 248 | 0.12 | 0.06 |
| Todd, 2000 | | 242 | 0.37 | 0.05 |
| Zaman, 2000 | | 547 | 0.07 | 0.06 |

**Table 4.8:** Studies examining venture profits effects

| **Authors, year** | ***N*** | **Average *r*** | **Average *SE*** |
|---|---|---|---|
| Adekunle, 2011 | 283 | 0.06 | 0.06 |
| Barnes et al., 2001b | 965 | 0.09 | 0.04 |
| Edgcomb & Garber, 1998 | 143 | 0.17 | 0.08 |
| MkNelly & Dunford, 1998 | 200 | 0.29 | 0.07 |
| MkNelly & Dunford, 1999 | 157 | 0.00 | 0.08 |
| MkNelly & Lippold, 1999 | 94 | 0.00 | 0.10 |

**Table 4.9:** Studies examining venture survival effects

| **Authors, year** | ***N*** | **Average *r*** | **Average *SE*** |
|---|---|---|---|
| Barnes et al. , 2001b | 965 | 0.060102725 | 0.04 |
| Chen & Snodgrass, 2001 | 600 | 0.19394637 | 0.05 |
| Dunn, 2005 | 2015 | -0.02157313 | 0.05 |
| MkNelly & Dunford, 1998 | 200 | 0.395046954 | 0.07 |

*N*: sample size

Average *r*: Averaged-out Pearson correlation

Average *SE*: Averaged-out standard error

# Appendix 2: Operationalizations of Dependent Variables

**Table 4.10:** Operationalizations and Frequency of Dependent Variables

| Dependent variable | Operationalization | Frequency | Example of operationalization |
|---|---|---|---|
| Venture survival | Total | 4 | Enterprise survival from 1997 - 1999 |
| Venture growth | Total | 91 | |
| Measured as: | Employment creation | 8 | Average number of paid employees |
| | Production | 4 | Value of annual production |
| | Productive assets | 63 | Value of average change in enterprise fixed assets |
| | Sales | 14 | Average weekly business sales |
| | Expansion of activities | 2 | |
| Venture profits | Total | 8 | Average monthly enterprise profit |
| Financial well-being | Total | 214 | |
| Measured as: | Assets | 90 | Household consumer durables |
| | Expenditures | 31 | Monthly consumption expenditure per capita |
| | Income & Savings | 61 | Per capita income level change |
| | Poverty reduction | 22 | % Poverty status (under poverty line or not) |
| | Vulnerability reduction | 10 | Diversification of household income sources |
| Health & nutrition | Total | 112 | |
| Measured as: | Health | 13 | % reporting illness |
| | Health knowledge | 10 | % knowledge of prenatal care (medical check-up) |
| | Health practices | 8 | % with at least one immunization per child |
| | Health treatment | 13 | % women who sought formal care in the event of illness |
| | Medical expenditures | 8 | Monthly healthcare expenditure per capita |
| | Mental health | 7 | % reporting emotional stress |
| | Nutrition | 53 | Energy intake (Kcal/day) |
| Empowerment of women | Total | 96 | |
| Measured as: | Independence | 96 | % allowed to make decisions regarding purchase of assets |
| Education | Total | 32 | |
| Measured as: | Adults education | 3 | Cumulative years of schooling of family workers |
| | Children's school attendance | 20 | Schooling attendance ratio (%) |
| | Education expenditures | 9 | Spending on school fees & materials in last year |

# Appendix 3: Detailed results of moderation analysis[7]

**Table 4.11:** Effect of country-level moderators on Financial Well-being

| | **Model including controls** | **Model including controls, economic facilities** | **Model including controls, social opportunities (education)** | **Model including controls, social opportunities (health)** | **Model including controls, political freedom** | **Model including controls, transparency guarantees** |
|---|---|---|---|---|---|---|
| Constant | -0.092 | -0.816** | 0.416† | -0.202 | 0.203 | -0.160 |
| Study length (Cross-sectional) | 0.366** | 0.351** | 0.381** | 0.361** | 0.411** | 0.212* |
| Study design (non-experimental) | -0.102 | 0.030 | -0.153 | -0.084 | -0.525** | -0.270 |
| Study design (no control group) | 0.247 | 0.255 | 0.300† | 0.235 | -0.086 | -0.360† |
| Study design (non peer-reviewed) | 0.629** | 0.587** | 0.702** | 0.630** | 0.248** | 0.483** |
| Region (other than Asia) | -0.346** | -0.286** | -0.268** | -0.326** | -0.525** | -0.343** |
| Economic freedom | | 1.536** | | | | |
| Social freedom (education) | | | -1.286** | | | |
| Social freedom (health) | | | | 0.140 | | |
| Political freedom | | | | | -0.983** | |
| Transparency guarantees | | | | | | -0.592** |
| R-squared | 0.237 | 0.269 | 0.285 | 0.237 | 0.575 | 0.286 |
| Adjusted R-squared | 0.084 | 0.086 | 0.106 | 0.046 | 0.468 | 0.107 |

[7] For the dependent variables of venture survival and venture profits there were not sufficient observations to include them into the moderator analysis.

**Table 4.12:** Effect of country-level moderators on venture growth

| | Model including controls | Model including controls, economic facilities | Model including controls, social opportunities (education) | Model including controls, social opportunities (health) | Model including controls, political freedom | Model including controls, transparency guarantees |
|---|---|---|---|---|---|---|
| Constant | -0.224 | -1.041** | 0.113 | -0.549 | -0.037 | -0.389† |
| Study length (Cross-sectional) | 0.204* | 0.196* | 0.180* | 0.211* | 0.302** | 0.233** |
| Effect change (no change) | 0.227* | 0.228* | 0.297** | 0.219† | 0.311** | 0.254* |
| Study design (non-experimental) | -0.042 | 0.113 | -0.067 | -0.002 | -0.559** | -0.369† |
| Study design (non peer-reviewed) | 0.612** | 0.577** | 0.656** | 0.618** | 0.337** | 0.585** |
| Region (other than Asia) | -0.284* | -0.215* | -0.185† | -0.216† | -0.423** | -0.173† |
| Economic freedom | | 1.719** | | | | |
| Social freedom (education) | | | -0.989** | | | |
| Social freedom (health) | | | | 0.411 | | |
| Political freedom | | | | | -1.005** | |
| Transparency guarantees | | | | | | -0.540** |
| R-squared | 0.232 | 0.275 | 0.263 | 0.234 | 0.602 | 0.290 |
| Adjusted R-squared | 0.072 | 0.085 | 0.070 | 0.034 | 0.498 | 0.105 |

**Table 4.13:** Effect of country-level moderators on women´s empowerment

| | **Model including controls** | **Model including controls, economic facilities** | **Model including controls, social opportunities (education)** | **Model including controls, social opportunities (health)** | **Model including controls, political freedom** | **Model including controls, transparency guarantees** |
|---|---|---|---|---|---|---|
| Constant | 0.350** | 0.456** | 0.371** | 0.477** | 0.149 | 0.360** |
| Study length (Cross-sectional) | -0.059 | -0.057 | -0.062 | -0.054 | 0.097 | -0.107† |
| Study design (non-experimental) | -0.082 | -0.118 | -0.087 | -0.068 | -0.014 | -0.108 |
| Study design (no control group) | 0.278** | 0.270** | 0.272** | 0.259** | 0.288** | 0.259** |
| Study design (non peer-reviewed) | -0.161** | -0.148** | -0.160** | -0.156** | 0.004 | -0.193** |
| Region (other than Asia) | -0.150** | -0.137** | -0.142* | -0.160** | -0.081 | -0.142** |
| Economic freedom | | -0.212 | | | | |
| Social freedom (education) | | | -0.044 | | | |
| Social freedom (health) | | | | -0.222 | | |
| Political freedom | | | | | 0.192** | |
| Transparency guarantees | | | | | | -0.092 |
| R-squared | 0.521 | 0.536 | 0.521 | 0.535 | 0.600 | 0.534 |
| Adjusted R-squared | 0.387 | 0.372 | 0.352 | 0.371 | 0.458 | 0.369 |

**Table 4.14:** Effect of country-level moderators on education

| | **Model including controls** | **Model including controls, economic facilities** | **Model including controls, social opportunities (education)** | **Model including controls, social opportunities (health)** | **Model including controls, political freedom** | **Model including controls, transparency guarantees** |
|---|---|---|---|---|---|---|
| Constant | -0.053 | 0.306** | 0.116† | 0.306** | -0.030 | -0.073 |
| Study length (Cross-sectional) | 0.006 | 0.091* | 0.039 | 0.116** | -0.009 | -0.031 |
| Study design (non-experimental) | 0.038 | -0.138† | -0.038 | -0.040 | 0.011 | -0.008 |
| Study design (no control group) | 0.132 | 0.179* | 0.161* | 0.291** | 0.113 | 0.031 |
| Study design (non peer-reviewed) | 0.013 | 0.037 | 0.039 | 0.060† | 0.004 | 0.009 |
| Region (other than Asia) | 0.064* | 0.078** | 0.096** | 0.042* | 0.070** | 0.100** |
| Economic freedom | | -0.604** | | | | |
| Social freedom (education) | | | -0.311** | | | |
| Social freedom (health) | | | | -0.589** | | |
| Political freedom | | | | | -0.050† | |
| Transparency guarantees | | | | | | -0.118** |
| R-squared | 0.192 | 0.615 | 0.407 | 0.702 | 0.249 | 0.377 |
| Adjusted R-squared | -0.061 | 0.461 | 0.170 | 0.583 | -0.051 | 0.128 |

**Table 4.15:** Effect of country-level moderators on health and nutrition

| | **Model including controls** | **Model including controls, economic facilities** | **Model including controls, social opportunities (education)** | **Model including controls, social opportunities (health)** | **Model including controls, political freedom** | **Model including controls, transparency guarantees** |
|---|---|---|---|---|---|---|
| Constant | -0.040 | 0.164** | 0.072 | 0.256** | 0.013 | -0.065† |
| Study length (Cross-sectional) | -0.010 | 0.013 | -0.002 | -0.004 | -0.003 | 0.080 |
| Study design (non-experimental) | 0.052 | -0.008 | 0.026 | 0.061 | -0.012 | -0.151* |
| Study design (non peer-reviewed) | 0.053* | 0.067** | 0.068** | 0.052* | 0.020 | 0.010 |
| Region (other than Asia) | 0.129** | 0.157** | 0.159** | 0.104** | 0.117** | 0.158** |
| Economic freedom | | -0.440** | | | | |
| Social freedom (education) | | | -0.268** | | | |
| Social freedom (health) | | | | -0.448** | | |
| Political freedom | | | | | -0.065* | |
| Transparency guarantees | | | | | | -0.213** |
| R-squared | 0.174 | 0.265 | 0.235 | 0.246 | 0.201 | 0.358 |
| Adjusted R-squared | 0.087 | 0.165 | 0.132 | 0.144 | 0.093 | 0.271 |

n/s: non-significant relationship

† *p* < .10

* *p* < .05

** *p* < .01

# Chapter 5: General Conclusions, Implications and Future Research

This thesis has endeavored to examine a phenomenon that is both contemporary and enduring: the use of entrepreneurship in the service of social objectives. I dedicate this final section to the synthesis and extension of the findings and conclusions of the three preceding essays. First, I discuss conclusions that can be drawn for the specific phenomenon of social entrepreneurship. Then, I summarize the major implications that can be inferred for theory and research more broadly. I follow with an analysis of the implications that can be drawn for policy and practice respectively, ending with a summary of the limitations of this work and the corresponding suggestions for future research.

## 5.1 The phenomenon of "social entrepreneurship"

"Social entrepreneurship" has increasingly come to the forefront of academic and practitioner discussions during the last decades, as a phenomenon driven by, and aligned with broader societal changes and developments. Terms such as "social innovation", the "collaborative economy" or the "social economy" have been popular recently across the public, non-profit and development sectors (Amin, Cameron & Hudson, 2003; Brown & Wyatt, 2010; Phills, Deiglmeier, & Miller, 2008; Vernis, 2009). Within this broader interest in social and financial objectives infused into public or private organizations, social entrepreneurship has emerged as a category of particularly interest. As this thesis has highlighted, the prominence of social entrepreneurship has been fuelled by new emerging opportunities and threats, as well as changes in the legitimacy of governments, business, entrepreneurship and development aid. Simultaneously, globalization and improved communication technologies have accelerated its international diffusion, but complicated its tight definition. Social entrepreneurship thus represents an opportunity to study an emerging category that is positioned at the intersection of financial and social value creation, while being tightly related to the recent fascination with entrepreneurship, and subsequently with its application to social purposes. By focusing on this phenomenon, I bound my research to a specific interstitial location within the institutional panorama, which is nevertheless broad enough to illuminate multiple underlying category dynamics.

A key conclusion of this thesis is that the definition of social entrepreneurship is in itself a socially constructed process and phenomenon. Delineating the category is not a mere "technical" issue (Zbaracki, 1998), but reflects ongoing cognitive and political negotiations regarding its boundaries. Typically, both in everyday experience and in academic studies, a phenomenon and its classification are rarely distinguished as separate entities. Practices are assumed to be objectively "out there", while individuals are unaware of the influences that make it likely for them to classify a practice as belonging to a specific category. Researchers similarly tend to assume that a practice is coherent and that they only need to discover its definitional boundaries and examine its contents. Yet, category research has convincingly argued that categories embody political and cognitive understandings that have resulted after ongoing negotiations among a variety of affected audiences (Lamont & Molnár, 2002). Recent research on organizational categories finds such contestations of boundaries to be prevalent in the organizational arena too (Kent & Dacin, 2013; Khaire & Wadhwani, 2010; Lounsbury & Rao, 2004; Rosa, Porac, Runser-Spanjol, & Saxon, 1999). What makes the case of social entrepreneurship particularly interesting in that respect, is that these contestations have not been resolved favoring clearly one category frame (Benford & Snow, 2000). Thus, the distinction between practices that have been present for a long time across different geographies, on the one hand, and their classification into the overarching emerging category of "social entrepreneurship" on the other, becomes more visible. For the researcher interested in this phenomenon, I suggest that studying the "practice" alone would lead to an incomplete vision of its complexity; incorporating the study of the social construction of the phenomenon constitutes an equally important component.

Consequently, I consciously avoid imposing my own definition of the boundaries of this emerging category, in order to expose its complexity as a highly resonant but equally ambiguous organizational category. Resonance can be attributed to a certain extent to the emerging category´s ability to fill a void across a number of societies. While discontent with government and development aid has risen globally, corporations have become more influential but have failed to address persistent social problems – on the contrary, in a multitude of cases they have exacerbated them. The "hero" of our times is therefore aptly invented in the face of the "social entrepreneur". Entrepreneurship is becoming increasingly resonant, while concern for persistent social ills remains widespread. Thus, divergent category frames were able to resonate with key actors with resources and influence, and additionally with broader audiences. Influential proponents have created an enabling ecosystem (Abbott, 2005) that fostered the resonance of social entrepreneurship, while alignment to broader values ensured resonance was extended across geographies and cultures. Individuals across the world sensitive to injustices and social problems and eager to contribute to their solution found in the expanded category of social entrepreneurship a culturally appropriate outlet for their aspirations. In that sense, social entrepreneurship resonates in the year 2015, in a way that is similar to the way the civil rights or anti-war movements resonated in the 60s and 70s.

Nevertheless, resonance across broad audiences has come at the price of ambiguity, the persistence of multiple meanings or frames of the emerging category. Namely, no competing frame has managed to dominate the category, resulting in an impasse, instead of consensus, among interested audiences. Such a case is not frequently documented in the literature, as studies have disproportionately focused on cases of successful consolidation of new organizational or market categories (McKendrick & Carroll, 2001; Ozcan & Santos, forthcoming). Yet, it is instructive in that it reveals conditions and outcomes of ambiguous categorization, coupled with broad resonance. Multiplicity of interpretations has in this case been derived from both a failure of any single frame to achieve superior status across the dimensions of moral, cognitive and pragmatic legitimacy, as well as from the equally distributed support they receive from diverse influential audiences. Finally, diffusion and adaptation of different frames of social entrepreneurship have hindered the prospects of future dominance of a single frame, as receptive audiences further opportunistically claim or transform (Ansari, Fiss, & Zajac, 2010; Granqvist, Grodal, & Woolley, 2013) the expanded ambiguous category.

As a result, for the emerging category of social entrepreneurship, ambiguity would presumably have negative consequences that would inhibit its future survival and evolution (Zuckerman, 1999). Despite this prediction, I suggest that a resonant yet ambiguous category will persist as long as it offers overall benefits that outweigh costs of affiliation. The category of social entrepreneurship can be “stretched” to accommodate the interests of a number of actors, thus ensuring its survival, at least for some time. My second essay has provided a framework for analyzing these benefits and costs of ambiguity. Benefits of ambiguity for organizations that claim to be social enterprises relate to opportunities for entrepreneurship and institutional entrepreneurship, appropriation of entrepreneurial resources, high motivation of members, and evasion of close scrutiny. In spite of these benefits, organizations affiliated with an ambiguous category need to bear the risk of entrepreneurial failure, the high costs of institutional entrepreneurship, the lack of support from traditional actors, the lack of a coherent identity, and the potential negative consequences of decoupling. Thus I conclude that individuals or organizations claiming the social entrepreneurship category will be facing both exciting opportunities and serious challenges.

Opportunities and challenges also accrue to the overall ambiguous organizational category. Ambiguity facilitates the multivocality and flexibility of the social entrepreneurship category, which can allow it to adapt across place and time. It affords possibilities for diffusion and breadth, which would not have been feasible if a tighter frame were commonly accepted. It also shields the emerging category from intense resistance from audiences, while ensuring low initial jurisdictional competition with other organizational categories. Yet, it is conceivable that the same factors that have made such an ambiguous category resonant could threaten its prosperity if the balance of underlying tensions shifts. The breadth of the category is likely to foster superficial growth across audiences, doing little to ensure it caters deeply to diverse audiences. It also engenders the threat of delegitimation, if the category boundaries stretch to the extent that it is no longer useful, even as an ambiguous term. Furthermore, ambiguous boundaries by default complicate efforts to institutionalize and embed deeply the category into legal, normative and cognitive systems. Finally, ambiguity implies inherent tensions are left dormant, which could eventually be used to coopt the category (Seo & Creed, 2002) if the balance of resources supporting different frames changes. The category could also be indirectly threatened and replaced by newer categories with clearer boundaries, such as the emerging impact investment category.

Interestingly, the analysis of benefits and costs of social entrepreneurship can be extended to academic research on the phenomenon. Social entrepreneurship resonates with academic audiences due to motivational reasons - both altruistic, such as the opportunity to apply one´s skills to an area that is perceived to have impact, and instrumental, such as the opportunity to extend one´s research skills to a new area. The ambiguity of definitions present generates possibilities for researchers to make their mark in this nascent research stream, which could grow larger over time. Concurrently, the risks for researchers are high, as the inherent ambiguity in the field of practice complicates the academic delineation of social entrepreneurship, which could render relevant research less legitimate in the future. The difficulty of defining the category can furthermore inhibit the impartial assessment of its effectiveness. As mentioned, one productive avenue is for the researcher to consciously expose and study the inherent ambiguity of the category, instead of masking it.

A second approach, which emphasizes the study of the effectiveness rather than the social construction of the phenomenon, is for researchers to choose a tighter definition for the purpose of each specific study conducted, so that they can draw conclusions pertinent to that specific area. Following this approach, in my last essay I chose to examine empirically the outcomes of microcredit, a specific variant of social entrepreneurship, on the financial and human development of recipient entrepreneurs. I argue that focusing on diverse practices of social entrepreneurship is warranted, especially when these practices have mobilized substantial interest and resources. Microcredit has undoubtedly been among the most celebrated practices associated with social entrepreneurship, where results have been inconclusive in spite of overall successful rhetoric. My findings of positive yet modest effects of microcredit are reassuring, while illuminating that such programs can be one part of, instead of the entire solution to poverty alleviation.

Given that motivations behind social entrepreneurship are ostensibly more socially- than financially-oriented, it corresponds that the outcomes examined should not be limited to purely financial ones. My analysis incorporates various dimensions of development outcomes that embody core human capabilities, as these have been elaborated by Sen (1999). Findings suggest that microcredit can indeed impact not only the financial but also the human development of poor entrepreneurs across distinct dimensions, albeit with different intensities for each one. For instance, they indicate that the emphasis of microcredit on women has generated an important positive side-effect on their empowerment. Finally, I was able to situate effectiveness not only across outcomes, but also across contexts. Results lend credibility to the existence of a complementary fit mechanism:

namely, microcredit´s impact on financial and human development outcomes of entrepreneurs is more likely to be stronger in more challenging contexts. In sum, examination of the impact of microcredit has yielded an overall optimistic message.

## 5.2 Implications for theory

Collectively, my essays have brought to the fore some main themes pertinent to the phenomenon of social entrepreneurship, which are connected to some extent, yet also independent. These themes relate to the resonance, ambiguity and effectiveness of the practices termed as social entrepreneurship, visually presented in Figure 5.1. Below, I analyze each and then discuss how they relate and differ from each other.

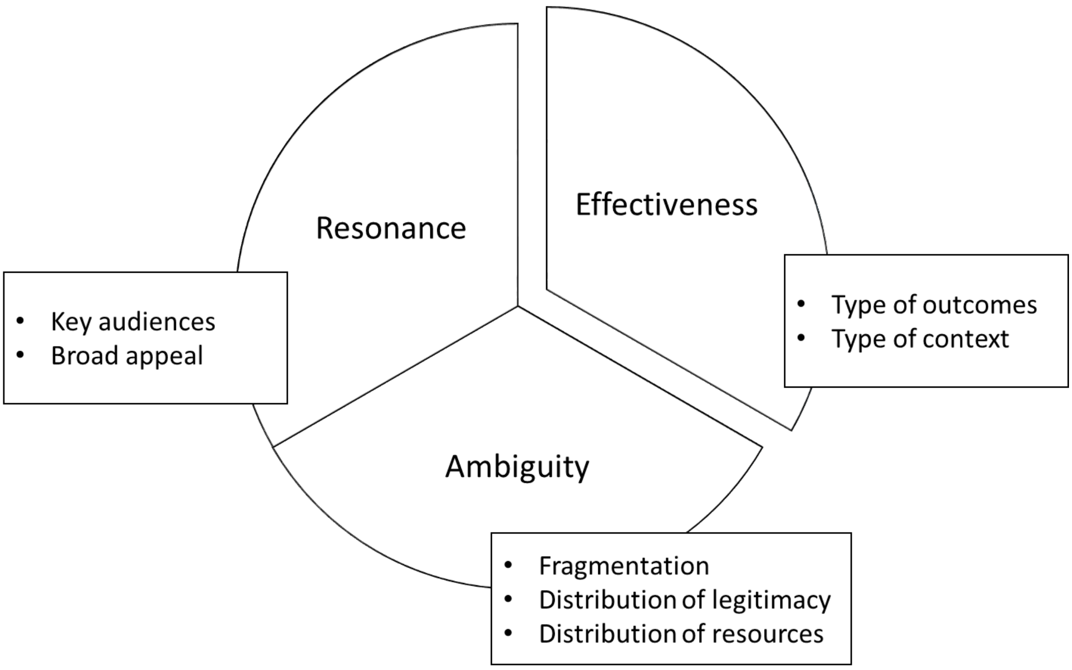


**Figure 5.1:** Overarching patterns observed across the three thesis essays

Resonance has emerged throughout this thesis as a key dimension of social entrepreneurship. While social movements scholars have studied resonant frames considerably (Benford & Snow, 2000; Morrill, 2006), this topic has received scarce attention in the emerging organizational categories literature. It is implied, however, in discussions of the appeal of emerging categories (Kennedy, Lo, & Lounsbury, 2010), of their motivational force (Weber, Heinze, & DeSoucey, 2008) and the legitimacy they aspire to exhibit (Navis & Glynn, 2010; Vergne & Wry, 2014). I propose that a more explicit articulation of this construct can greatly advance the study of categories. Specifically, my research shows that categories emerge at the nexus of individual agency and opportunity at the societal level. The construct of resonance of a proposed frame can therefore capture the dual dynamic of the agentic choices behind a proposed frame, as well as its alignment with the motivations and interests of receptive and influential audiences. My study portrays that resonance can also influence the fate of category frames and categories across time and space. Early frames of the social entrepreneurship category resonated with key audiences in possession of resources and legitimacy, concentrated in developed countries, while later resonance with broad audiences globally ensured the further diffusion of the expanded category.

Here it is useful to clarify that resonance is a concept closely connected to, yet different from legitimacy. Legitimacy can be understood as “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions” (Suchman, 1995, p. 574). As my empirical work has shown, resonance requires legitimacy - which can be further disentangled into moral, cognitive and pragmatic components - and the acceptance it entails, while it furthermore includes a strong appeal and a mobilizing effect on audiences (Benford & Snow, 2000). While undoubtedly legitimacy is extremely important in scholarly research of institutional phenomena, I suggest that resonance has not been given equal prominence, even though its role is critical to the realization of change in organizational categories.

A second theme of this study is the ambiguity in the definition of the emerging category. Extending recent studies highlighting the persistence of plural meanings at the field and organizational level (Besharov & Smith, 2014; Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011; Kaplan, 2008), and leveraging my own findings, I propose that ambiguity can be a persisting feature of organizational categories and offer insights into the conditions and processes under which it can ensue. I complement theoretical views (Greenwood et al., 2011) by empirically showing that an ambiguous category can emerge when there has been extensive fragmentation across geographies, resources and cultures at the field level, and new opportunities have incentivized a number of actors to become active within that space. I also extend literature emphasizing the importance of material and immaterial resources behind the emergence of category frames (Chen & O'Mahony, 2009; Jones, Maoret, Massa, & Svejenova, 2012; Purdy & Gray, 2009; Rao, 1998) by providing evidence that, beyond the absolute amount of resources, it is their even distribution that can foment persisting ambiguity. Furthermore, my account of social entrepreneurship informs and synthesizes current political (Glynn & Navis, 2013; Kennedy & Fiss, 2013) and cognitive (Durand & Paolella, 2013; Grodal, Gotsopoulos, & Suarez, forthcoming; Rosa et al., 1999) perspectives on categories, demarcating the distinct but interrelated effect of the moral, cognitive and pragmatic legitimacy of category frames on their evolution and on the category they aim to define. Finally, my second essay supplements discussions of the categorical imperative (Hsu, 2006; Zuckerman, 1999) and the potential benefits of ambiguity (Durand & Paolella, 2013; Pontikes, 2012) with a comprehensive framework that analyzes both key benefits and costs, and the trade-offs between them.

The final theme emerging from this study is that of the effectiveness of social entrepreneurship. Effectiveness can be best measured by focusing on one sector of activity within the realm of entrepreneurial programs for social value creation. My examination of microcredit hints at the potential of entrepreneurship to function as a mechanism for poverty alleviation and social value creation more broadly. While entrepreneurship has been typically linked to improvements in the economic development of countries (King & Levine, 1993; Schumpeter, 1934), assumptions regarding its potential to directly address social problems have not been corroborated with empirical evidence. Efforts at measuring the effectiveness of social entrepreneurship have been increasing nevertheless, as the burgeoning literature on social impact indicators, blended value, and social return on investment illustrates (Dees, Emerson, & Economy, 2002; Emerson, 2003; Lingane & Olsen, 2004; Nicholls, 2009).

From the perspective of the academic researcher, within microcredit literature, results have long remained inconclusive, while other areas of social entrepreneurship have received even less empirical investigation. The last essay of this thesis asserts that entrepreneurship could impact both financial and human development, contributing a first step towards a closer synthesis of the entrepreneurship and development economics literatures. Furthermore, it extends arguments of Sen (1999), to support that the effectiveness of entrepreneurial solutions to poverty alleviation can be more credibly measured across plural dimensions, eschewing exclusive attention to financial ones. Such an approach can be valuable not only in the assessment of the effectiveness of social entrepreneurship, but of the effectiveness of mainstream entrepreneurship as well.

Jointly, the three themes emerging across these essays exhibit certain interconnections, but are more striking in their decoupling from each other. Namely, resonance, ambiguity and effectiveness of an organizational category need not be closely coupled, as one would expect. Specifically, increasing resonance seems to afford emerging categories the “luxury” to remain ambiguous for longer than they would otherwise be able to. On the other hand, ambiguity can stretch a category´s boundary to accommodate various audiences´ interests, enabling broader resonance. Nevertheless, it is notable that resonance and ambiguity can coexist over time, without the one precluding the other. This study responds to calls to study categories that become resonant even while they remain ambiguous (Pontikes, 2012), thus documenting the paradox of sustained balance between these two dimensions. Effectiveness of the category also need not be tightly coupled with resonance or ambiguity. Greater resonance can help the new category overcome initial legitimacy threats and gain resources that can increase its chances of survival and ultimately effectiveness. Similarly, proof of effectiveness confers pragmatic legitimacy to the category, increasing its chances to resonate with audiences. Yet, rhetoric can be disconnected to a great extent from proven effectiveness, as the example of microcredit illustrates. Ambiguity of the category furthermore allows for a greater disconnect between resonance and effectiveness as it complicates the measurement of the latter. As a result, ambiguous categories are shielded from legitimacy pressures that could crush them during their early emergence, but might suffer from failure to exhibit observable, legitimate results later on. In sum, there are certain connections to be found between the three dimensions of resonance, ambiguity and effectiveness of an organizational category, yet each dimension affords diverse insights into its examination. Thus, I suggest that the joint examination of the socially constructed as well “objective” nature of phenomena at the interstices of fields (Morrill, 2006; Schneiberg & Clemens, 2006) can allow for their more holistic interpretation.

## 5.3 Implications for policy

Social entrepreneurship constitutes a phenomenon closely linked to government initiatives and policy (Dunleavy & Hood, 1994; Hood, 1995). The qualitative work included in this thesis illustrates how the emergence of social entrepreneurship has both influenced government activity and been influenced by it, though to a different extent depending on the geographic location. It is evident that social entrepreneurship has found many supporters among policymakers intent in increasing innovation and agility in the public sector, while cutting costs. Indeed, this dual rhetoric employed by governments has rendered their use of social entrepreneurship both resonant and contentious in the eyes of citizens.

A number of conclusions useful for policy can be extracted from this collection of essays. First of all, an understanding of the sociology of the social entrepreneurship category illuminates its socially constructed nature and can so help policy makers envision their role as one of the actors responsible for its emergence and evolution. My findings lend credibility to a conceptualization of governments as one of the "institutional entrepreneurs" (Fligstein, 1997; Greenwood & Suddaby, 2006; Maguire, Hardy, & Lawrence, 2004) behind the emergence of new organizational categories, that is usually not the first mover. Governments typically operate through establishing supportive regulatory regimes and legal forms when they wish to strengthen a sector of organizational activity. The challenge they face with social entrepreneurship lies in the absence of a dominant, tight definition of the category within the field of practice. As a consequence, governments might have to accept the ambiguity of social entrepreneurship, while they carve their own definitions in order to proceed towards the establishment of a regulatory context. The example of the UK, the first government to take an active role in promoting "social enterprise", is salient and illustrative in that respect. The UK government engaged in negotiations with a number of actors in order to reach a consensus around a category frame that was specific and amenable to legal definition. This choice of a tighter frame gradually enabled the construction of an extensive ecosystem that helped the "social economy" flourish within the country.

Yet, it is important to note the downside of opting for frames of social entrepreneurship that are narrower and less inclusive. Tighter definitions allow for institutionalization of categories and their related practices within a country´s boundary. Nevertheless, they can forcefully exclude alternative frames and interpretations that are present at the grassroots level from being represented within those categories and practices. For instance, my findings suggest that in the UK, alternative views of social enterprise have been largely ignored, while funding and support has been prioritized towards income generating social enterprises. Thus, programs catering to extremely disenfranchised people - for instance integrating gang members from poor London neighborhoods into the workforce, which typically face challenges in sustaining themselves exclusively on earned income, are not supported to the same extent as other, more financially-oriented social entrepreneurship programs. One solution for governments could be to clearly define sub-categories of organizational activity at the interstices of business and non-profits (e.g. social enterprises exclusively sustained by sales, innovative NGOs exclusively sustained by donations, and those that cover part of their needs through the market and the remaining from donations), making sure that they create supporting structures, allocate resources and help legitimize of all of them. With such a policy, governments are likely to encourage organizations to tackle a number of social issues with solutions that are appropriate to the severity of each one, without imposing a rhetoric that assumes one appropriate solution for all cases. In essence, government rhetoric could be used to forge bridges between for-profits, NGOs and social enterprises, without pioneering a single frame of social enterprise as the solution to all problems.

Furthermore, governments need to assess the weight of their efforts in conjunction with the broader ambiguous category of social entrepreneurship and the actors supporting its competing frames. My findings suggest that currently, the resources and support of governments towards frames prioritizing social enterprises earning profits in the market is partially counterweighed by philanthropic resources that back social enterprises that aspire in systemic change but fail to sustain themselves through the market mechanism. Nevertheless, with the increasing popularity of impact investment, for instance, it is reasonable to imagine the focus on profit-making social entrepreneurship frames intensifying and the category becoming dominated by these frames. Governments could maintain plural frames, including those with an explicit emphasis on systemic change, by providing, if needed, greater resources and support for innovations in the broader NGO sector. Additionally, governments should acknowledge that there are frequently large gaps between government rhetoric and the reality of individuals and small organizations at the micro level. As a response to these gaps, they can make use of collaborations with organizations that have been active supporting social entrepreneurs “on the ground”, in the interest of coupling their policies and rhetoric closer to the reality of bottom-up practices.

Following the example of early pioneers such as the UK in terms of policy can confer advantages and disadvantages to other governments. My findings revealed that governments across the world have been sending delegations to the UK in order to learn their best practices and mimic them. Certainly, it can be beneficial to learn how the social enterprise category has evolved in the UK, given that as an early pioneer, its government had to tread on uncertain ground and undergo lengthy negotiations with different interest groups until reaching consensus in the legal definitions it elaborated. It is also useful to learn which aspects of a supporting ecosystem have worked well and which have proven to be problematic. Governments who are late movers into the social entrepreneurship arena can benefit from such vicarious learning. In spite of such benefits, there is nevertheless the danger that governments replicate a given path without giving it much thought, adapting it to their country´s local context, or improving on it. Diffusion and imitation without reflection is common for laws once they have been established in a given context (Strang & Meyer, 1993; Strang & Soule, 1998) and can reflect ceremonial adoption (Meyer & Rowan, 1977) rather than thoughtful and critical examination of the effectiveness of practices. Imitation can also fail to yield results when adoption focuses on single elements, while ignoring the wider ecosystem that government needs to foster. For example, the establishment of a legal form of social enterprise in my native Greece has not been supported by a broader ecosystem of support, failing to instantiate substantial changes in the organizational landscape. In conclusion, a recommendation for policy makers would be to seek out vicarious learning from the experience of governments that have been early movers into the category, while simultaneously making sure that they assess best practices holistically and make modifications and improvements where necessary.

Certain implications for policy flow from my examination of microcredit in particular. Microcredit appears to be an intervention that contributes a positive albeit modest effect across different dimensions of financial and human development of entrepreneurs. It is also especially relevant to those countries or contexts that are most challenging in terms of their overall financial, human development and institutional standing. Thus, in contexts of developing countries, microcredit can create more opportunities for poor people than might otherwise be possible. Governments should treat microcredit as an enabling mechanism that can unleash latent entrepreneurship, but not as a solution that can be applicable to any poor person. Successful entrepreneurship depends on a number of factors including the individual´s human capital, the nature of the opportunity and the configuration of resources and capabilities brought to the task (Shane &

Venkataraman, 2000). The role of government could therefore include the advancement of an enabling ecosystem that promotes financial inclusion and a strong microfinance sector, as well as training and support programs for entrepreneurs, for instance through improving their skills and directing them towards promising areas of entrepreneurial activity. Furthermore, while entrepreneurship can affect aspects of human development, governments should not neglect to provide programs that directly target human development (Ranis, Stewart, & Ramirez, 2000; Sen, 1999).

The collateral positive effect of microcredit on empowerment of women is a particularly salient finding of my study. Given that the opportunity to gather outside the confines of the house, be an active member in the public sphere and become active as an entrepreneur creates a substantial positive impact on women´s empowerment, it follows that there is huge untapped potential to effect empowerment with additional policies. Efforts to mobilize women and accord them more responsibilities as citizens and as entrepreneurs could be undertaken by governments too, resulting in the strengthening of the productive capacities of developing countries. Policies could focus on campaigns to change the public opinion regarding women as part of the workforce and as capable entrepreneurs specifically, on the establishment of land rights for women in the developing world, and on applied training to prepare them for successful entrepreneurship. For instance BRAC, a Bangladeshi NGO, designed programs to train young women to operate hair or beauty salons, while respecting cultural restrictions. Governments could likewise undertake training programs to encourage entrepreneurship, after identification of suitable profitable opportunities.

Finally, the role of government and philanthropy in creating successful markets in spaces that were previously characterized by market failure should not be underestimated. The case of microcredit is frequently cited as an example of the ease with which profits and impact can be created simultaneously, by applying business methods to the NGO sector. Yet, the history of microcredit reveals that it became a viable market only after decades of systematic support by philanthropic organizations, aid agencies and governments. These structural actors contributed to the establishment of the legal contexts that would enable the sector to grow, and supported the fledgling NGOs offering microcredit programs until they gained enough scale to become profitable. Similar efforts are currently underway to address market failures in agricultural markets in Africa. Thus, for institutional actors hoping to incentivize the creation of similar markets with potential social benefits, short-term support and isolated efforts might not be enough. In contrast, an incubation period of financial and legal support given to emerging categories, enabled through cross-sector collaboration, might be critical.

## 5.4 Implications for practitioners

While the essays of this thesis place greater focus on the impact of social entrepreneurship at the societal level, there are certain additional conclusions that can be offered that are relevant to practitioners – individuals or organizations active in social entrepreneurship. For practitioners too, realizing the distinction between the practice they engage in and its classification is important. Irrespective of the practice itself, the decision to be affiliated with the social entrepreneurship category and identified as a “social entrepreneur” or “social enterprise” should be a strategic one, as it can entail both benefits and costs. Therefore, practitioners need to carefully assess if the benefits they are likely to derive from such affiliation will outweigh the costs. As mentioned in the second thesis essay, organizations vary in their ability to capitalize the opportunities afforded by such categories.

Hence, practitioners need to consider if they are confident that they can take advantage of the entrepreneurial opportunities offered, while eschewing the corresponding dangers. If they are highly entrepreneurial and flexible, they are better positioned to benefit by appealing to audiences favorable towards social entrepreneurship and claiming the label of "social enterprise" or "social entrepreneur". Also, high status practitioners can more easily reorient their efforts and claim a new category, if the social entrepreneurship category gradually becomes less resonant. Finally, claiming membership in the social entrepreneurship category should be assessed in conjunction to alternative options. If the practitioner in question has social capital and capabilities that can be easily transferred to adjacent categories, then the potential risks of affiliation with the category can be mitigated. Thus, the more practitioners feel comfortable they are well positioned to benefit from the category´ s resonance, the more sensible it should be to claim membership in it. Conversely, for practitioners that are less entrepreneurial or are of moderate status, disassociating from the category or "hedging" (Granqvist et al., 2013) could be more aligned with their interests.

It needs to be emphasized, however, that the decision to affiliate oneself with the category is not completely unrelated to the actual practice. If the actual practice is too far removed even from the expanded social entrepreneurship category, the practitioner could face delegitimation. The ambiguous category envelops diverse frames of social entrepreneurship; therefore practitioners should be able to at least credibly prove how their practices are aligned with one of those frames. For example, practitioners engaged in innovative social practices within the NGO sector, which do not yield earned income, should be able to show some proof that their work generates "systemic changes" in society, thus credibly establishing their identity as social entrepreneurs and distinguishing their status from the broader non-profit sector.

A number of lessons can be derived for "institutional entrepreneurs" as well, actors that aspire in changing institutions, professions, identities and organizational categories (David, Sine, & Haveman, 2012; Greenwood & Suddaby, 2006; Maguire et al., 2004). One conclusion is that a single institutional entrepreneur can rarely control the fate of the entire category. For new categories to emerge, individual agency typically needs to be exercised across time and place and align itself with broader societal changes. The early pioneers that try to legitimate a new category might never succeed unless influential audiences adopt their frames or societal changes make broad audiences more receptive towards them. Yet, when the conditions are ripe, it is the early pioneers that are selected and nurtured in order to exemplify the emerging category. I therefore suggest that categories will emerge through the combination of "push" and "pull" factors of individual agency and societal opportunity. Thus, aspiring institutional entrepreneurs might need to expend persistent effort for years or decades trying to legitimate their frames – but they will also need to be lucky.

A number of dimensions might be within the sphere of control of institutional entrepreneurs, and therefore useful to reflect upon and assess strategically. First, it is important that the institutional entrepreneur has personal credibility across sectors, across geographies and across audiences of members and of resource providers. This implies a great flexibility in translating the same core ideas in ways that are resonant to people that are widely different. For example, a huge gap existed between poor "social entrepreneurs" in developing countries and wealthy US philanthropists and corporate leaders in terms of status, geography, culture and even vocabulary that they used. In order to bridge such disparities, early pioneers that acted as institutional entrepreneurs had to be credible across these extremely diverse audiences. A second prerequisite for achieving moral legitimacy is for institutional entrepreneurs to convince that the frame they propose is altruistic and compelling on moral grounds. Furthermore, for their frame to gain cognitive and pragmatic legitimacy, institutional entrepreneurs need to conceptualize frames of the category that are comprehensive and observable, and that are not too far removed from reality, respectively. My research suggests that excelling on all these counts is frequently very challenging. What is observable and measurable might not be what has the greatest motivational power or might be easily critiqued for lack of results, and vice versa. Still, I propose that analyzing the choices made across these dimensions may make institutional entrepreneurs more aware of the strengths and weaknesses of their proposed category frame.

What is particularly important is that institutional entrepreneurs understand the importance of identifying and appealing successfully to audiences with which their frame resonates and which can contribute enough resources to support them. The early earned income frame in the US suffered because it was not able to resonate with influential actors that would be willing to back it with substantial resources. Only when governments and impact investors reinvented the social enterprise frame and dedicated considerable resources, did the prospects of the frame improve. My research also suggests that in the absence of a frame that is superior on all dimensions, no frame might clearly dominate the category, in which case institutional entrepreneurs might ultimately need to cooperate with each other, for the benefit of the broader category. If institutional entrepreneurs have the option to compete for dominance of their frame or collaborate and accept multiple frames within the category, then their decision should be based on the benefits versus costs of this choice, delineated in the second article of this thesis. Therefore, a consideration of the distribution of power behind each frame, and the benefits and costs of a prolonged contestation versus collaboration, can enable them to be strategic about their choices.

Moreover, it is evident from this research that the framing and use of categories at higher levels of government, development agencies and multilateral organizations is frequently disconnected from activities in the field of practice. Institutional entrepreneurs can play an important role if they can successfully occupy the intermediate space between top-down policies and bottom-up activity in order to create mutually beneficial outcomes. As intermediaries, they can bridge the micro and macro perspectives, while offering an ecosystem that provides legitimacy, funding and networks to aspiring social entrepreneurs. The establishment of an enabling ecosystem that nurtures small-scale initiatives and helps them scale can thus be a critical contribution on the part of institutional entrepreneurs and other support organizations.

My study of microcredit further proposes that when supporting social entrepreneurship practices, institutional entrepreneurs would do well to assess the impact of such programs on diverse dimensions of outcomes and local context. Microcredit, and potentially other entrepreneurial interventions for social value creation, are not likely to have comparable impact across different dimensions of financial and human development, and so these dimensions need to be delineated and measured accordingly. Furthermore, while succeeding in more challenging contexts is harder, entrepreneurial interventions such as microcredit are more likely to be beneficial there; thus, it is particularly important that institutional entrepreneurs support the emergence of social entrepreneurship in such deprived contexts.

## 5.5 Limitations and future research

The main limitation of this thesis is that it deals with specific cases that can be indicative of, but not conclusive regarding broader dynamics. It examines the emergence of one organizational category, while it offers an assessment of the effectiveness of the single sub-category of microcredit programs. While these studies have yielded rich insights in their respective areas of study, further research is needed to corroborate the arguments advanced here. Research on organizational categories should identify and analyze other cases of categories that have become resonant and legitimate while remaining ambiguous. Furthermore, past examples of organizational category emergence can be collectively analyzed to generate cross-case insights, while propositions generated in the second thesis essay can be tested empirically. Apart from the specific area of microcredit, future studies should also scrutinize other entrepreneurial approaches to social value creation, in order to identify whether they are effective, and under which conditions. While management research typically avoids replication research in favor of original designs, I argue that a validation of results and theories proposed in this thesis through future studies is warranted, especially given the important societal implications of the topic. Specifically for microcredit, the results reported here should also be corroborated over a longer-term horizon, as short-term positive effects might obscure unsustainable practices in the long-term.

This thesis by no means exhausts the subject of entrepreneurial approaches to social value creation, and thus multiple opportunities for future research are presented to the researcher interested to explore this area. First, the essays presented here focus mainly on broad economic and sociological conditions, and less on individual, micro level conditions that can moderate the impact of such entrepreneurial solutions. Research on microcredit, for instance, has typically ignored issues that pertain to the individual or the entrepreneurial opportunity she has selected to pursue. Yet, beyond assessing the overall relevance of microcredit, we need to be able to suggest whether it can be useful for specific people and counter-productive or even destructive for others. Researchers can also examine social entrepreneurship by looking at the motivations of the individual entrepreneurs or founding teams. Such research could move beyond the identities entrepreneurs choose to project, in order to examine the actual prosocial motivations of entrepreneurs and the financial and social outcomes achieved by their ventures. Second, researchers could investigate in greater detail other specific areas of social entrepreneurship, including but not restricted to sustainable ventures, base of the pyramid ventures, work inclusion organizations or organizations contracted by government to provide social services. A nascent stream of research has gradually began to appear around these topics (Cohen & Winn, 2007; Dean & McMullen, 2007; Kistruck, Beamish, Qureshi, & Sutter, 2013; Pache & Santos, 2010), but many questions still remain unanswered.

Furthermore, my qualitative study has focused on the dynamics underlying the emergence of social entrepreneurship, centering on two competing frames for reasons of parsimony. Yet, there are many alternative, less examined frames, which nevertheless deserve attention and could potentially be more effective than the more prominent ones. For instance, community organizations employing innovative programs for social value creation constitute an underrepresented frame, as it is less aligned with the prevailing individualistic values of Western society. Similarly, certain NGOs that have come to be associated with the broader umbrella term of social entrepreneurship have developed their own strong frames that prioritize aspects such as accountability to the beneficiary (e.g. Camfed, Partners for Health) or job creation (e.g. Kickstart), instead of advocating either for systemic change or earned income generation. The study of such frames and the effectiveness of their proposed solutions could add further nuance to our understanding of the use of entrepreneurship for social value creation.

Given the potential important policy implications of social entrepreneurship, studies could further target specific topics that can elucidate the conditions under which its impact can be magnified. With the exception of microcredit, other entrepreneurial programs for social value creation have failed to reach considerable scale and become established across countries. Research on replication of routines has contributed greatly to the understanding of the processes and conditions under which for-profit organizations in top of the pyramid contexts scale (Jonsson & Foss, 2011; Winter & Szulanski, 2001; Winter, Szulanski, Ringov, & Jensen, 2012). Yet, our understanding of the ways in which replication and scale works – or not – for similar efforts undertaken in base of the pyramid contexts is considerably more limited. A fruitful avenue for future research therefore consists of identifying the conditions within and around social enterprises that can enhance their possibilities for growth. Furthermore, future studies could scrutinize the creation of ecosystems of support that can enhance the chances to scale. Instead of assuming that either subsidies or markets are better suited to addressing social problems, researchers could focus on the conditions under which each, or a mixture of the two, is most effective on a number of outcomes. Similarly, institutional work by governments or big philanthropic foundations can be instrumental for the creation of infrastructure that supports social entrepreneurship and related markets, yet it has been scarcely examined.

Finally, several issues that are closely connected to this research but have not been its primary focus deserve to receive explicit attention in future studies. Impact investing, with its emphasis on measureable social and financial impact is already generating interest among academics. The naturally occurring tensions that underlie impact investing can be a source of valuable insights in concurrent social and financial value creation. The efforts of organizations and institutional actors to establish measurements of social impact can be worthy of further examination, both in terms of their substantive results, as well as in terms of the political processes that they encompass. Similarly, new instruments such as "social impact bonds", which bridge the private and public sectors and connect them to investor audiences, could constitute another fertile area of research for organization theory scholars.

I want to close this thesis by arguing that there is an opportunity and also a moral imperative for management scholars to address more closely issues related to social problems. Undoubtedly, sound management practices, or entrepreneurship more specifically, might not be sufficient to solve persisting social problems on their own. Yet, many of the grave social problems our societies are facing currently cannot be attributed to technical inabilities or failures, but to organizational or managerial failures: “tragedies of the commons”, institutional voids, uneven distribution of resources and power, or organizational inertia (Ansari, Wijen, & Gray, 2013; De Soto, 2000; North, 1990). Hence, the study of the management of organizations, institutions, adversity and change can be particularly relevant to the solution of such problems. In that respect, organization scholars can and ought to venture outside their traditional sphere of interest to the intersection of management practices and entrepreneurship with climate change, inequality, natural disasters and poverty. Conducting research on that frontier is a big challenge, but one that is worth taking on!

References chapter 5


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