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Social entrepreneurship as action to unleash value production capabilities. The case of Made in Carcere

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Abstract

In this paper we further advance the latest trend in social entrepreneurship literature that defines social entrepreneurial activity on the bases of the distinction between value creation and value capture. We do so by providing a conceptual discussion, backed up by an illustrative case study, of how certain organizational designs can help the social entrepreneur in maximizing both value creation and value capture.

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INTRODUCTION AND THEORETICAL BACKGROUND

Over the last few years, the phenomenon of social entrepreneurship has increasingly emerged in debates and discourses of social activists, in the media, and in political agendas worldwide, with notable instances both in Europe and in the U.S.. Indeed the numbers of organizations that have been classified as social enterprises is growing, and their activities have an increasing impact on several sectors. Following suit, also academic community has shown a rising interest, and social entrepreneurship has recently risen to a new importance within the field of organizational and management studies as a new peculiar form of organization able to reconcile entrepreneurial action with positive social impact. This is reflected in the increasing numbers of top level journals publishing social entrepreneurship-related research (e.g. Arend, 2013; Grimes, McMullen, Vogus, & Miller, 2013; Kroeger & Weber, 2014; Pache & Santos, 2013). Arguably, the rising interest on social entrepreneurship has been driven by the thoughts and reflections on economics and entrepreneurship moved by the recent economic crisis; most notably by the increasing skepticism about the ability of current business methods and governments to fully address important social problems such as social exclusion, poverty and environmental issues (Dacin, Dacin, & Tracey, 2011).

Given the novelty of the subject, the very definition of social entrepreneurship used to be until recent times indefinite and emergent with numerous different definitions developed by the authors (e.g. Austin, Stevenson, & Wei-skillern, 2006; Certo & Miller, 2008; T. Dacin et al., 2011; Mair & Martí, 2006b; Neck, Brush, & Allen, 2009; Peredo & McLean, 2006; Van de Ven, Sapienza, & Villanueva, 2007), building a fragmented academic literature that presented many disparate meanings of what can be considered a social enterprise.

However literature is undoubtedly progressing toward a shared, less fragmented concept of social entrepreneurship, giving particular importance to a few common trends and shared characteristics that can be –implicitly or explicitly- found in most of the definitions. Among those, the hybrid nature of social enterprises (Battilana & Lee, 2014) divided (in most visions, in a un-reconcilable way) between economic and social objectives (e.g. Battilana & Lee, 2014; Mair & Martí, 2006). Indeed, this is widely recognized in literature: on the one side, the entrepreneurial nature, characterized by economic value creation seeking activities, and on the other, society improvement nature, characterized by social value creation seeking activities (Austin, Stevenson, & Wei-skillern, 2006; Certo & Miller, 2008; Dacin et al., 2011; Mair & Martí, 2006; Neck, Brush, & Allen, 2009; Peredo & McLean, 2006; Van de Ven, Sapienza, & Villanueva, 2007).

The theoretical discourse aimed at making sense of this conflict between the two sides of social entrepreneurship has been heavily influenced by the concept of institutional logics, i.e., “socially constructed, historical patterns of material practices, assumptions, values, beliefs and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality”. (Thornton & Ocasio, 1999, p. 804).

The hybrid nature of social enterprises has been described as a confrontation of different, possibly conflicting, institutional logics within the same organization. Social ventures strive to achieve two seemingly contrasting aims: on the one hand they have the objective of creating the highest possible amount of social value and spread it into society around them, whilst, on the other hand, they try to do so whilst achieving economical sustainability, if not profit. They balance the two opposite drives of creating and spreading value into society, and the drive to capture value for themselves (Santos, 2012) or, as it is more commonly said in literature, they try to create both economic and social

value (P. A. Dacin, Dacin, & Matear, 2010; Mair & Martí, 2006b; Peredo & McLean, 2006). The literature has clearly identified the clash between the social-impact-seeking logic coming from the volunteering world and the profit-seeking logic coming from the economic world, (Battilana & Dorado, 2010; Tracey, Philips, & Jarvis, 2011) as the two logics social enterprises are called to respond to. Given their intrinsic opposed nature, their conflict is thus endemic and connatural to such organizations (Battilana & Dorado, 2010; M. T. Dacin, Dacin, & Tracey, 2011; P. A. Dacin, Dacin, & Matear, 2010; Pache & Santos, 2010). Specifically, the for profit logic and the consequent and increasing use of market-based mechanism to run social enterprises may distract them from pursuing the social aim, creating cultural conflicts, increasing the financial risk and threatening the legitimacy of social organization. Thus, social enterprises may fail doing what they do best, or after a period of apparent initial success (Gras & Mendoza-Abarca, 2014). Indeed, on the one hand they attracts additional funds different from traditional resources, but on the other hand, an excessive "overreliance" on non-traditional revenue, may threaten its survival. Eventually, there may be the possibility for needy social entrepreneurs to sell their firm to big industrial giants (Sarason, DeTienne, Bentley, 2013), and, at this point, a natural question arises: although they could be attracted by the opportunities offered by the leaders of the major brands, by selling-out won't be lost the social focus? Compartamos is clear case in point (Santos, 2012).

In most cases the co-existence of competing institutional logics is considered only as a short-term situation, a passage between two states with a different dominant logic each. The conflict is a temporary situation, doomed to disappear (Santos, 2012) through institutional change (e.g., Marquis & Lounsbury, 2007; Purdy & Gray, 2009; Rao & Giorgi, 2006; Thornton, 2002), where one logic "conquers" the whole organization and the other simply disappears. Empirical studies have shown how a new institutional logic may enter an organization, thus becoming a competitor of the pre-existing logic, and finally overcome it and become dominant (Hensmans, 2003; Kitchener, 2002; Scott, Ruef, Mendel, & Caronna, 2000). This stream of literature suggests that organizations are doomed to manage conflicting institutional logics by enacting strategic choices that favor one logic over the other. These approach sees the impossibility of a long-run coexistence of the conflicting logics, and can be broadly defined as the "A instead of B" approach.

This, however, is not the only possible outcome. Indeed, more recent studies have put forward a different perspective. Conflicting logics may continue to coexist in a certain organization without one of them becoming dominant, even after a long period of time. It is what we can call an "A parallel to B" situation (Lounsbury, 2007; Marquis & Lounsbury, 2007; Reay & Hinings, 2005, 2009). In such situations the logics coexist, but only because –and to extent at which- they are insulated from one another. Attrition occurs every time the two logics are enacted in the same process or in the same part of the organization. In these situations rivalry between logics may easily escalate to the point of unsustainability, leading to organizational paralysis or breakups (Glynn, 2000; Pache & Santos, 2010; Vallaeys, 2004). For this reason, the literature applying this perspective has mainly focused on how to manage such attritions, indicating possible heuristics able to avoid or lessen the negative consequences of conflicting logics (Marquis & Lounsbury 2007; Reay & Hinings 2005). The underlying assumption in these streams of literature is that having conflicting logics in an organization is not a desirable situation. Rival logics determine an intrinsically unstable situation and bring considerable risks for the organization. In this context managerial actions are all addressed to keep one logic separated and insulated from the other, preventing potential risks of contamination, and thus decreasing the probability of experiences inefficiencies, paralysis or even breakdown.

The A parallel to B scenario - as already noted by Reay & Hinings (2009) - is largely unexplored. Some authors have focused on hiring strategies (Battilana and Dorado 2010), workforce downsizing (Greenwood, Diaz, Li, & Lorente, 2010) or contracting strategies (Lounsbury 2010). However they are mainly aimed at singling out the context-specific heuristics used by the actors in the organization to solve the specific contradictions they face, without a theoretical and generalizable account of how this happens. Also the institutional entrepreneurship perspective (Dacin et al., 2011;

Dacin et al., 2010) has exposed the success of hybrid organization, and mainly related it to the strategic decisions and personal characteristic of the entrepreneur. However, also in this case, solutions to manage different logics, not only in the start-up phases, but in a long term and in a sustainable way, are left under research.

Very little and only recent research (Battilana & Dorado, 2010; Lee, 2013; Pache & Santos, 2013) moves around the investigation of how such dual nature of social entrepreneurship is actually sustainable over time. This literature moves from cases and analyses outcomes and processes (Dacin et al., 2011) that show who managing conflicting logics in organizations is actually possible and indeed done effectively by the organizations under analysis. These instances show that competing logics continue to coexist for longer periods of times, and their rivalry is not perceived as harmful or treated as such.

The take of the present paper

The previous discussion relative to the different streams of literature emerged in the social enterprise domain shows that a progression is visible in the theoretical framing of the concept. The main contributions move from the conflict between different practices, assumptions, values, beliefs and rules belonging to the two aims a social enterprise needs to blend: the economic and the social aim.

This conflict has been analyzed mainly using the lenses of institutional logics, but the same point has been made by authors not applying that specific angle (e.g., Dacin et al., 2011; Seelos and Mair, 2004; Santos, 2012). Along this line, Seelos and Mair (2004) and Santos (2012) approach the concept of conflict between economic and social aims using another distinction, well-known in the literature (Lavie, 2007; Teece, 2007): the distinction between value capture and value creation. “Value creation ... happens when the aggregate utility of society’s members increases Value capture ... happens when the focal actor is able to appropriate a portion of the value” Santos (2012), p. 337. Santos argues indeed that this distinction allows the production of a definition of social entrepreneurship that is positive, based on the conflict between value creation and value capture.

Building on Seelos and Mair (2004) identification of value capture and value production as two key mechanism to be used in the social entrepreneurship field to provide a clearer definition of the phenomenon, Santos (2012) argues that in situations where solutions to social problems lead to positive externalities there is no ways to capture value, and thus market mechanisms fail to trigger to any entrepreneurial action. In this case, a solution may be provided by the Government, but not when the problem and the externalities are localized around a community without much power and relevance in political terms. In this case, only organizations interested in value creation and not in value capture will have the incentive to provide a solution. These are what Santos defines as social enterprises.

This approach focused on value allows for very interesting developments.

Santos’s depiction of the economic system and of the role of social enterprises in such system is very sharp and precise, but is still based on the idea that value capture and value creation are two distinct activities that cannot be reconciled. In his words “maximizing both value creation and value capture in the same organizational unit is difficult. Although value creation and value capture can be sometimes aligned, trade-offs will eventually emerge” (Santos, 2012, p. 338). As in the literature using the institutional logics as the main lenses to look at social enterprises, Santos ends up placing at the center of his definition the un-reconcilable conflict between two forces, one pushing organizations to apply practices, adopt believes and produce processes in line with value capture and profit seeking, and the other based on no-profit oriented actions, rules, and incentives. This conflict is unresolvable for the same reasons institutional theory has found: because “... any change in the main focus or any ambiguity about the organization’s positioning on this issue will be identity challenging ... due to the embeddedness of organizations in a web of relations and institutional expectations that are associated with either value creation or value capture” (Santos, 2012, p. 339).

There are few reasons to challenge this conclusion. First, precisely because Santos' conclusion maps what institutional theory has said over the last years, we are allowed to ask for an enlargement of this view to the new findings emerging in that very theory. The study of hybrid organizations institutionalists have undertaken (e.g., Battilana and Lee, 2014) and that we have reported in the previous move a step forward analyzing social enterprises that found heuristics able to make conflicting logics coexist in the long run. Similarly, moving from a similar conflict, we may expect that value capture and value creation can in some instances find a balance that –with appropriate supporting mechanisms and conditions- can become sustainable in the long run.

Second, the idea that social enterprises act always in situations where the potential for value creation is high and that for value capture is very low relegates them into the set of organizations that can only realize a minim level of value capture, and are thus that can be broadly defined as no-profit organizations. As Newbert & Hill (2014) put it, Santos definition of social entrepreneurship stresses to much the “social” term, and basically heavily underplays “entrepreneurship”. Stressing value creation at the expenses of value capture seriously compromises any conceptualization of social enterprises as economically viable and even sustainable organization, which is instead the most interesting challenge of the current studies on this topic. The way in which some organizations are able to blend the two mechanism of value creation and value capture into one mechanism able to offer both the solution for a social problem and capturing part of the value to assure economic sustainability is the main point to be understood to be able to free NGO's from their dependences on both of volunteers and donors' goodwill, a scares and unstable source of resources.

Indeed Santos' (2012) work, when completed with the reading of Seelos and Mair (2004), offers an interesting point of view that can be used to offer a solution to this problem without discarding the value-based approach.

To explain how, we move from the idea that, stressing the trade-off between value capture and value creation, Santos downplays the role of the processes that underpin these two dimensions. He seems to suggest that no matter what these processes are, the two dimensions will always be negatively correlated. Seelos and Mair (2004) are much less sharp in describing this dichotomy: the negative correlation between value creation and capture is expressed in the fact that the social entrepreneur can pursue the two possibilities at the same time moving along a continuum combining different incentives, some pulling towards “maximiz[ing] social value creation with little need for capturing economic value [while others] maximiz[ing] financial return by catering a social need” Seelos and Mair, 2004, p. 9. Social entrepreneurs are not those pursuing mainly (or only) value creation in situations where externalities make value capture difficult, they can instead make these different tension coexist mixing them at different degrees.

How is this possible?

An indication can be found also in Santos (2012). In his own words, there exist processes able to support the coexistence of these two dimensions: “Activities that allow value capture without value creation will be considered illegitimate and probably quickly outlawed ... some level of value capture is important to ensure the growth and sustainability of the organizations whose activities create value” Santos, 2012, p. 337-338. I.e., at the boundaries, when either value capture or creation tends to disappear, some process will be at work keeping it above a certain minimum threshold.

Together with Dacin et al. (2011), we believe that social enterprises balance these tensions well beyond the boundaries where one of the two tends to disappear, and this precisely because they create processes that allow for such balancing (Lee, 2014).

In line with the most recent literature on institutional logics (Battilana & Dorado, 2010; Pache & Santos, 2013; Battilana and Lee, 2014; Lee, 2014), we believe that there exist processes that allow profit seeking logics to coexist with social-impact seeking logics; or -in the value-based approach we used- that allow capturing value in way that is consistent with sustainable value creation even in presence of externalities. It is Santos himself providing the idea when arguing that it is crucial “... exploring how social entrepreneurs use empowerment approaches ... in their business models” (Santos, 2012, p. 347). Empowering of beneficiaries by involving them into the value creation of

the social enterprise, we argue, is not simply a strategy triggered by the fact that “social entrepreneurs face severe resource constraints (due to low value capture potential and the lack of societal awareness to the problem that they are addressing) and that they are targeting potentially large-scale problems for which they seek sustainable solutions” Santos, 2012, p. 346-347. It can indeed become the process through which social enterprises may escape the low value capture trap while keeping value production at the high level.

The idea around which this main intuition works can be explained as follows.

As said, Santos (2012) explains that it is most likely to observe social enterprises operating in situations where positive externalities due to the solution to a social problem are localized within a group of individuals at the margin of the society, powerless and possibly disconnected from other groups. In such situation, individuals in this situation feel an enormous distress because the government nor profit seeking actors have any incentive to tackle the social problem they face.

Moreover, being excluded from any value production process –of value of any kind- they are also excluded by any possibility to find a solution to that problem by their own.

If there exist a process able to give marginalized individuals a role in value production, this will result in their reintegration in society, because it will allow them to become the promoters of the solution to their own problem, beyond what markets and the State can and are willing to do.

For example, handicapped, mentally-ill, or non-educated people are often left aside and considered only as recipients of social services. The same, *mutatis mutandis*, can be said for prisoners, poor or non-bankable people with no collaterals. In the assumption that “beneficiaries or users of the system, no matter who they are, are likely to be endowed with resources and skills that are sub-utilized” (Santos 2012 p. 347)(De Soto 2000), we can obtain their reintegration in the society by means of a process able to make them unleash their productive capabilities based on their idiosyncratic resources and skills.

The potential to express can be based on resources and skills of any kind, ranging from simple labor force, to peculiar skills, to specific knowledge, and can be more general (an endowment any human being has) to more situation-specific, i.e., coming from the very reason why the individual is marginalized (e.g., uncommon cognitive capabilities due to a certain mental illness).

Thus, the process able to reintegrate marginalized individuals in value production must first of all be a process that removes what blocks the expressions of these individuals’ resources and skills. Of course, this process is not within the reach of the individuals, otherwise they could simply activate it autonomously. There is instead the need for an external third party intervention. This is the moment in which social entrepreneurs find room for their intervention. Social entrepreneurs enact a process of removal of the blockages that prevent marginalized individuals to unleash their value-creation capabilities.

It is clear that, by enacting the process of removal of such blockages, what social entrepreneurs are really doing is empowering marginalized individuals. It is because these individuals are given the opportunity to express their potential, and use that potential to produce value within the value creation system, that they can actually tackle the social problem affecting them. They are given the opportunity to solve it autonomously, while the social entrepreneur is simply instrumental to their empowering process.

This conceptualization of social entrepreneurial action has specific consequences for the definition of social ventures and for the trade-off between value capture and value creation we were questioning at the beginning. The idea of empowering the marginalized individuals giving them the tools to solve the social problem affecting them sheds new light on the concept of positive externalities and of value capture developed by Santos (2012).

On the one hand, what was thought of as an externality is not such anymore. The solution to the social problem could be defined as an externality because the beneficiaries were passive recipients of the actions of the social entrepreneur and the stakeholders he mobilizes. Externalities can be defined as such only to the extent the beneficiaries remain passive: as soon as they acquire an active role in the system, any action affecting them is part of the system and not an externality anymore. If

empowerment becomes key, thus, beneficiaries become partners of the social entrepreneur, and the benefits they receive –benefits of any kind- cannot be conceived as externalities anymore. In this sense, empowerment allows for internalization of the positive effects of the social entrepreneur’s action.

On the other hand, the boundaries of value capture should also be redefined. Precisely because empowerment implies that beneficiaries are now partners of the social entrepreneur, value capture should be broadened to span the whole network these parts constitute. Empowered individuals internalize what previously were considered externalities thanks to the intervention of social entrepreneurs, which means that when the created value is captured, they will be able to retain a large portion of it. A focus on value capture thus is not anymore incompatible with a focus on value creation, provided that the unit of analysis is not the social entrepreneur alone, but the network he was able to mobilize via the empowerment of his actions’ beneficiaries. What becomes critical –and in this sense echoes the trade-off between value creation and capture- is the way in which value is captured to a finer gran level, i.e. how it is divided between the social entrepreneur and the empowered beneficiaries. If value capture is unevenly distributed in this network either the social entrepreneur is depressed the capabilities of the beneficiaries, and thus depressing their value creation capabilities and endangering the long run sustainability of the whole model (e.g., Compartamos, Pache and Santos, 2010; Santos, 2012), or the social enterprise becomes unable to reproduce the premises of its action, and will be soon unable to preserve the removal of the blockage that allows empowered beneficiaries to gain their productivity¹.

The contribution of this work is thus giving a precise definition of social entrepreneurship able to move beyond the conflict between the economic and social dimensions that have been at the center of the previous literature, in this sense extending the research along the line drawn by Dacin et al. (2011), who claim “in our view ... social value creation mission does not necessarily negate nor diminish a focus on economic value. In fact, economic value is crucial for the sustainability of social entrepreneurial ventures and the creation of social value ... it is difficult to ignore that the creation of social value is often closely related to economic outcomes that in turn produce financial resources that the social entrepreneur can use to achieve his or her primary mission.”.

Some examples

The process that led to the creation of the Grameen Bank and of the micro-credit movement can be interpreted using this insight. Muhammad Yunus, a Bangladeshi banker, economist and Nobel Peace Prize recipient is the entrepreneur around which all the story of micro-credit revolves (Yunus & Yunus, 1998) . In Bangladesh situations of extreme poverty are widespread, and Yunus started to investigate the phenomenon. He recognized that each person had the potential capability to produce economic value, a potential “blocked” by her or his alleged “non-bankability”. Non bankability was the result of the adherence of financial institutions to a logic that instead of focusing on productive capabilities focuses only on collaterals, i.e., risk reduction. Poor people were not interesting for them because their logic made them blind to the labor marginalized individuals are able to perform. On the contrary, Yunus looked beyond the people’s property of resources or collaterals and he saw the potential of people’s labor force and their capabilities to produce goods and services to be sold on the market. He recognized that access to the financial recourses was the most sever “blockage” preventing marginalized individuals to re-enter the economic system and gain a role in society. Starting from this insight, he created a new processes that gathered borrowers into quite complex and innovative organizations, establishing mutual rules and giving novel roles to each one of them, offering learning opportunities and new procedures to deal with defaults. In other words, Yunus elaborated a complex business models based on processes able to make loans to marginalized people possible. These individuals were then able to enter the economic system producing

¹ Of course, empowered individuals may be able to solve their problem once and for all, but the only way for the social enterprise to be able to reproduce its experience in other contexts with other beneficiaries is that it is able to tap on the resources generate by capturing some value in the first place

economic value for the costumers and thus generating a surplus. The borrowers exited the extreme poverty they were trapped in, and gained the human, social and civil rights they were excluded from before, and at the same gave to Grameen Bank part of the value they produced via the interest rate of the loan. The microcredit business model generated a positive social impact reintegrating borrowers in the social system, with all the rights connected to it. At the same time it also had the capability to generate economic sustainability of the lending bank. It is easy to see that the process producing the economic outcome –unblocking marginalized individuals’ labor capabilities-is the same granting the positive social impact.

The same combination is visible in Kickstart (Fisher, 2006; Sijali & Mwago, 2011), a Kenya-based social enterprise, that built an highly successful business model based on the provision to Kenyan farmers of affordable and reliable water pumps.

Two American entrepreneurs, Nick Moon and Martin Fisher, founded their first entrepreneurial venture, ApproTech (that would then become KickStart) with the aim of helping poor Kenyan people in developing their businesses. They wanted to tackle the problem of poverty in Africa and thought that most of it derived from the difficulty in developing profitable small businesses. Studying the Kenyan context, they realized that the great majority of Kenyan population are small scale farmers whose survival depends mainly on the amount of land they can farm. So helping the entrepreneurial potential of small scale farmers would have had a strong impact on a large part of the poor Kenyan population. The two entrepreneurs realized that the most important variable in cultivation is irrigation, which, in the traditional Kenyan agriculture is achieved with extremely inefficient methods, thus restricting the amount of land that can be productively cultivated. Since the improvement in harvesting depends also on the technology of the water pump employed, Kickstart provides Kenyan farmers with a reliable, powerful and easy-to-use pump allowing the farming of a much greater amount of land. Kickstart allows farmers to notably increase their productivity. In other words, what kickstart achieves is to unblock the potential value embedded in Kenyan agriculture, allowing Kenyan farmers to obtain much more value from their work, thus favoring the exit from poverty of small farmers. To achieve this, Kickstart needed to struck a balance amongst obtaining the highest social impact and at the same time running the business in profit, as both this two dimensions are equally important: achieving social impact is the final and main objective of Kickstart, so it is important to spread its products as widely as possible (this meaning low prices). However in order to keep the venture alive, it also needs a steady stream of revenues and to invest in better technologies, that can lead to more performing and cheaper products. Also here, as for Grameen Bank, the business model is quite complex. To make sure many products are sold Kickstart needs to involve entire villages, explain how the pump work and how to maintain them, and invest in the relationship with groups of farmers. Other companies sell similar products, but the lack of a strong relationship with the villages leads to a lower level of empowerment and results in unsustainability of the business model. Again, Kickstart business model is innovative, allowing the economic-value-producing process to unblock the creation of social value.

A third example is WaterHealth, a social enterprise active in the field of water sanitation in India and Africa. Its mission is to provide clean drinkable water to countries where water sanitation is difficult and wateborne diseases strongly affect the population’s quality of life.

WaterHealth aim was to find a way to increase the quality of life and diminish poverty in the underdeveloped rural areas of India. In developing and underdeveloped regions, and especially in some Indian areas, waterborne diseases are a constant presence. WaterHealth’s intuition was that this does not just affect the health of the individual, but hinders its everyday life and working activities. Such disease create inability to work, deteriorating the individuals’ standard of living and thus increasing the probability to incur in other diseases. The consequence is a deteriorating situation in which the ill person keeps loosing potential opportunities of improvement. As

waterborne diseases are the great majority of diseases in such area, finding a way to diminish their incurrance would have a great impact on the productive potential of this region people. Sanitizing water was the answer to the problem, and WaterHealth devised a way to do it efficiently and with low costs. WaterHealth makes use of an innovative and effective UV light based disinfection technology that allows a relatively low-cost purification of water. This is achieved through a complex and innovative business model: WaterHealth purification centres and machinery are sold to the local communities and, given the high cost of the machinery, a financing program is offered alongside the sale of the of the purifier. The buyers can then repay the loan thanks to the fees collected from water sales. In the end, when loans are repaid, the purification machinery becomes an income-generating asset for the original buyers. And this is the second main driver which fosters the success of the business model: the product becomes an income-generating asset for the community that bought it. Thus, the main contribution of WaterHealth business model is that a remarkable amount of potential value, both economic and social, is unblocked thanks to, first, the higher standards of living and health conditions achievable using WaterHealth's purification systems, and, second, by the income the original buyers can enjoy once the loan is repaid. The improvement in the life of communities starts in the moment that WaterHealth provides them its services, and keeps growing over time, until the community can fully acquire the sanitation implant. The increase in quality of life and productive performance of the community are now clearly improved, compared to what they were before the presence of WaterHealth. Again, the process aimed at generating positive social impact by lowering the water-based diseases, is actually the same which fuels the economic process and make sustainable the diffusion the UV innovation.

EMPIRICAL INVESTIGATION

In order to investigate this concepts more in detail, we developed an in depth single case study (Yin, 2003) focused on Made In Carcere (MIC), a south Italy-based social enterprise striving to improve the life conditions of convicted women. Following a theoretical sampling approach (Eisenhardt & Graebner, 2007), the organization was chosen for two reasons: first it provides virtuous example of social entrepreneurship, as it has been able to obtain major results towards its social objective, and it has sustainably done so, relying only on income created through its internal activities (e.g. without philanthropists involvement or public grants). Secondly, its successful nature granted it great media visibility (to the point of influencing government projects around the issue of the poor life conditions of Italian convicted population), thus providing us with an unusual amount of data in comparison to other Italian social enterprises. These two characteristics of exemplar/extreme case, and opportunity for unusual research access (Yin, 2003) made it a good case for theoretical sampling.

To build the case study we used two types of interviews: first we collected all the interviews given by the founder of the social enterprise in the last 16 years (31 interviews since 2006) to different newspapers, then, in order to further inform the subjects left uncovered by such data, we also collected 9 direct semi-structured interviews (Glaser & Strauss, 1967; Yin, 2003) with 7 different people working in the organization, of 30-60 minutes each. During an on field period of observation (Glaser & Strauss, 1967) of three days, we were also given the opportunity to visit the production activities of the organization situated inside the prison facilities. This whole amount of data was then coded by two of the authors through open and axial coding (Saldaña, 2012). The findings here reported are based on the results of the coding.

Context of the case: The Italian prison system

Italian penitentiary system host 54.252 convicts [data relative to 31st August 2014] distributed in 204 correctional facilities, the. Women represent a low percentage of the whole Italian convicts population: at the end of august 2014 there were 2.308 women (4.25% of the whole population) and 51.944 men. Foreigners constitute 32.18% of the convict population (Italian Department of Penitentiary Administration - DAP, 2014). The age of the convict is generally low: with 39.5% of

the convicts being younger than 35 years, and 9% younger than 25. The majority of convicts show a low level of scholarization, with only 0.9% having a bachelor level degree, 5.9% a high school or professional school degree, and 32.5% a secondary school degree. The remaining 15% have only a primary school degree or none at all [data updated to December 2013]. Women are usually convicted for theft and drugs-related crime, and the majority of them already were in a situation social marginalization, prior conviction. Also in their specific case the level of education is low: 34 % of them received secondary school education and 15.5 % received only primary school education.

Following Italian laws, the Italian conviction system has the final aim of re-educating and eventually reintroducing into society the convicted individual, thus reducing their marginalization. However the Italian conviction system has such systemic deficiencies that undermine its effectiveness toward such goal, that is actually increases the marginalization from society of the convicted individuals. Several problems contribute to this increased marginalization of convicted individuals: the first important problem of the Italian penitentiary system is the lack of specific programs of education and rehabilitation: although it is very important for the final aim of re-inserting/re-socializing convicts into society to offer educational programs, vocational and education-related, the numbers of convicts enrolled in such programs is extremely low. At the end of June 2012, only 23.9 % of the convicts were enrolled in education courses, and only 42.9 % of these actually passed the final evaluation. In December 2012 only 3 % of the convicts successfully completed some form of vocational training, and 21 % had a work under the penitentiary administration. This data (Italian Department of Penitentiary Administration -DAP) show how the majority of the time spent in prison by the average convict is very far from being used toward useful goals of self-improvement in order to be able to eventually find a role into society. This is particularly critical if we think that the majority of convicts is relatively young and they are thus wasting remarkable potential learning opportunities. The consequence of this is that once outside of prison, ex-convicts are extremely difficult to re-insert into society as they are very lacking skills that could provide them a productive role into society (i.e. a job), and with the added stigma of having been in prison.

Secondly, another important problem of the Italian prison system is the high level of overcrowding: the situation among different regions varies, with peaks of 130.29 convicts every 100 housing units, and 141.13 convicts every 100 housing units in Puglia (Italian Department of Penitentiary Administration - DAP, 2014). Furthermore, some sources report a systemic overestimation of the real capacity of the Italian penitentiary, thus implying an overcrowding rate even higher than the one obtainable by official data (Osservatorio Antigone). Overcrowding is one of the main causes negatively affecting the living conditions of convicts, inhibiting the activities of a dignified life: serious overcrowding force convicts to spend most of their time in their beds, as in the cell there might not be the physical space to move around. In addition, many cells are not adequately furnished or not furnishable at all for the number of convicts allocated inside them, thus resulting in lowered health, privacy, and general life standards. Moreover, given the high numbers of convicted foreigners it often happens that convicts in the same cells do not speak the same language, thus resulting in even more isolation and distress. Such situation is not relieved by the granted time out of cell - usually the main moment of socialization in prison - as the overcrowding also makes it impossible to guarantee the necessary amount of out of cell time to all convicts. Overcrowding also makes it impossible for the penitentiary institutions to separate convicts in wait of trial (thus still in presumption of innocence). Not surprisingly, overcrowding also influences convicts' health situation, increasing the occurrence of infectious and parasitic diseases.

This difficult situation psychologically affects the convicts, making it more difficult for them to re-insert into society after they served their sentence: recidivism rates - 68.5 % in 2007 - for convicts are notably higher than those for people serving the sentence through measures alternative to conviction - 19 % in 2007 (Italian Department of Penitentiary Administration - DAP, 2014). This if they actually finish to serve their sentence as the number of suicides inside the penitentiary system

is disproportionately higher than the one in the Italian population: accordingly to the latest data provided by Istat (2014), in the Italian population there have been in 2009 5.9 suicides every 100.000 people, whilst among the convicts population the number increases to 40 suicides every 100.000 people.

The case: Made in Carcere (MIC)

MIC is a social enterprise founded by Luciana Delle Donne in 2007, a former manager of the financial sector, with the social aim of improving the life conditions of convicted women by offering them a “second chance” through a real entrepreneurial project. The core business of Made in Carcere is the production of artifacts that the same entrepreneur defines as "differently useful": handbags, accessories, bracelets, original and colorful.

The convicts in the project are active part of the manufacturing and packaging of these "useful and futile" products, and for their works they receive a regular salary.

Quite critical is the mission of MIC, as three different realms are supposed to be merged: social inclusion, reduction of environment impact, economic sustainability: while, on the one hand, it pays attention to rehabilitation of convicted women and use of recycled materials, on the other hand it is a real economic project, with a significant economic outcome. Managing an entrepreneurial project characterized by these three natures, implies for the business model to be able to deal with their respective needs, claims and contradictions. For example, regarding the social aspect, the higher number of convicted women involved in the project, the higher the chance for some of them to find a job and to strengthen their chances of a final reintegration into society. Today the production is carried out by around 7 prisoners of the penitentiary of Lecce, two former prisoners and a prisoner under house-arrest in the Laboratory in Lequile (LE). However in order to provide such ambitious aims, the whole business model has been set to be economic sustainable².

FINDINGS

From social marginalization to blocked economic value

Beyond the objective contingencies which characterized the Italian penitentiary system, convicted woman is a person experiencing a situation of social “marginalization”.

"When they exit prison, these girls fall into a devastating depression. They think they can do a lot of things, but they are not even able anymore to cope with the space around them: when you lived for five or six years in a cage of three times two squared meters, even your sensations are transformed...*they* go out and they are scared"

Broadly speaking, we thus define marginalized individuals as those that live outside the system of value production. In Italy, in particular, the situation experienced by convicted persons are even more severe (i.e. overcrowding in the cells, isolation, distress, etc.). A quite critical issue is that these persons very seldom are involved in real job activities and they lack the access to an effective re-education and training programs. This is mainly because of an inefficient legislation and most of all because of a lack of appropriate financial resources. Due to these blocks, convicted persons experience real marginalization, suffering psychologically and physically from the exclusion from processes that generate human development.

They are human beings deprived of their primary enjoyments... they forcibly take away from them their five senses...they cannot even see the horizon

² The financial report of the 2013 shows that the total revenues of the company was around € 220.000, out of which about 13.000 euro for sales abroad.

anymore because they can only see as far as two, three *metres...and then is just concrete walls*"

Such situation has many implications as for example the high probability (higher than 80%) for ex-convicted persons to commit again a crime.

One key implication is that these individuals are excluded from all economic processes: during the period of detection, convicted persons are neither involved in any activities offered by the penitentiary, nor they are allowed to start and develop any venture by their own (for example by setting up a production line or getting in contact with some external partners or clients). From a business standpoint, they do not have access to the factor market nor to final market, and have serious limitations in the type of activities they can undertake: all the social blocks which characterized their condition of convicted also block the possibility to realize their personal economic potential.

"When I started, it wasn't taken for granted at all that convicts were people with the potential to realize themselves, that they could have another destiny. There was a taboo and I had to break it"

In such a situation, they prove to be only negative economic entities, being the state be obliged to maintain them in jail as an unproductive cost for the overall society.

At the end, this inability fosters an even more negative loop: firms are prevented to endorse ex-convicted for their aim of pursuing profit-making goals. Recruiting from a pool of people with low skills and low productivity makes the prospect of profit generation more complex. Finally the impossibility to get access to a sort of second chance results in poverty situations which push ex-convicted to commit crimes again.

Removing the blocks through an innovative business model

If on the one hand, the Italian system is not able to implement any re-educational project economic sustainable, because of an inefficient legislation and a lack of appropriate financial resources, on the other hand it allows external social cooperative to develop specific project dedicated to convicted people. In general, such projects tend to be set as charity organizations, being the economic dimension difficult to implement; however this implies a continuous lack of financial resources and very few initiative are able to actually affect the prisoners' conditions.

Exploiting this opportunity MIC developed an innovative business model based on the empowerment of convicted women and thus able to realize the potential value they could generate and to be economic sustainable. We found that its main characteristic allowing to do so is the ability to remove all the blocks which impede convicted people to realize the potential value they could actually produce.

"We didn't want the time of the convicts to be wasted in pointless courses. We wanted to teach them a job, to use their time constructively in order to be able to think about a professional future, after they served their sentence in prison.

"Maria, for instance, she is her sixties and she has been in prison for three years, she has a very graceful touch and she is my reference point in one of the three laboratories"

Following the value chain, we synthesized three categories of business model elements at the base of this “value unblocking“ mechanism: a) elements regarding the “access to the factor market”, needed to feed a production process, b) elements related to the “keep it simple: implementation of real internal operations”, c) and elements concerning the “access to the final market”, where the products are finally sold.

Access to the factor market

Convicted people cannot get access to the factor market, look for the more appropriate inputs, and activate any financial resources by their own. MIC connects between convicts and production inputs, thus granting them access to the factors market. It does so by finding inspiration by the same concept of “second chance” used for involving convicted persons: a good part of the venture success pass through the possibility to take advance from different typologies of wasted materials, otherwise doomed to be lost in the waste, that are used as unusual but chip and inspiring inputs.

"We think about innovative ways to use materials...what do we do? We recover producers textiles that would be destroyed, because after two or three [clothes] collections those textile materials would remain in storage...doing nothing else"

In fact, only raw recycled materials from fashion products, donated to MIC by companies and institutions sensitive to its mission. Precisely such materials are an essential element of the business model: its particular nature always offers the possibility to generate new lines of products created from the scratch by employing the creativity of the workers; and most of all they come at zero cost. However, although the donation of raw material is free, this process implies a great variance in the quality and quantity of the material received. Therefore, a critical role is played by creativity of the teams: the products must be thought and developed each time on the basis of what (quality) and how much (quantity) raw material is available at a certain moment (which cannot predetermined before).

"The choice [of the design] is done ex-post, after we receive the textile materials... we do not know before what they are donating us, only the broad category."

On the basis of the amount and typology of donations, new products are developed, implying a high level of flexibility of the business and the need to be continually engaged in the proactive search for possible donors of texture and other fashion products.

Keep it simple: implementation of real internal operations

The second elements regards the internal operation: although the typology of the inputs requires great flexibility, the production process is not under the total control of the entrepreneur, as it is heavily regulated by the bureaucracy of the prison. During work, convicted workers are constantly monitored, and must continually ask permission for each operation they have to perform (for example, take the scissors, picking them up from the ground when they fall, ...). This is a clear blockage of the potential capabilities of convicted women.

"Another problem is time. They cannot work overtime and guards are really strict on this. At 5 o'clock you have to leave".

"It is difficult to communicate with [the convicts] and [to do so] you have to go there, and guards pose *problems on this...you cannot enter the prison* ever few hours, you can enter once and that it is it. You could phone the guards and ask to speak with [your employee], but they allow you to talk just for 30 seconds".

The MIC removes this block is by keeping the production processes as simple as possible: a very basic sequence of simple tailing activities, whose implementation does not conflict with the operational restriction the authority of the prison enforces.

This simplicity is also an answer to a second problem faced by MIC. Employing convicted people means relying on workforce that will become unavailable at a certain point in time (i.e., when the person is freed) and thus will need to be replaced. Everything learnt by the freed worker is lost, and the new worker will need to learn from scratch her tasks.

"After we had trained ten people, these were all freed from prison with a state pardon."

"We almost failed with the 2006 pardon. But I didn't give up: the engine had started and we couldn't go back."

Given the complexity of Italian penal law, it is extremely difficult to foresee when the convicts will be granted freedom, thus making it very difficult to plan an efficient turnover. Whenever a convicted woman is freed, there is a loss of know-how and of personnel. Newcomers are then called to augment the labor force, but they usually lack the technical and managerial skills to be adequately integrated. Thus, lack of skills coupled with the high and unpredictable turnover is a second blockage that the social entrepreneur has been called to remove.

"The context is difficult because you need 3-4 months to train them, and then it might happen the the convicts are moved [to another penitentiary]".

If it is impossible to have any effect on the turnover, it is however possible to increase the speed at which newcomers can become integrated in the process. Modularizing the production and making it as simple as possible both in terms of technical skills required for each task and in terms of organization and managerial procedures allows newcomers to become productive quite easily and very quickly.

Access to the final market

Convicts also do not have access to the final market, as their conditions restrict them from contacting and engaging potential customers. MIC removes this blockage by relying on a pivotal role played by the entrepreneur in finding big clients (i.e. Biennale of Venice, Intesa San Paolo, Conad, Apulia Regional Government), through the personal network she had developed during her previous career. The entrepreneur activated also a second channel to give convicts access to the Business-to-Consumer markets creating a new website which allows individuals to buy products via an e-commerce platform, and also a third channel: vending machines in the Bari and Salento airports. Made in Carcere has not yet its own outlets, however through specific agreements with local producers it has been able to leverage a larger distribution network, very recently also abroad

(i.e. New York City in collaboration with Eataly, Paris by Librairie du Parc / Actes Sud Paris and London via MyBnk).

Discussion: Empowerment and distribution of value capture

In conclusion what we found is that the sustainability of MIC project pass through a business model able to remove a good part of the blocks impeding a convicted people to realize their personal capabilities in an economic activity, i.e., through the empowerment of convicted women. The actual transformation of the marginalized individual's situation takes place via a value creation process centered around her capabilities. What clearly emerged from the analysis is that it is the unblocking of potential economic value that generates an economic surplus, the process which allows to improve the condition of marginalized individuals. Precisely this transformation which leads a convicted person to be part of an economic venture thanks to possibility to realize its potential value, also leads to social reintegration, being those persons able to gain the dignity of worker with a regular salary and the possibility to eventually continue tailoring as a job once the conviction is over.

At the same time, this process generates the distribution of the value created by MIC: convicted women are hire by the social entrepreneur, who also empowers them with the productive capabilities spurring by the removal of the blocks (i.e. access to the market of the inputs through the re-use of wasted materials, the implementation of simple internal operations and the access to the final market). The salary they receive from the entrepreneur is the redistributive mechanism that moves value capture from the level of the single entrepreneur to the level of the partnership she created with the beneficiaries. If such salary is too high, it may undermine the investment of the firm, and thus its economic sustainability. At the same time, if it is too low, it creates no positive impact on real life of the convicted women, and results in no incentive and in no capability to make them feel they are gaining back their role in the production system. It risks to becomes just another non-attractive activity to which they are exposed during the detention, and to add little to their future possibilities to be reintegrated in the society.

Finally, what we can notice is that such unblocking mechanisms at the end are not substantially different from typical business practices, but can produce substantially different results when passing through the marginalized individual's empowerment. Producing economic value on one side have been performed by activities which apparently belong to the business practices, but on the other side result to be quite close to the aim of assisting convicted individuals. Being close here means opening to the possibility that social aim may be reached by performing practices coming from real business model. Such aims may be so close that to some extent they can be seen as the two faces of same coin.

CONCLUSION

Extant literature has started to question the conflictual nature of social entrepreneurship in terms of the clash between economic and social aims. Using the institutional logic lenses, it has been argued that organization may try to juggle logics looking for an equilibrium which under certain conditions may be more stable than expected. From the approach which sees the impossibility of a long-run coexistence and can be broadly defined as the "A instead of B" approach, we are moving to an "A parallel to B" approach, explored by more recent studies. Conflicting logics may continue to coexist together in a certain organization without one of them becoming dominant, even after a long period of time, when organization is able to define some specific solutions aimed at preventing critical consequences.

Inspired by Seelos and Mair (2004) and by Santos (2012), we discuss a theoretical approach which owes from the logics and applies a value-based definition of social enterprises. Within that

approach we discuss how it is possible to reconcile the conflict between value creation and value capture thanks to the process of beneficiaries' empowerment .

Social entrepreneurs empower marginalized individuals by unblocking their potential value-production capabilities: the process they use to produce social value is thus the same process with which the economic value necessary to their sustainment is created. Therefore, in the case of social enterprises, the two conflicting worlds (and all the related conflicting activities) can be kept together without remarkable tensions.

This argument provides a direct contribution to the field of social entrepreneurship. We stand by Short et al. statement that "if the social entrepreneurship field is to progress, the next two decades should be characterized by unity in construct definition and by examining the social entrepreneurship construct through a variety of well established theoretical lenses" (Short, Moss, & Lumpkin, 2009, p.173). Thus, we hope our work will help in doing so by strengthening the institutional theory approach to social entrepreneurship. We believe this theoretical framework is particularly suited to the setting of social entrepreneurship because of its nature based on two seemingly irreconcilable logics: one social and one entrepreneurial; indeed the tendency of scholars to propose dichotomous explanations (eg. Boschee, 1998; Dees, 2012) on the subject is based on this underlying paradox of seemingly opposite logics coexisting in the same structure. As a final contribution to the field of social entrepreneurship, we think this article can give interesting insight on the relationship between social value and economic value in social enterprises: recent work (Santos, 2012) questioned the usefulness of the mainstreaming approach of defining social entrepreneurship on the categories of social and economic value, and we would like this article to contribute to the debate.

As a managerial implication, we have shown that some social entrepreneurs funding social enterprises are able to look at marginalized individuals with the eyes of the profit-seeking logics, and recognize their economic potential. They are also creative enough to imagine business models, technologies or networks where that economic potential can be expressed removing the obstacles that prevented that value to be created up to now, and committed enough to social impact to be able to see the social achievement the economic value production has generated. Thus, being a social entrepreneur means being able to 1) apply unusual logics to read certain situations 2) innovate at the level of the business model. Even if this finding is already contributing to help social entrepreneurs to understand their role and identify the precise capabilities they need to develop to create sustainable enterprises, we feel we can generalize the finding, and hinting that managerial can strike a balance between conflicting logics investing precisely in these two factors: 1) using one logic to read the situations usually placed under the other logic, with the aim of discovering new opportunities for development 2) being creative at the level of the business model, transforming the inputs received from the previous activity (point 1) into processes that can fulfill the requirements of both logic, embedding one into the other.

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