Abstract

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How international social ventures overcome liability of outsidership: The role of intermediary organizations.

Abstract

This paper contributes to the growing interest in startup challenges of international social ventures (ISVs). One major challenge many ISVs face is dual liability of outsidership – high barriers to enter business and support networks both domestically and in lower-income target markets. Based on a study of ISVs out of Greater Boston, we examine how and under what conditions specialized intermediary organizations can help ISVs lower this liability. We find that ISVs can benefit from the knowledge, connections, and status of intermediaries, but that the effectiveness of support depends on the agenda of intermediary sponsors and ISVs’ own network.

Key words: international social ventures; liability of outsidership; intermediary organizations; social entrepreneurship

INTRODUCTION.

International social ventures (ISVs) – enterprises that combine social and commercial goals and target international markets – increasingly gain academic attention (Zahra, Newey, & Li, 2014). Their empirical importance has grown rapidly in recent years since more and more social and environmental challenges worldwide lack government-led solutions and instead are becoming subject to private innovation (Boddewyn & Doh, 2011). Examples of ISVs include Bridge International Academies, a start-up that creates unique curricula for K-8 students and provides educational services for a monthly price of 5$ in Sub-Saharan Africa and South Asia; and d.light, a global solar energy company founded in California that delivers affordable solar home and power solutions for 2 billion people. However, whereas social problems in need of innovative solutions often co-locate with poverty, conversely, resources and knowledge required for such solutions are often found in richer environments (Zahra, Rawhouser, Bhave, Neubaum & Hayton, 2008). This is why ISVs are often set up in advanced economies while targeting less developed economies, i.e. they operate across borders from the get-go.
Due to their specific social business model and their international scope, ISVs face significant challenges in the early phases of formation – both in their country of origin, and the target market economies. As for the former, more than regular enterprises, socially focused ventures face challenges in acquiring venture capital and other conventional resources (Austin, Stevenson, & Wei-Skillern, 2006). Resource mobilization is even more challenging for ISVs since they typically target low-income consumers in emerging economies who are considered ‘high-risk’ and less profitable (Foster & Heeks, 2013). As for the latter, they are often confronted with resource scarcity in target markets, as well as with high cultural and institutional distance between their domestic and target business environments (Seelos & Mair, 2007). Given these challenges, ISVs thus suffer from ‘dual’ liability of outsidership (LO), i.e. barriers to entry to critical business and support systems and networks both domestically and abroad (see for foreign market entry, Johanson & Vahlne, 2009; Cantwell & Mudambi, 2011; Forsgren, 2016). This study focuses on how ISVs are enabled to overcome or lower LO. We thereby contribute to an extended application of this concept – differentiating and combining the domestic and international sphere – in the increasingly important context of ISVs.

To examine how ISVs may be enabled to lower LO, we focus on the role of intermediary organizations, which have been identified as important for the survival of new ventures in creating resource-rich environments for the latter (Dutt, Hawn, Vidal, Chatterji, McGahan, & Mitchell, 2016; Amezcua, Grimes, Bradley & Wiklund, 2013). We specifically look at what we call “intermediary organizations for international social ventures” (ISV-IOS), which we define as rather specialized intermediaries, such as university centers, business incubators, and accelerators, that support ISVs in getting embedded in both domestic and foreign business environments. Examples of ISV-IOS include VentureWell, a non-profit organization that funds and trains inventors, innovators, and entrepreneurs driven to solve the world’s biggest challenges, and MIT D-Lab, a university-based center that works
with people around the world to develop and advance collaborative approaches and practical solutions to global poverty challenges. Based on the empirical case of the Greater Boston entrepreneurial ecosystem, we discuss (1) core mechanisms by which ISV-IOs enable ISVs to lower LO; (2) core conditions under which ISV-IOs can address LO effectively domestically and abroad; and (3) core capabilities ISVs need to develop to make effective use of ISV-IOs.

With this study, we seek to first inform research on the internationalization of new ventures in general and social ventures in particular (Zahra et al., 2008; Zahra, Newey, & Li, 2014), by adding specificity to the concept of LO (Johanson & Vahlne, 2009), in particular by elaborating on the importance of LO both domestically and abroad, and by emphasizing the importance of collective efforts in overcoming LO. This also helps better understand founding conditions of international social ventures and the role of entrepreneurial ecosystems (Spigel, 2017). Second, this study provides a novel understanding of the role of intermediary organizations in catalyzing social innovation (McDermott, Corredoira, & Kruse, 2009; Mair, Marti, & Ventresca, 2012) in international domains. It extends previous work on intermediaries in facilitating innovation (Obstfeld, 2005; Lingo & O’Mahony, 2010) by adding the social and international dimension.

INTERNATIONAL SOCIAL VENTURES, LIABILITY OF OUTSIDERSHIP AND THE ROLE OF INTERMEDIARIES

International social ventures (ISVs) are often defined as enterprises that combine social and commercial goals and target international markets (Zahra, Newey, & Li, 2014). ISVs thus combine characteristics of social enterprises and international ventures. Both their social and international properties are an important source of value creation, but they are also a potential source of tension.

On the one hand, ISVs, more than regular enterprises, are not only able to combine profitability with value creation for communities and people in need, but are also able to bring social innovation often from advanced to less developed economies and target bottom-of-the-pyramid
(BOP) markets (Prahalad & Hammond, 2002). For example, organizing operations across Boston, Washington DC, London, and Nairobi, Bridge International Academies use modern technology and various sources of capital to bring unique curricula to Africa and South Asia that allows outperforming conventional educational systems. On the other hand, their specific business model can be an enduring source of tension – both in terms of balancing commercial goals and social mission (Battilana & Dorado, 2010), and in terms of managing potential cultural, institutional and economic distances between countries of origin and low-income target markets (Zahra et al., 2008; Foster & Heeks, 2013). What’s more, these tensions do not gradually develop over time but are an inherent aspect of ISVs from the start (Zahra et al., 2014).

One important consequence of these tensions is that gaining legitimacy and support in their early formation is typically much more difficult for ISVs than for regular IVs. The latter typically focus on products and services that follow current technological trends promising high returns on investment, which will ease access to venture capital (Griffith, 1999). Also, regular IVs typically focus on foreign markets that are either economically or institutionally similar to home markets, or part of established international business and institutional networks. For example, VC firms increasingly support US-based IVs with operations in highly established emerging economies such as India and China (e.g. Bresnahan, Gambardella, & Saxenian, 2001; Saxenian, 2005). Both their profitability orientation and focus on established foreign markets and sourcing environments ease their entry to established business and support networks. By comparison, ISVs add a social dimension to their business model that not only increases overall complexity of operations, but makes profitability and returns on investment more contingent, and shifts focus to less established international markets. Therefore, ISVs in their formation process often stand outside established business and support networks. They become subject to liability of outsidership (LO) – both abroad and at home. We focus on this challenge in this study.
In general, LO refers to specific difficulties and uncertainties firms face when entering foreign environments (Johanson & Vahlne, 2009; Vahlne, Schweizer, & Johanson, 2012; Schweizer, 2013). In their seminal paper, Johanson and Vahlne (2009) argue that it is the exclusion from critical networks, or LO, rather than lack of institutional knowledge about a market, or liability of foreignness, that challenges firms’ expansion across borders. LO, however, is often fueled by lack of market-specific business knowledge as well as by lack of trust-based connections (Johanson & Vahlne, 2009; Schweizer, 2013). Importantly, the concept of LO has been mainly applied to the context of foreign markets. However, conceptually speaking, Forsgren (2016: 1136) argues that “outsidership is a general phenomenon in business network theory concerning every network, domestic or foreign, in which the firm is not embedded”. We build on this insight by emphasizing that in the case of ISVs, LO applies to both foreign and domestic contexts. In other words, whereas prior research has implicitly focused on LO abroad, we take a broader perspective by looking at LO in domestic and foreign contexts. We now consider both foreign and domestic LO for the case of ISVs in greater detail.

First, new ISVs that typically originate from developed economies are often disconnected from markets and resources in low-income economies. In the process of internationalization, small and new ventures tend to acquire external resources, business market knowledge, institutional knowledge about the foreign market, and complementary assets through developing new (Chetty & Wilson, 2003) and exploiting existing networks (Coviello, 2006). However, developing networks in low-income economies is difficult for ISVs because of extreme cultural and institutional distance (Van den Waeyenberg & Hens, 2012). Moreover, these markets lack resources (Seelos & Mair, 2007), suffer from lack of coordination (Rodrik, 1996), and lack of infrastructure, government support, and technical services (Porter, 2000). In addition, these markets can be very diverse (Karnani, 2007), with multiple fragmented target markets co-existing locally (Webb, Kistruck,
Ireland, & Ketchen, 2010), which makes foreign market entry even more challenging. In sum, ISVs typically suffer from LO abroad.

Second, due to specifics of their business model, ISVs are often also disconnected from resources and networks in the location of origin. Location of origin matters for internationalization as new ventures acquire resources, such as financial capital and talent (Romanelli & Schoonhoven, 2001), from local resource pools (Spigel, 2017). In the process of internationalization, IVs leverage location-specific resources, such as unique opportunity-specific infrastructures, that later on can be a source of competitive advantage on host markets (Fernhaber, Gilbert, & McDougall, 2008; Porter, 1998). However, ISVs are focused on needs and demands of the poor from particular distant locations (Foster & Heeks, 2013). In general, this value proposition puts ISVs in a high-risk category from the standpoint of many domestic resource-holders whose primary concern is return on investment (MacMillan, Siegel, & Narasimha, 1985) and whose primary focus is mostly on geographically proximate opportunities (Sorenson & Stuart, 2001), familiar industries (Gupta & Sapienza, 1992), and local markets (Spigel, 2017). It also requires that products have to be specially designed for foreign needs (Ansari, Munir & Gregg, 2012) rather than being adopted from developed markets for a lower price (Polak & Warwick, 2014). This condition makes ISVs disconnected from customer markets in the location of origin. In this case, due to disconnection between value proposition of ISVs and beliefs, norms, and cognitive schemas of resource holding audiences (Golant & Sillince, 2007; Zott & Huy, 2007), ISVs lack legitimacy in domestic environments (Zimmerman and Zeitz, 2002) and experience difficulties in entering and deriving resources from local networks that support entrepreneurs (Aldrich & Zimmer, 1986; Delmar & Shane, 2004). ISVs thus typically suffer also from LO at home.

The recent international business literature has touched primarily on ways in which regular firms mitigate LO. For example, they may learn how to do business in unfamiliar environments (Johanson & Vahlne, 2009; Li, Vertinsky, & Li, 2014; Schweizer, 2013). Also, firms can identify
relevant networks, organize resources and capabilities in line with opportunities in these networks (Schweizer, 2013), and build trust-based relationships with insiders in unfamiliar markets (Johanson & Vahlne, 2009; Coviello, 2006), such as NGOs in the case of least developed economies (Webb et al., 2010). Importantly, trust can be gained through common business experience (Johanson & Vahlne, 2009), and building trust-based relationships can substitute for knowledge (Arenius, 2005). In this respect, new ventures with advanced networking capabilities are more successful in building relations in the process of internationalization (Mort & Weerawardena, 2006). Yet we know little about how those strategies play out in the case of ISVs.

Another limitation of prior research is that most studies have focused on established MNEs (Kolk, Rivera-Santos, & Rufin, 2014), which cannot be applied directly to ISVs. First, MNEs typically start out as regular enterprises with profit-seeking models before adding social missions. In other words, they are typically well integrated into business systems at home and abroad, prior to entering non-traditional markets. In contrast, ISVs do not share this advantage as their business model from the very beginning contains non-conventional aspects that put them outside regular business systems. Second, when MNEs prepare for entering low-income markets, they capitalize a lot on their brand and internal resources, especially when doing market research (London and Hart, 2004), hiring local talent (Webb et al., 2010), and creating new business models (Sanchez & Ricart, 2010). Also they often get support from international and local NGOs who help them get embedded within networks in foreign markets (Webb et al., 2010; Doh, 2006). In contrast, ISVs lack this capacity; their own ability to build trusted relationships with local partners is much more limited and thus LO much harder to overcome.

In contrast, we argue that ISVs rely much more on external support to overcome or lower LO both domestically and abroad. Specifically, we focus here on the supporting role of intermediary organizations (IOs), i.e. "agents that link two or more parties to bring about specific activities" (Dutt et al., 2016: 818; Obstfeld, 2005). IOs have been studied in the context of innovation (Obstfeld,
2005), creative projects (Foster, Manning, & Terkla, 2015), new venture acceleration (Hallen, Bingham, & Cohen, 2014), and foreign market entry (Webb et al., 2010). This is because these organizations often act as knowledge bridges connecting distinct producers and customers, providing firms with a variety of knowledge resources and enhancing innovativeness of firms (Spigel, 2017; Armanios, Eesley, Li, & Eisenhardt, 2016; McDermott et al., 2009). Notably, IOs act both on the level of a new venture and on the level of the external environment, channeling critical resources to a venture and at the same time isolating it from external threats (Amezcua et al., 2013). Since, as argued above, ISVs are typically even more challenged than regular enterprises in getting access to clients and funding, and in gaining knowledge about foreign markets, we expect IOs to be potentially even more important for ISVs than for regular enterprises. However, our knowledge of the role of IOs in the creation and survival of ISVs, specifically their role in lowering LO, is very limited.

In this study we seek to analyze, based on the case of the Greater Boston entrepreneurial ecosystem, a particular type of IO we call ‘intermediary organization for international social ventures’ (ISV-IO). We define ISV-IOs as IOs supporting ISVs in getting embedded in domestic and/or foreign business environments. We focus on their ‘intermediary work’, i.e. regular activities designed to help ISV get more embedded in either domestic or target market networks and support systems. Based on prior research, we pay attention to at least two elements of intermediary work: brokerage between actors, and bridging between social worlds. Brokerage, or what Lingo and O’Mahony (2010) call ‘nexus work’, is mainly about connecting partners by spotting collaborative opportunities and by managing ambiguity (Obstfeld, 2005). In addition to that, however, in the case of ISVs, bridging may become important in terms of negotiating norms and expectations between the social and the business world (Strauss, 1978, 1982), partly as a precondition for collaboration. Prior work on bridging agents who facilitate cross-sector partnerships (Manning & Roessler, 2013) highlights this aspect of intermediary work. In our case, however, the duality of domestic and foreign
context adds another layer of complexity. Next, we analyze the work of ISV-IOs in lowering LO for ISVs in more detail.

**METHODS AND DATA.**

In this study, we adopt a qualitative case study approach. Qualitative methods can be used to explore complex phenomena about which little is known and/or about which a novel understanding is needed (Strauss & Corbin, 1998). In particular, we used a multi-case design approach (Yin, 2003).

We chose Greater Boston as a setting for research as in recent years it has become one of the major hubs for a specific type of ISVs – international technology-based start-ups specializing in serving needs of customers in low-income economies. ISVs originated from Boston in recent years include Moringa Connect, Sanergy, change:WATER Labs, and Wecyclers. In terms of social focus, most of these ventures develop a specific business model targeting low-income populations and/or use technology to overcome some aspect of poverty, including digital divide between rich and poor, lack of access to education, and energy poverty.

This case study was conducted in two major parts. In the first explorative part, we focused on identifying the ways ISVs gain resources from the ecosystem of origin, in our case Greater Boston, and on understanding the ways ISVs address challenges of internationalization to low-income economies. As a result of the first part, we identified that a variety of intermediary organizations support ISVs in Boston and internationally. Similar to conventional technology ventures, IS-entrepreneurs apply to and receive support from early phase support programs such as MIT Sandbox, other “early idea competitions”, and pro-bono venture-focused services. However, such intermediary organizations as conventional business incubators, accelerators, or student-led legal clinics play relatively little role on the early phases of ISVs development. Importantly, ISVs gain the main support from IOs that were created purposefully to support ventures that pursue social opportunities internationally. These IOs play a critical role in the early phases of ISV lifecycle. Hereafter we refer
to this type of intermediary organizations as a *Intermediary Organization for International Social Ventures (ISV-IO)*.

ISVs originated from Boston gain support on their early phases either from ISV-Ios based in the Greater Boston area, such as the Legathum Centre, MIT D-Lab, and VentureWell, or from international new venture support programs, such as USAID Powering Agriculture Program or Fighting Ebola: Grand challenge for development. Importantly, most of ISV-Ios in our sample are non-profit organizations, which are sponsored by or affiliated with universities, foundations, international development agencies, and in some cases private businesses. The ways ISV-Ios fund their activity are mostly through grant funding. ISV-Ios also use other resources provided by sponsors, such as space. Notably, we recognized that ISVs originated from Boston don’t gain consistent support from an early venture support organizations, such as venture incubators and accelerators, that are based in Africa or Asia. In this case, all our findings relate to intermediary organizations based in Western countries or sponsored mostly by organizations from Western countries.

The second part of this case study was focused on understanding intermediary work of ISV-Ios. Main data source here are interviews with ISVs' founders, employees of ISVs, employees of universities, incubators, and other supportive organizations in Greater Boston and globally. In total, we conducted 23 interviews. Interviews were conducted June-December 2017 and lasted between 30 and 70 minutes. All interviews were recorded and fully transcribed. The interviews were semi structured and asked interviewees about the business model of their ventures and intermediary organizations, the process of establishing and growing a venture, networks and partners in the domestic and target markets, and support IS-entrepreneurs gain in the early phases of a venture. List of interviewees is presented in the Table 1. Secondary materials, such as websites, presentations, and public talks, were also extensively used.
The data analysis was conducted in three steps, following the examples of other inductive case studies of institutional intermediaries (see for example Mair et al., 2012). The first step of analysis involved creating first-order codes, which are descriptive labels for different types of activities intermediary organizations are involved in. These first-order codes "adhere faithfully to informant terms" (Gioia, Corley, & Hamilton, 2013: 20). The codes were built on the vocabulary of interviewees. The second step involved developing theory-related constructs and involved axial coding (Strauss & Corbin, 1998) when comparing first-order codes with one another. At this step, we went back and forth to consult with the literature on intermediary organizations. On the third step, we analyzed similarities and differences between types of intermediary work ISV-Ios are involved in. Following our research question, we distinguished intermediary work that is focused on an ISV as a recipient of support, on resource holding audiences in the domestic locations of ISV-Ios, and on resource holding audiences in the foreign markets. Based on that analysis, we identified the geographic focus of ISV-Ios’ involvement in addressing LO in domestic and foreign environment, and also the extent of ISV-Ios involvement – direct and indirect involvement. These findings form the basis for our theorization of the conditions that affect ISV-Ios involvement in addressing LO of ISVs in various environments (Eisenhardt, 1989).

**FINDINGS.**

As many nascent start-ups, ISVs gain support from various intermediary organizations. Due to specificity of international social opportunities, rather than being supported by such IOs as business incubators and accelerators, new international start-ups with social mission gain main support from intermediary organizations for international social ventures (ISV-Ios), IOs that are specifically created to support international social ventures.
ISV-IOs tend to be affiliated with and/or supported by universities, foundations, and international development organizations. Some ISV-IOs are started at universities by visionary innovators and educators, such as MIT D-Lab, GadgilLab at UC Berkley, and Challenge Lab at Chalmers University of Technology. Similar to university-led business incubators and accelerators, these ISV-IOs mostly rely on university resources, such as space and funding, and focus mostly on providing education and supportive training and coaching for student and academic entrepreneurs that develop innovative solutions for low-income economies. Similar to early-phase business accelerators, they select student-led projects that create solutions for developing world and support them on initial phases of their development. These solutions often include energy technologies, such as cook stoves, vaccines, medical devices, and water and sanitation engineering solutions. Even strongly dependent on a funding, space, and other resources provided by universities, these ISV-IOs tend to attract funding from other sponsors for their projects. For example, for launching International Development Innovation Network, a global network of local innovators using technology to address issues facing people living in poverty, MIT D-Lab attracted funding from USAID.

Some IOs were launched in a top-down way by international development agencies or international foundations. These includes for example Powering Agriculture, Fighting Ebola, Saving Lives at Birth, and other Grand Challenge for Development programs initiated by USAID in partnership with governments, private firms, and foundations with a purpose to “source new solutions, test new ideas, and scale what works”. Another example is the Grand Challenges for Exploration initiative by Bill and Melinda Gates Foundation, which awards grants to “engage more of the world’s innovators more quickly”. Most of their awardees are international collaborative projects. Importantly, such sponsors fund not only research, but also strongly support business acceleration of these projects by hiring permanent personnel and/or by outsourcing acceleration to capable organizations. For example, both USAID and Bill and Melinda Gates Foundation awarded
grant funding to VentureWell, a non-profit accelerator, to create the Xcelerator training program that aims to provide training and coaching for their grantees to “increase the likelihood that their innovations will succeed”. In other words, in this multilevel cooperation a sponsor (Bill and Melinda Gates Foundation or USAID) launches an ISV-IO (Grand Challenges for Exploration or Powering Agriculture) to select and fund ISVs and also funds another ISV-IO (VentureWell) to outsource business acceleration function.

Similarly to conventional business accelerators, ISV-IOs work with ISVs through fixed-term cohort-based programs. ISV-IOs are focused on supporting innovators and entrepreneurs in creating sustainable organizations rather than on supporting temporal projects. Selection process is competitive. ISV-IOs emphasize both "international" and "impact" as major selective criteria. Yet, boundaries of how intermediary organizations define “international social venture” are relatively vague and flexible. In some cases, even the fact that a new venture targets a developing country is already recognized as a social impact. Mission statements of several ISV-IOs are presented in the Table 2.

>>>>> INSERT TABLE 2 <<<<<

ISV-IOs support ISVs that originated mostly, but not only from Boston area. For example, VentureWell through its E-Teams Program, an early phase support program for student innovators and early stage entrepreneurs, supports early ventures from various locations including Utah, California, and Iowa. Also, ISV-IOs tend to work with ISVs that target various countries and markets in low-income economies. Examples of ISVs that went through the support of ISV-IOs in Boston include such startups as Moringa Connect, Dimagi, Sanergy, and Kinnos. Importantly, such type of intermediate activity is not unique to the Greater Boston settings. There are ISV-IOs in other parts of the U.S., such as Stanford Extreme Lab (California), UC Berkley GadgilLab (California), or in other parts of the world, such as Challenge Lab at Chalmers University of Technology (Sweden).
One of our major findings is that ISV-IOs address the issue of liability of outsidership (LO) not only on the level of ISVs supporting them in getting knowledge, resources, and capabilities, but also on the level of resource-holding audiences in domestic and foreign markets. Importantly, on both levels of involvement – an ISV and resource-holding audiences – intermediary work of ISV-IOs vary significantly between target markets and domestic environments. Next, we explain it in more detail. First, we discuss how ISV-IOs lower LO in foreign markets. Next, we discuss how ISV-IOs lower LO in domestic business environments.

**INTERMEDIATE WORK TO SUPPORT ISVS IN OVERCOMING LO WITH FOREIGN ENVIRONMENT.**

Addressing LO with foreign contexts influencing on the level of an ISV, ISV-IOs mostly focus on creating learning environments about foreign markets for IS-entrepreneurs and IS-teams. This includes a) organizing learning on how to work in low-income economies, b) organizing learning on the example of successful projects in low-income economies, and c) providing funding for experiential learning. ISV-IOs also influence resource-holding audiences in foreign markets, addressing the knowledge gap between them and ISVs. Yet, as geographical destination and markets ISVs target vary significantly, the latter types of support are rather indirect and partial.

**Organizing learning on how to work in low-income economies.**

One of the important gaps on the level of ISV that ISV-IOs’ representatives point out is the lack of first-hand knowledge about target markets among nascent IS-entrepreneurs. In many cases, ISVs are either launched as spinouts of universities research projects or started by founders with some but often little experience in low-income economies, for example volunteering experience. Founding also teams tend to be small – two-three people – with a very particular expertise, often in technology and engineering. Moreover, there is none or only limited connection to targeted market in terms of human
capital, usually a part-time employee, a friend, a former colleague, or a consultant. Thus, due to the lack of first-hand knowledge and experience, IS-entrepreneurs tend to oversimplify problems. As an investment manager of an accelerator explained:

[Innovators] are developing technologies for places that they’ve oftentimes never been. So, a lot of – not all, but a lot of the times, the academics are developing technologies for East Africa or Southeast Asia and they’ve read about those places. They’re read WHO reports, they’ve read the academic literature. Maybe they’ve taken one or two trips there but they’re not immersed in the local context to fully understand the ecosystem that their technology is going into.

To mitigate this gap on the level of IS-teams, ISV-IOs organize various trainings on how to do business in emerging markets and low-income economies. The topics include learning about intellectual property, technology, and team motivation. To deliver knowledge to IS-entrepreneurs, ISV-IOs facilitate mentor-mentee relations and peer-to-peer learning, organize workshops and invite consultants and industry and international development experts with an experience in such emerging markets as India, Kenya, Ghana, Uganda, and Tanzania, important destinations of international entrepreneurship and international aid. According to representatives of ISV-IOs, these trainings are often relatively generic and are not specific to markets and issues of particular ISV. ISV-IOs also develop temporal and permanent partnerships, for example with universities, to create curricula that can be implemented for several cohorts of ISVs. To provide ISVs with first-hand understanding of emerging markets, ISV-IOs are also involved in developing relations with intermediary organizations from low-income countries, such as incubators and accelerators. As a manager of a ISV-IO explained:

We try to partner, network and play nice with these folks who are supporting start-ups in the emerging markets... to help with connections to innovators and to help guide workshops.

Another way to educate nascent IS-entrepreneurs about how to work in low-income economies is through replicating resource-constraint settings in a developed country. For example, aiming to provide its fellows, innovators, and students with knowledge how to design and develop
technological innovations in the context of low-income economy, MIT D-Lab, an organization that works with people around the world to develop and advance collaborative approaches and practical solutions to global poverty challenges, created in Cambridge, MA an environment similar to one in low-income economies. Working in such an environment allows current and would-be IS-entrepreneurs to learn how to work with tools that are widespread in the emerging economies. One of D-Lab’s associates explains:

“D-Lab” provides a lab environment or a maker space type of environment for [innovators] to be able to prototype solutions and test them. It’s mostly tools that you could more or less find in most countries in a fairly nicely stocked machine shop. A lot of times you might design this very specific thing and a lot of times design in international development doesn’t work that way. You’re kind of limited by the materials you have or you’re limited by the manufacturing techniques that you have and you still want to be able to design or manufacture good parts that you can manufacture locally… [what we] try to do is have people use the same tools that the tinsmiths in Uganda are using.

Another important aspect is ISV-IOs’ intermediary work is developing networking capabilities of IS-entrepreneurs that are relevant for the foreign market environments. A consultant from a USAID-supported program explains:

[When an ISV explores how to enter], the best partners probably are already successful and are not looking for your products. The people that come to you, they’re not succeeding and they’re desperate to find the next greatest thing. So, in a lot of these markets, you need to go find the people and tell them about your product… I had to teach [innovators] basically how you land in a country where you have only a limited exposure and what to look for, how to get meetings, how to present yourselves, and how to translate what you’re hearing. We called it a landscape assessment because ultimately, the idea was to identify a potential distribution partner in the local market. But to get there, we needed to talk to a lot of different people.

Organizing learning on the example of successful projects in low-income economies.

Another way ISV-IOs address knowledge gap about low-income economies on the level of ISVs is through bringing IS-entrepreneurs to a low-income economy and organize learning on the examples of successful projects. As an investment manager of an accelerator explained:

The [accelerator] program we have, we don’t run it in the US. We go to a representative country. So, in the past year we’ve run for programs in Nepal, in Rwanda, in Malawi, we’ve also been in Tanzania, in Nairobi. We take all of our innovators to those places. Even if the
team is working in Nigeria, we bring them to Malawi or if a US team is planning on working in Nigeria—but they’ve never been there—we take them all to one location and throw them in the deep end and then say, “Here’s what it’s like in a representative country that is not the US”... We visit clinics, we visit hospitals, we give them a chance to talk to doctors, to talk to nurses, community health workers to get a sense of, “I have this technology that needs refrigeration, it needs electricity, it needs a dedicated staff member at all times.” And then they go to a clinic and they see, “They don’t have electricity 24 hours a day.”

To create such a learning environment and provide IS-entrepreneurs with access to successful cases, ISV-IOs gain support from their sponsors, such as international development organizations. For example, such programs as Powering Agriculture, Grand Challenges Explorations, and Saving Lives at Birth, whose sponsors include USAID and Bill and Melinda Gates Foundation, brings innovators to Nepal and Malawi where they learn on the examples of USAID-supported projects.

Following the same purpose, ISV-IOs also develop partnerships with various community organizations in emerging economies. Such connections also benefit ISVs in the process of testing and adapting technology. One of MIT D-Lab associates explains:

People have designed these really amazing cook stoves that are beautiful in the lab; they’re efficient, they use very little fuel, they emit very little harmful glutens, but then when you get them into the real conditions in a real kitchen where you have no idea what kind of fuel people use or how they tend a fire or the stove, then they often perform very differently... [We] try to get students or researchers out to the communities. We have a lot of good community partners, we’ve kind of cultivated these relationships for some time.

Providing funding for experiential learning.

ISV-IOs have an explicit focus on providing knowledge to ISVs about low-income economies in general and on educating IS-entrepreneurs how to do business in these settings in particular. Yet, target markets are ISV-specific and also extremely fragmented. In a given ISV-IO, a cohort may include an ISV that develops a cook stove design for South Sudan as well as an ISV that develops an interactive platform for coffee farmers in Ethiopia. Thus, providing ISVs with direct business market knowledge related to a particular opportunity is challenging and often remains off of ISV-IOs focus. However, as having first-hand knowledge about a market is extremely important, ISV-IOs support
ISVs in getting opportunity-related knowledge by providing various funding such as grants, awards, or fellowships for the purposes as traveling and conducting market research. As a fellowship manager of an ISV-IO explained:

*We also have travel funding that we’re able to provide the fellows so that they can travel to their market and continue to learn and grow their business as well because that's obviously important. You can do a lot here in Cambridge, but you actually have to be on the ground at some point, taking those hypotheses or the part what you’ve worked on and seeing it to fruition.*

Such funding is extremely important for IS-entrepreneurs, as it allows them to focus on learning about markets and developing a product. A co-founder of an ISV explains benefits of grants and awards:

*We've been fortunate enough to not have to raise any money. We've been funded pretty much straight out of the grants that we've gotten through different initiatives and opportunities, which has given us a lot more flexibility without raising any money and giving up any equity – and also, the time that it would have taken to raise significant money to be able to work on stuff... we skipped that phase and we're able to just work and deliver on products.*

**Familiarizing resource-holders through affiliation.**

In terms of geography, ISVs target various markets in different countries – from education markets in Ghana and women products in South India to cook stoves in South Sudan and vaccines in DR Congo. As ISV-IOs work with ISV using a cohort-based approach, they tend not to focus on being directly involved in working with resource-holders in target markets. Exceptions include cases when ISV-IOs employees exploit personal and professional connections.

The major influence ISV-IOs make on resource-holding audiences in various foreign markets is through association with reputable and well-known organization. When ISV-IOs are affiliated with institutions with global brand, such as universities, foundations, or international development agencies, being affiliated with or supported by such ISV-IO is an important resource for an ISV, as it is a signal for potential employees, suppliers, and partners in target markets that an ISV is an organization worth to consider to work with. For example, one of the authors of this paper served as
a knowledge manager for USAID-sponsored collaborative project “Improving Coffee Production and Quality Using Infrared Technology” between University of Addis Ababa (Ethiopia), UMass Boston, and University of Hohenheim (Germany). When approaching potential partners in various countries, such as the U.S., Europe, and Ethiopia, mentioning sponsorship of USAID was helpful to establish contacts on the level of C-suite of a potential technology provider. Yet, this type of influence is rather indirect and only partially supportive, as it required sufficient networking skills and resources on a level of a venture.

In sum, when addressing knowledge gap and lack of relationships in foreign environment, ISV-IOs are strongly involved in the intermediary work on the ISV-level. In particular, ISV-IOs bring knowledge about how to do business in the low-income economies, bring ISV-entrepreneurs into low-income settings to learn on successful projects, involve ISV-entrepreneurs in the process of customer discovery and stakeholder analysis in the targeted markets, provide funding to ISVs for the purposes of experiential learning in targeted markets, and develop networking skills of ISV-entrepreneurs. Yet, ISV-IOs to a lesser extent are involved in creating resource-rich environments in foreign markets. The main support for ISVs comes through the association with reputable ISV-IOs and their sponsors.

**INTERMEDIARY WORK TO SUPPORT ISVS IN OVERCOMING LO WITH DOMESTIC ENVIRONMENT.**

Being resource-constrained from a very start, IS-entrepreneurs are interested in getting resources, such as funding and human capital, in their domestic environments. As we identified, there is also a significant knowledge gap between ISVs and its domestic environment. Pursuing social-business opportunities in low-income economies, ISVs tend to be off the radar for domestic resource holding audiences, such as investors, volunteers, and employees. As an ISV founder explained:
[Our venture] doesn’t necessarily fit the general type of the company that people think about when they come to MIT. When VCs and investors come to MIT they want to hear about, groundbreaking technologies, artificial intelligence, or healthcare.

On the other side, IS-entrepreneurs may not be familiar with the criteria resource-holders in the domestic environments apply when decide to support or join a venture. In the case of investors, these criteria often include having a feasible business model, having a first-hand knowledge about an opportunity, and having previous experience in the fields related to opportunity. Satisfying these criteria signals to resource-holders that a venture is in a good fit to capture economic value and deliver social impact. ISV-IOs narrow this knowledge gap between resource-holding audiences and ISVs influencing on two levels – the level of an ISV and the level of resource-holding audiences. In particular, ISV-IOs support ISVs by a) bridging social mission and commercial logic in a business model, and by b) familiarizing resource-holders through direct network building and affiliation.

Bridging social mission and commercial logic in a business model.

An important direction of ISV-IOs’ organizational work is educating ISV-entrepreneurs on how to build a business model around a technological solution. ISV-IOs’ representatives point out on the importance of this aspect and emphasize that development of technology and creating a business model have to happen in parallel rather than sequentially. Importantly, failure stories emphasize that in many cases the reason for project failure is “not a technology that didn’t work, it is a business model that was not there”. A former employee of an ISV explains the revenue model of a failed ISV:

*It was easier to apply for a new grant for a new project than it was to find continued funding for the products that had already been developed which ultimately turned out to not be a sustainable way to run a business because the funders eventually got wise to the fact that no products were actually reaching the market.*

In particular, one of the major gaps related to a business model that ISV-IOs address is educating IS-entrepreneurs about the difference between “demand” and “need”. As one of the managers of an
incubator explained:

_Most of the teams we see coming through just have this implicit assumption that need is demand. They don’t recognize them as separate, because there are hundreds of thousands of [people dying because of a disease] of course the government is going to buy my device to save these lives. All they have to do is make the device and then everyone will want to buy it to solve the problem. And that’s not taking into account financial resources of the government, their ability to deliver those services... One of the main points we drive home in the accelerator program is that need does not equal demand. You have to generate that demand, you have to find a customer willing to pay for it._

To focus ISV-entrepreneurs on demand, ISV-IOs engage IS-entrepreneurs in the process of customer discovery and educate them how to “think about the user”. In specialized workshops, members of ISV teams are trained to conduct interviews and test their assumptions about the willingness to pay of end-users of technology. Moreover, ISV-IOs train IS-entrepreneurs to think broadly about their activity and engage ISV-entrepreneurs in interviewing not only customers but other stakeholders, such as suppliers, partners, shareholders, etc. As a manager of an accelerator explained:

_[After] 3-day workshop [on business model canvas], we check with them every other week through conference calls. We check their progress in stakeholder interviews. Basically we use Business model canvas and make sure that they are validating all nine of those boxes, not just customer segments._

Another important criterion resource-holding audiences such as investors apply when screening ventures, is the first-hand knowledge about the market and problem. In that case, support that ISV-IOs provide to ISVs in learning about the foreign environments also significantly contributes to overcoming LO with domestic environment.

Important aspect of ISV-IOs work is also to train IS-entrepreneurs how to present or pitch a venture and deliver value proposition to potential investors and employees. This type of learning is strongly intertwined with business model development and conducted through training ISV-entrepreneurs presenting and pitching skills via engagements with mentors, professional presenters, and peers.
Familiarizing resource-holders through direct network building and affiliation.

In the domestic environment, ISV-IoS are actively involved in developing networks with various resource-holding audiences and connecting IS-entrepreneurs to these networks. To support ISVs in obtaining resources, ISV-IoS build connections with specialized investors in a broad domestic environment through organizing events, such as demo days, that involve ISVs and specific early phase investors, such as angel investors. To attract potential employees and volunteers, ISV-IoS organize such events as hackathons and presentation days. ISV-IoS also support ISVs in attracting employees and volunteers by placing vacant positions or calls for volunteering on their websites. When connecting with resource-holding audiences ISV-IoS often exploit networks of their sponsors, for example alumnus networks and industry connections of universities. Another way ISV-IoS are engaged in bridging ISVs with resource-holders is through providing recommendations, for example to investors about particular ventures.

As ISV-IoS tend to be affiliated with reputable organizations, such as universities (MIT, Harvard), international development organizations (USAID), and foundations (Bill and Melinda Gates Foundation and Kauffman Foundation), such affiliation also provides indirect support for ISVs when building relationships domestically. Awardees and grantees are highlighted on ISV-IoS’s website; interviews with IS-entrepreneurs are often published on web-sites; ISVs also could use an ISV-IoS’s logo on their websites and promo materials. In that case, even being selected by a reputable organization as a grantee or awardee signals to potential investors and employees that an ISV is a venture that went through some screening process and has a support of a reputable organization.

Summarizing, through bridging social and commercial logics ISV-IoS narrow the gap between an ISV and resource-holding environments influencing on the level of an ISV. Accompanied with getting first-hand knowledge of a problem, ISV gain attributes that have a potential to satisfy selection criteria of such resource-holders as investors and employees. ISV-IoS also work on a level resource-holding audiences and ease the process of seeking for early-stage
investors by organizing various events, providing referrals to investors, and by promoting and marketing ISVs through various informational channels. ISV-IOs also equip ISVs with capabilities that allow them to develop relationships with such resource-holders as investors and employees. Table 3 summarizes our findings in terms of the level of ISV-IOs’ influence (ISV or resource-holding audiences) and in terms of LO (domestic or foreign) ISV-IOs’ influence is focused to address.

>>>><< INSERT TABLE 3 <<<><

Next, we explore conditions that determine ISV-IOs’ involvement in lowering liability of outsidership in foreign and domestic business environments.

**DISCUSSION**

Our study has sought to examine how and under what conditions intermediary organizations (IOs) can help new international social ventures (ISVs) lower liability of outsidership (LO) – both in the location of origin and target markets. Building on the Uppsala model of internationalization we have argued that LO (Johanson & Vahlne, 2009) is a key challenge for new ISVs. However, we have also argued that more than regular enterprises, ISVs suffer from LO in at least two contexts – the domestic ecosystem and the foreign target market environment. This dual LO is mainly due to the fact that international social opportunities are often located in environments that are economically and socially very different from the home countries of ISVs (Zahra et al., 2008) and the fact that inclusive innovations are higher-risk in terms of ‘return on investment’ for venture capitalists and other resource holders (Foster & Heeks, 2013).

Whereas prior research has mainly focused on how firms themselves overcome LO (see e.g. Schweizer, 2013; Fiedler, Fath, & Whittaker, 2017; Bangara, Freeman, & Schroder, 2012), we have
argued that in the case of ISVs in particular, intermediary organization play a critical role in supporting ISVs (ISV-IOs) and in lowering LO. Similar to prior research on IOs, we find that ISV-IOs in part work with the venture itself (see in general also Armanios et al., 2016; Hallen et al., 2014), and in part with other major stakeholders to create resource-rich environments for ISVs (see in general Dutt et al., 2016; Amezcua et al., 2013; Mair et al., 2012). However, this work happens in both domestic and foreign environments, and it is more multi-layered than prior studies on intermediaries would suggest. Figure 1 graphically summarizes the types and directions of ISV-IOs’ intermediary work that may lower ISVs’ LO in both domestic and foreign contexts.

In their work with ISVs, ISV-IOs are involved mainly in three types of intermediary work: (1) creating learning environment about foreign markets, (2) bridging social and commercial logics, and (3) developing networking capabilities of ISVs (see Figure 1).

First, ISV-IOs involve ISVs in an educational process and provide business knowledge about low-income countries, e.g. related to intellectual property, technology, and team motivation. ISV-IOs also convey examples of successful projects, through mentors, experts, and peer IS-entrepreneurs. Notably, prior studies have already shown that incubators and other IOs provide educational services to entrepreneurs (Hallen et al., 2014; Cohen & Hochberg, 2014; West & Noel, 2009). However, ISV-IOs are mostly focused on providing knowledge specific to opportunities in the low-income economies. That is, they share an understanding about foreign market institutional voids (Khanna & Palepu, 1997), competition with the informal economy (Webb, Tihanyi, Ireland, & Sirmon, 2009), contractual relationships (Kistruck, Sutter, Lount, & Smith, 2013), and hiring and training local personnel (Manning, Kanvasra, & Wissman-Weber, 2017). We also find, that when providing education to IS-teams, ISV-IOs derive knowledge from rather remote countries, such as Nepal and
Malawi, which makes knowledge acquisition more complex than in the case of IOs supporting more conventional, high-income oriented ventures.

Second, ISV-IOs engage in work that helps ISVs bridge social and commercial logics. Similar to bridging agents whose role has been studied in cross-sector development partnerships (e.g. Manning & Roessler, 2014), ISV-IOs help ISVs frame social missions in order for them to make ‘business sense’, and frame business models in such ways that they do not violate the social aspirations of entrepreneurs. We find that bridging social and commercial logics contributes mainly to lowering LO with domestic environments. This is because it helps ISVs understand the reference system of resource-holding audiences, including their decision-making rules and cognitive criteria (Golant & Sillince, 2007), which, in turn, helps ISVs craft business models and narratives (Zott & Huy, 2007) that ‘make sense’ to domestic resource holders.

Third, ISV-IOs help ISVs develop networking capabilities, i.e. abilities to connect with and communicate value propositions to various resource-holding audiences. Prior research has emphasized that developing such capabilities is key for any new venture (Bruneel, Ratinho, Clarysse, & Groen, 2012; Allen & Rahman, 1985), whether commercial (Anderson & Miller, 2003) or non-profit (Eng, Liu, & Sekhon, 2012), as it complements the human capital and technological expertise new ventures bring (Shane & Venkataraman, 2000; Baron & Markman, 2000). However, in the case of ISVs, networking capabilities needed are often more culturally diverse, since ISVs target low-income economies and communities with often very distinct embedded norms and practices (Li & Scullion, 2010), while at the same time navigating resource environments in more advanced economies.

In their work with resource-holders in foreign and domestic environments, ISV-IOs are involved mainly in two types of intermediary work: (1) directly connecting resource-holders with ISVs through events and referrals, and (2) indirectly supporting ISVs through affiliation.
First, ISV-IOs maintain personal connections with several potentially interested sponsors, firms, NGOs and professionals, both domestically and abroad, and often have exclusive knowledge about cohort of ISVs, thus bridging a ‘structural hole’ (Burt, 1992) between these audiences. Based on these ties, ISV-IOs are in several cases able to directly connect ISVs with resource-holders, especially in domestic, but sometimes also in foreign market contexts. By introducing ISVs to resource-holding audiences, e.g. through events, ISV-IOs familiarize these audiences with ISVs and thus increase their legitimacy (Zimmerman & Zeitz, 2002). ISV-IOs thus create resource-rich environments for ISVs by selecting relevant resource holders and by connecting previously disconnected groups (Obstfeld, 2005). However, unlike other intermediaries, e.g. in innovation (Obstfeld, 2005) and creative projects (Ferriani, Cattani, & Baden-Fuller, 2009; Lingo and O’Mahony, 2010; Foster et al., 2015), ISV-IOs sometimes neither have the capacity nor the specific knowledge or contacts to directly connect ISVs with relevant partners, specifically in their target markets. This is because the latter are often remote, underdeveloped and hard to access, even for IOs.

Making direct connections is therefore complemented by a second form of intermediary work: supporting ISVs indirectly through affiliation. By this we mean a form of ‘reputation-lending’ that is designed to support ISVs’ own networking activities. ISV-IOs are often themselves part of powerful organizations with brands of global importance, such as MIT. Affiliation with such acknowledged organizations increases the reputation of ISVs, i.e. the evaluation of a firm by its stakeholders basing on the information about the firm and its actions (e.g. Deephouse 2000; Deephouse & Carter, 2005). Positive reputation increases the likelihood of cooperation (Arend, 2009; Jensen & Roy, 2008), and investors are more likely to support a venture with a positive reputation (Shane & Cable, 2002). In other words, even though ISVs may still suffer from LO coming from lack of trust-based relationships (Fiedler, Fath, & Whittaker, 2017), both in their foreign and domestic environments, being affiliated with acknowledged organizations, such as ISV-IOs, is an important signal: it can be interpreted by foreign resource holders as an indicator that an ISV has direct access.
to high quality resources and capabilities (Rindova, Williamson, Petkova, & Sever, 2005), and by domestic resource holders as an indicator that an ISV already passed the rigorous process of screening and selection (Stuart, 2000; Shane & Cable, 2002).

In sum, ISV-IOs share important features with other intermediaries, but they also differ in critical ways. First, their intermediary work focuses on geographically distributed environments that are typically very distant from each other. They derive knowledge from dispersed knowledge pools, develop educational programs for challenging low-income markets, and influence resource-holders in ISVs’ target markets and domestic environments. Second, rather than just building relationships between their client ISVs and resource-holders directly, they engage in capacity-building that helps ISVs develop complementary relationship and network capabilities relevant both for target markets and domestic ecosystems. Third, and related to this, ISV-IOs interpret their intermediary work as a collaborative process rather than a one-sided service. For example, lending their reputation to ISVs only benefits them when the latter acquire the networking capabilities needed to turn ‘borrowed’ reputation advantages into effective value propositions.

However, ISV-IOs, while sharing certain properties, also differ in their focus and thus may have a different effect on an ISV’s LO. We now discuss these contingencies in greater detail. Most importantly, we find that ISV-IOs differ in the extent to which they focus on intermediary work either in domestic ecosystems or abroad. Interestingly, such variation is not necessarily an outcome of where ISV-IOs are located, but rather a function of the type of sponsorship ISV-IOs get, and the degree to which ISV-IOs rely on multiple or single sponsors. Literature on IOs emphasizes that the scope of and focus of intermediary work strongly depends on sponsor-level contingencies, for example on sponsors’ identity – private, government, or non-profit (Dutt et al., 2016). This is because IOs extensively exploit sponsor-level resources, such as space, funding, networks, and reputation (Armanios et al., 2016). Importantly, such sponsor-IO interconnections also strongly influence ventures that are supported by IOs (Dutt et al., 2016)
We find that, ISV-IOs, like other IOs, tend to receive sponsorship from various organizations, e.g. universities, foundations, and international development agencies (Dutt et al., 2016), in our case mostly from Western countries. We find that the orientation of sponsors has a significant effect on the ability of ISV-IOs to mitigate LO of ISVs either domestically or abroad. Specifically, we find that sponsors focusing on entrepreneurial ecosystems where ISVs originate (‘domestically oriented’ sponsors) prompt ISV-IOs to mainly support ISV in lowering LO domestically, while also having an indirect effect on ISVs’ LO abroad. Such sponsors include universities, e.g. MIT and Harvard, and foundations, e.g. Kauffman. For example, universities support entrepreneurial efforts of their students and faculty, and foundations support entrepreneurs on a regional level. Relatedly, domestically oriented sponsors have a strong positive reputation in domestic environments and well-developed diverse domestic networks with resource holding audiences. Some domestically oriented sponsors, e.g. universities, may also have a strong global reputation and strong international networks, such as alumni networks.

By comparison, some ISV-IOs may be sponsored by an internationally oriented sponsor, such as an international foundation, e.g. Bill and Melinda Gates Foundation and MasterCard Foundation, or an international development agency, e.g. USAID. These sponsors are interested in delivering impact globally, mostly in the least developed countries (see for example McCoy, Kembhavi, Patel, & Luintel, 2009). Our findings correspond to research on the role of international development agencies in serving as ‘network facilitator’ for MNCs that aim to establish themselves with social projects in emerging markets (Manning & von Hagen, 2010; Manning & Roessler, 2013). Internationally oriented sponsors tend to have global brands with strong international influence. However, their networks in domestic environments of ISVs, such as Greater Boston, tend to be relatively weak. Importantly, being sponsored by an organization with strong international orientation does not necessarily imply that ISV-IOs have strong networks in the particular target markets of ISVs. In fact, their influence may vary considerably country by country. Yet, their
international orientation may help in being able to sensitize ISVs for institutional and cultural differences and potential knowledge gaps they may to lower LO. Based on our findings we can thus propose:

**P1. From the perspective of ISVs, working with ISV-IOs whose funding predominantly comes from domestically (internationally) oriented sponsors, will contribute to lowering an ISV’s LO towards resource holders domestically (in their target markets) rather than in their target markets (domestically).**

These differences in sponsor-induced orientations of ISV-IOs present an interesting dilemma to ISVs. While most ISV-IOs may be able to lower LO for ISVs either domestically or abroad, they will be unlikely to lower LO all around. However, the willingness of ISV-IOs to support ISVs in the first place may depend on the ISV’s already established support network.

More specifically, we find that, like regular IOs in new venture development, ISV-IOs typically apply a rigorous process of screening and selection to determine the market potential and ‘fundability’ of new ventures (see in general, MacMillan et al., 1986) and to lower the chances of failure (Wulung, Takahashi, & Morikawa, 2014). Intermediaries base their selection on verifiable indicators of venture development, such as level of sales, marketing activities, and readiness of organizing activities (Eckhardt, Shane, & Delmar, 2006). In this process, IOs place emphasis on certain venture-level criteria that match their specific focus as IOs. For example, technology-focused venture funds place most importance on appropriateness of technology; investors focused on human capital of a venture place emphasis on leadership capacities of entrepreneurs; investors focused on financial returns place emphasize on ROI, growth and team formation and readiness in their venture selection (Knockaert, Clarysse, & Wright, 2010). In addition, selection is also contingent on an IOs’ value adding capacity. In other words, the more value an intermediary can add the more likely a venture will be selected (Knockaert & Vanacker, 2013)

As shown above, in the case of ISV-IOs, one particular service these intermediaries specialize in is to help ISVs get embedded – and lower LO – either domestically or in their target
markets. To add most value, however, ISV-IOs rely on the ISV’s own ability to get established in the very context the respective IO will not ‘cover’. This is because for the overall success of an ISV it is critically important to overcome LO both in domestic and foreign markets. Yet, the abilities of ISV-IOs to support that are limited. Thus, ISV-IOs are likely to select ISVs for support based on their joint capacity to lower both domestic and international LO. For example, for a domestically oriented ISV-IO, it is preferable to select startups that may need help domestically but that have some experience and footprint in target markets, e.g. through diaspora connections. In turn, ISV-IOs whose sponsors are internationally focused, minimize risk of failure by selecting ISVs with already established domestic entrepreneurial networks. Oftentimes, ISV-IOs would even prefer to work with ISVs that may lack critical ties to suppliers, employees, and funders but that already have a footprint in both target markets and domestic ecosystems. In other words, having complementary access to resource-holders either domestically or abroad may become critical for ISVs to secure support and funding from ISV-IOs. We propose:

*P2. From the perspective of ISVs, seeking support from ISV-IOs to lower LO domestically (in their target markets) will be more effective when the ISV has already lowered its LO in their target markets (domestically) rather than suffering from LO both domestically and in their target markets.*

This in turn implies that, in practice, ISVs are very unlikely to be able to lower LO domestically and abroad solely by working with IOs. Instead, ISVs continue to partially rely on their own ability to establish connections with resource-holders through their own networks. The ability of entrepreneurs to establish early network connections to lower LO and increase legitimacy has long been emphasized (Elfring & Hulsink, 2003). However, we may add nuance to this understanding. As argued above, due to the ‘high-risk’ nature of many social ventures, in the eyes of regular venture firms, as well as due to the cultural and institutional distance to target markets, ISV are likely to suffer more from LO – both domestically and abroad – than regular international ventures. Thus their
dependence on IOs to lower their LO may also be greater. However, IS-entrepreneurs may vary in their ability to mobilize IOs to lower their LO.

Based on our findings, one potentially effective strategy of mobilizing IO support under conditions of dual LO would be to reach out to a mix of domestically and internationally oriented IOs. In other words, rather than just relying on one or the other, a ‘portfolio’ support-seeking strategy may be most effective to many ISVs. This, however, requires to effectively communicate international embeddedness to domestically oriented IOs, and domestic embeddedness to internationally oriented IOs, in order to lower their perceived risk of failure. Even though we did not study this particular strategy, anecdotal evidence of successfully funded ISVs suggest that part of their success resulted from their ability to ‘amplify’ weak ‘signals’ of embeddedness by seeking complementary intermediary support from early on, which, in turn, further amplifies signals of increasing domestic and international embeddedness. Overall we propose:

**P3a. From the perspective of ISVs, seeking support from a combination of domestically and internationally oriented ISV-IOs, may be more effective in lowering LO than relying on support from either domestically or internationally oriented IOs.**

**P3b. From the perspective of ISVs, seeking support from a combination of domestically and internationally oriented ISV-IOs will be most effective in lowering LO when ISVs are capable of amplifying weak signals of embeddedness to complementary ISV-IOs.**

**Implications for future research**

With this study, we seek to contribute to several research streams. Our findings inform future research on the internationalization of new social ventures and the role of intermediaries catalyzing social innovation. We elaborate on these implications below.

First, our findings inform research on the internationalization of new ventures in general and social ventures in particular (Zahra et al., 2008; Zahra, Newey, & Li, 2014), specifically by further elaborating the concept of liability of outsidership (LO) (Johanson & Vahlne, 2009). Whereas prior research has emphasized the importance of LO in general, in terms of inclusion in business networks
as an important stepping stone towards entering new markets (Schweizer, 2013), our research adds the notion that in particular in the context of new international social ventures, LO not just applies abroad but also domestically, and that overcoming this dual liability is critical for new ISV to implement their business ideas. However, more than regular international ventures and MNCs, we have argued that ISVs may rely more heavily on intermediaries to mitigate LO. Intermediary work includes (1) creating learning environments to bridge knowledge gaps between ISVs and target markets, (2) bridging social and commercial logics, (3) developing networking capabilities of ISVs, (4) directly connecting resource-holders with ISVs through events and referrals, and (5) indirectly supporting ISVs through affiliation. LO is thereby lowered in a collective process of ISV-IOS lending their reputation to ISVs and sharing network capabilities the latter can jointly use to build connections with critical resource-holders.

We further find that most intermediaries, partly due to their own funding structure, are either domestically or internationally oriented. This suggests that ISVs may not rely on single IOs to lower their LO. Instead, they need to rely on their own ability to develop portfolios of both domestically and internationally oriented IOs to incrementally lower their overall LO. This notion adds another dimension to the established wisdom that ‘establishing networks’ are important for new venture development (Hoang & Antoncic, 2003). Specifically, we argue that ‘meta-connections’ to intermediaries can be central to developing such networks in the first place. Also, our findings on the funding and selection criteria of IOs suggest that working with intermediaries to lower LO is a continuous process rather than a one-off project. We invite future research to further investigate this process from the micro perspective of single or several ISVs. In turn the role of entire entrepreneurial ecosystems needs to be better understood in this regard (Spigel, 2017). How deliberately do ecosystem builders pay attention to the need for both domestically and internationally oriented intermediaries in support of international social ventures?
Second, this study provides a novel understanding of the role of intermediary organizations in catalyzing social innovation (McDermott et al., 2009; Mair et al., 2012) in international domains. It extends previous work on intermediaries in facilitating innovation (Obstfeld, 2005; Lingo & O’Mahony, 2010) by adding a social and international dimension. In doing so, our study has discussed intermediation as a multi-layered complex process that includes both the building of concrete connections between innovators and critical resource holders, but also the bridging of social and commercial logics of innovation, the filling of knowledge gaps between location of origin and potential markets, and the provision of generic networking and learning capabilities. We thereby invite future research to shift focus from the notion of intermediation as ‘nexus work’ or brokerage (Obstfeld, 2005; Lingo & O’Mahony, 2010) to intermediation as capacity-building – the capacity to build connections, learn about distant markets and beneficiaries, bridge social and commercial value. We thereby see a potential paradox in that social innovators, to benefit from capacity-building services of intermediaries, need to build their own capacity to network in multiple markets and communities. Future research needs to better understand this paradox, e.g. through longitudinal case studies of alliances between social innovators or ventures and intermediary organizations.

This study also has some notable limitations, which need to be addressed in future research. First, it focuses mostly on IOs that support ISVs originated from a well-established entrepreneurial ecosystem – Greater Boston. Bringing into focus IOs that support ISVs from other parts of the world would allow expanding our understanding of intermediary work IOs are involved in. Second, it focuses mostly on Western IOs that are supported by mostly Western sponsors. Bringing into focus IOs from the least developed countries that support ISVs would allow a more granular analysis of the ability of IOs to address LO domestically and abroad and to better understand the effect of sponsor-level contingencies on that process. Third, it focuses on the process of support rather than on the outcomes of support, leaving aside questions related to determining types of support that lead to better performance and higher chances of survival.
In conclusion, this study provides a novel perspective on the process of development and survival of international social ventures by bringing into focus their interaction with intermediary organizations in an attempt to lower their LO both domestically and abroad. This study highlights the scope of intermediary work and explores the ways in which IOs may support ISVs in overcoming LO, but also some critical contingencies that may limit the capacity of IOs to do so. Findings have important implications not just for international business research and our understanding of international social ventures, but also for policy-making and can inform the effective development of entrepreneurial ecosystems.
References.


### Table 1. Overview of interviewees.

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<thead>
<tr>
<th>#</th>
<th>Interviewee</th>
<th>Brief description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Co-Founder</td>
<td>Start-up that provides low bandwidth or low data video courses to students on emerging markets</td>
</tr>
<tr>
<td>2</td>
<td>Investment Manager</td>
<td>Non-profit accelerator for social start-ups</td>
</tr>
<tr>
<td>3</td>
<td>Program Manager</td>
<td>Non-profit accelerator for social start-ups</td>
</tr>
<tr>
<td>4</td>
<td>Curriculum Director</td>
<td>An international start-up that brings high quality curriculum to low-income communities – Kenya, Uganda, Nigeria, Liberia, India</td>
</tr>
<tr>
<td>5</td>
<td>Former Project Manager</td>
<td>A non-profit enterprise that creates low-cost, easy-to-use, point-of-care diagnostic devices designed specifically for the developing world</td>
</tr>
<tr>
<td>6</td>
<td>Co-Founder</td>
<td>Start-up that provides an affordable plug and play solution for remote data collection</td>
</tr>
<tr>
<td>7</td>
<td>Instructor</td>
<td>MIT Center that works with people around the world to develop and advance collaborative approaches and practical solutions to global poverty challenges.</td>
</tr>
<tr>
<td>8</td>
<td>Research Scientist</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Expert</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Expert</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Program Associate</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Operating Partner</td>
<td>Education focused business incubator</td>
</tr>
<tr>
<td>13</td>
<td>Manager of Social Ventures Supportive Center</td>
<td>Annual innovation, service, and social entrepreneurship competition</td>
</tr>
<tr>
<td>14</td>
<td>Consultant</td>
<td>A program supported by USAID, SIDA, BMZ, Duke Energy, and OPIC that aims to support the development and deployment of clean energy innovations that increase agriculture productivity and stimulate low carbon economic growth in the agriculture sector of developing countries to help end extreme poverty and extreme hunger.</td>
</tr>
<tr>
<td>15</td>
<td>Fellowship Manager</td>
<td>A community hub for students, alumni and faculty who seek to accelerate social and economic progress through innovation-driven entrepreneurship.</td>
</tr>
<tr>
<td>16</td>
<td>Founder</td>
<td>Social venture that develops low-cost eco-friendly water purifier.</td>
</tr>
<tr>
<td>17</td>
<td>Expert</td>
<td>An interdisciplinary research lab focused on technology and poverty issues</td>
</tr>
<tr>
<td>18</td>
<td>Co-Founder</td>
<td>Sanitation startup for slums</td>
</tr>
<tr>
<td>19</td>
<td>Co-Founder</td>
<td>Non-profit providing open-sourced games for children in Africa</td>
</tr>
<tr>
<td>20</td>
<td>Co-Founder</td>
<td>A startup that revolutionizes hiring in emerging markets</td>
</tr>
<tr>
<td>21</td>
<td>Co-Founder</td>
<td>Supply chain in healthcare startup in India and Africa</td>
</tr>
<tr>
<td>22</td>
<td>CEO</td>
<td>Telecommunication and software firm for U.S., Uganda, and India</td>
</tr>
<tr>
<td>23</td>
<td>Co-Founder</td>
<td>Social venture to eradicate poverty by promoting sustainable technologies in rural India</td>
</tr>
</tbody>
</table>
Table 2. ISV-IOs and their mission statements.

<table>
<thead>
<tr>
<th>Organization</th>
<th>Mission statement from a web-site</th>
</tr>
</thead>
<tbody>
<tr>
<td>MIT D-Lab</td>
<td>MIT D-Lab works with people around the world to develop and advance collaborative approaches and practical solutions to global poverty challenges.</td>
</tr>
<tr>
<td>VentureWell</td>
<td>VentureWell is on a mission to cultivate a pipeline of inventors, innovators, and entrepreneurs driven to solve the world’s biggest challenges and to create lasting impact.</td>
</tr>
<tr>
<td>Powering Agriculture</td>
<td>Program founded by USAID, SIDA, BMZ, Duke Energy, Overseas Private Investment Corporation to support the development and deployment of clean energy innovations that increase agriculture productivity and stimulate low carbon economic growth in the agriculture sector of developing countries to help end extreme poverty and extreme hunger.</td>
</tr>
<tr>
<td>Legathum Center at MIT</td>
<td>Community for MIT students, faculty and departments who are passionate about improving lives through principled entrepreneurial leadership in the developing world. We are committed to providing education, funding and community resources that will equip our students with the skills, values and critical thinking they need to succeed as entrepreneurial change agents in the world.</td>
</tr>
<tr>
<td>Fighting Ebola: Grand Challenge for</td>
<td>Partner program between USAID, the White House Office of Science and Technology Policy, the Centers for Disease Control and Prevention and the U.S. Department of Defense, that seeks to harness the power of crowdsourcing, competition, and partnerships to identify and support breakthrough innovation that addresses specific barriers faced by health care workers to combating the current Ebola epidemic.</td>
</tr>
<tr>
<td>Development</td>
<td></td>
</tr>
</tbody>
</table>
Table 3. Intermediary work of ISV-IOs in support of ISVs in overcoming LO.

<table>
<thead>
<tr>
<th>Level of ISV-IO influence</th>
<th>ISV</th>
<th>Resource-holders</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Overcoming LO with Domestic Environment</strong></td>
<td>Bridging social mission and commercial logic.</td>
<td>Directly supporting through organizing events and providing recommendations.</td>
</tr>
<tr>
<td></td>
<td>Developing networking capabilities for gaining resources.</td>
<td>Indirectly supporting through affiliation with reputable organizations</td>
</tr>
</tbody>
</table>

| **Overcoming LO with Target Market** | Organizing peer-to-peer and mentor-led learning on how to work in low-income economies. | Providing funding for experiential learning. |
|  | Organizing learning on the example of successful projects in low-income economies. | Developing networking capabilities for entering networks. |
|  | Indirectly supporting through affiliation with reputable organizations |  |
Figure 1. Intermediary work conducted by ISV-IOs to lower the liability of outsidership of ISVs towards domestic and target market environments.