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The Case of Impact Sourcing

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ABSTRACT

This study contributes to the growing interest in how hybrid organizations manage paradoxical social—business tensions. Our empirical case is 'impact sourcing' – hybrids in global supply chains that hire staff from disadvantaged communities to provide services to business clients. We identify two major growth orientations - 'community-focused' and 'client-focused' growth - their inherent tensions and ways that hybrids manage them. The former favors slow growth and manages tensions through highly-integrated client and community relations; the latter promotes faster growth and manages client and community relations separately. Both growth orientations address social-business tensions in particular ways, but also create latent constraints that manifest when entrepreneurial aspirations conflict with the current growth path. In presenting and discussing our findings, we introduce pre-empting management practices of tensions, and the importance of geographic embeddedness and distance to the paradox literature.

Keywords: Paradox Theory, Outsourcing, Hybrid Organizations, Inclusive Development, Social Entrepreneurship

Introduction

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

Prior studies have examined social-business tensions of hybrids and challenges of growth separately. On one hand, scholars have emphasized ways that hybrids combine, balance or decouple practices and structures to meet social and commercial demands (Battilana and Lee, 2014; Pache and Santos, 2013). On the other hand, studies have investigated the challenges of growth in terms of entering new markets, acquiring new clients, and expanding the scale and scope of operations (Battilana & Dorado, 2010; Boyd et al., 2009; Lumpkin et al., 2013; Weerawardena & Mort, 2006). For example, scholars have discussed "mission drift" – when growing hybrids 'drift away' from social goals in favor of commercial goals (Haigh and Hoffman, 2012), but have also found that hybrids have managed growth and their pursuit of social and business objectives without tension (Haigh et al., 2015a).

In this paper, we examine how hybrids approach growth (their "growth orientations") while managing paradoxical social—business objectives. By growth orientations we mean approaches to

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growth or ways of growing that include choices regarding pace of growth, managing stakeholder relationships, and balancing competing demands. While growth orientations do not determine actual growth, they do prepare hybrids for managing growth in certain ways. Our guiding research question is: ***How do hybrids in global supply chains balance growth opportunities and social—business tensions?***

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

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

cater to local communities *and* sophisticated clients. Balancing these demands becomes particularly difficult with growth.

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

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

suggest that paradox literature could benefit from a 'spatial turn' in its analysis of tensions. Third, we extend the prior debate on the social impact of outsourcing by discussing the growing importance of IS as a responsible practice.

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

Hybrid Organizations: Characteristics, Tensions, and Growth

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

The organizational forms adopted by hybrids arise from their multiple institutional logics (Greenwood et al, 2011; Battilana and Dorado, 2010), which are defined as taken-for-granted beliefs

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

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

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

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

Previous work on hybrid growth has focused mainly on the pace of growth and related challenges. Some hybrids pursue slower growth, seeking to achieve just enough growth to enable them

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

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

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

GSCs are embedded in and are established by complex client-supplier relationships (see e.g. Henderson et al., 2002). Suppliers – both mainstream and hybrid – build relationships with both international clients and locally situated communities that provide access to important resources, such as labor, expertise, and process support. Research on mainstream suppliers suggests that two conditions are important to competing and growing within GSCs. First, suppliers may depend predominantly on local and domestic resource and competitive conditions (Porter, 1990, 2000). In this regard, suppliers

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benefit from being part of geographic clusters, where locally bounded concentrations of specialized firms and related institutions serve particular industry demands (Porter, 2000). Being part of such a cluster facilitates access to global clients, talent and innovation, thus supporting growth (Humphrey and Schmitz, 2002), but can also increase competitive pressure (Pouder and St. John, 1996). Second, supplier growth strategies may be influenced by geographic and institutional distance to major clients (Yeung et al., 2006; Manning et al., 2015). Suppliers often face trade-offs between growth opportunities associated with serving distant global clients and developing trust and effective relations with them. Geographic distance makes it difficult to understand and compete for client needs compared to local competitors, which results in many suppliers choosing to set up foreign operations in major client markets (Martin et al., 1998). Institutional distance, in terms of differences in norms, regulations and practices (Kostova, 1999), also increases uncertainty and transaction costs for global clients, which prompts suppliers to invest in client-specific capabilities to better understand and serve them.

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

The digitalization and commoditization of business processes (Davenport 2005) created opportunities for companies in developed and developing countries to specialize in providing IT

services, call centers, tech support and analytical services, as (predominantly) Western clients outsourced them (Mudambi, 2008) to leverage cost, speed, time-zone, talent and other advantages (Reddy, 1997; Lewin et al. 2009). From this, a global service outsourcing industry has emerged that includes large full-service providers and smaller, more specialized vendors.

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

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

Data and Methods

We adopt an inductive qualitative case study approach to examine ISSP growth orientations and management of social-business tensions. Qualitative methods are justified for exploring complex phenomena about which little is known and/or about which a novel understanding is needed (Strauss and Corbin, 1998). IS is a complex and novel trend that has not been investigated in depth. We use a

multi-case design following a 'replication logic' (Yin 2008) and promoting 'generalization in small steps' (Diesing, 1979). We selected ISSP cases aiming for literal and theoretical replication: *Literal* replication means that case analysis is replicated for similar cases to increase the robustness and validity of findings, while *theoretical* replication expands the variety of cases along relevant criteria (Yin, 2008).

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

Two authors collected both interview and secondary data for each case. ISSPs were chosen based on those listed as important in prior studies, such as Lacity et al. (2012), and by scanning archival reports and case studies produced by Rockefeller Foundation. Case access was facilitated during interviews with representatives of intermediary organizations, such as Rockefeller Foundation, NASSCOM Foundation and local business promotion agencies. Rockefeller Foundation[1] and NASSCOM Foundation[2] maintain online IS resources aimed at promoting the sector and providing reliable archival data on ISSPs.

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

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

We conducted 38 semi-structured interviews between 2012 and 2014 with managers of ISSPs, service outsourcing experts, policy-makers, business promotion agents and Rockefeller representatives (see Table 1). Interviews with actors external to ISSPs were critical for understanding the context and generic challenges of IS. To increase external validity and robustness of our findings (Yin, 2008), we also collected secondary archival data on each ISSP through websites, and on well-known ISSPs, such as Samasource, as well as policy reports and practitioner articles on IS (also see Table 1).

>>>>>>>>>>>>>>>>>>> TABLE 1 <<<<<<<<<<<<<<<<<<<<<<

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

As an important limitation of this study, we were not able to collect longitudinal data on actual growth. However, interviews captured historical information on ISSP founding conditions, present

strategies, opportunities and constraints, and entrepreneurial aspirations related to growth, target markets and social mission. Therefore, rather than analyzing growth of ISSPs over time, we focused on growth orientations of ISSPs. We thereby take a middle position between growth as a structurally induced path and a product of deliberate agency (Giddens, 1984; Emirbayer and Mische, 1998). By studying hybrid growth orientation, we highlight specific ways of growing while managing social—business tensions.

For data analysis, we first cross-tabulated interview responses across ISSPs. In an initial round of coding we focused on comparing key attributes of ISSPs, such as types of business services provided, target employees, major clients, headquarter location, and key strategic and operational challenges. We provide a selective overview of these features in Table 2. Second, we inductively coded interviews to derive growth orientations and related tensions. Figure 1 displays a coding tree focusing on how we arrived at the two major growth orientations based on first-order and second-order analysis. To ensure inter-coder reliability, a sample of interviews were coded independently by two authors. Major attributes of growth orientations derived from this analysis included: targeted growth pace, extent to which social and business objectives are coupled, and degree to which client and community relations are integrated or managed independently. Third, all authors engaged in specifying the major growth orientations. We followed the practice of axial coding (Corbin and Strauss, 2008) by relating growth orientations to facilitating conditions (rural/urban location, and local/international clients based on the pre-categorization of cases) and practices of managing tensions. This analysis indicated that entrepreneurial aspirations were also important. Fourth, we promoted analytical generalization (Yin, 2008) by developing a theoretical model of hybrid growth orientation among ISSPs.

Empirical Findings

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

Overview of the Cases

Table 2 summarizes key descriptive information for the ISSPs and displays how ISSPs are embedded in client and community relationships. ISSPs in our sample served a wide range of clients and provided a wide range of services. ISSPs either served clients directly or were subcontractors, and some specialized in call center, customer support and technical helpdesk services to end users of their clients. Further, ISSPs sought various types of skill development and employment for a range of beneficiaries. All ISSPs in our sample employed both beneficiary (disadvantaged) and non-beneficiary (non-disadvantaged) staff, with the latter forming less than 20% of the workforce in most cases. Most non-beneficiary employees had minimum high school education and several years' experience and typically filled managerial and/or client-facing positions, while beneficiary employees often had neither high school education nor prior experience and worked behind the scenes.

>>>>>>>>>>>>>>>>>>>>> INSERT Table 2, Figure 2 <<<<<<<<<<<<<<<<<<<<<

As for financing, some ISSPs relied on either local funding sources, or global supporters like the Rockefeller Foundation, which helped defray initial investments and employee training. Most ISSPs in our sample identified as market-based social enterprises and earned revenue from their IS operations. Table 2 shows that ISSPs in our sample were mostly young (<5 years old at the time of interview) and small (<200 employees) to medium size (<500 employees), and operated from a single

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or few locations. Four providers were larger (>500 employees) and operated in multiple centers across rural or urban locations. Aside from these properties, ISSPs in our sample differed in terms of the types and geographic location of clients, the community setting from which they provide services, growth orientation and entrepreneurial aspirations. These are the core variables in our analysis.

Location of Business Clients

One important differentiating factor in ISSP growth orientations was the location of clients. We identified two major groups of ISSPs: (1) those predominantly serving a few selected domestic clients (often as sub-contractors), and (2) those serving predominantly a variety of mostly international end clients as main providers. In the first group, six ISSPs focused on serving a *limited number of primarily domestic clients*, three worked as subcontractors for mainstream providers typically located in the same country. One example is Cayuse Technologies, an ISSP specialized in training and hiring Native Americans. Its main client is Accenture, to which Cayuse offers IT infrastructure and application services, and Accenture is involved in training. One major characteristic of client relationships in this group is that clients are aware of and support the ISSP's social mission. Our findings suggest that having clients in the same country or location as ISSPs' operate in, plays an important role in supporting the social mission, as co-location prompts clients and ISSPs to share similar institutional and cultural contexts. The following quote from the CEO of Cayuse Technologies demonstrates this:

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

These clients and ISSPs often developed deep, long-term relationships committed to the services delivered and social mission served. This model appeared to work well when ISSPs operated as subcontractors, which limited their services to a range that suited the skills and limitations of

beneficiary employees. These ISSPs are also shielded from acquiring and managing end clients that can be demanding of service quality and price independent of any social mission.

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

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

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

Community Settings

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

Six ISSPs in our sample primarily operated from *rural settings*, meaning regions with relatively low population density that depend mainly on agriculture and other subsistence activities for

livelihood. Lacity et al., (2012) calls these rural ISSPs 'rural sourcing providers'. Owing to the rural location, which often accompanied lacking education and employment opportunities, access to sufficient livelihoods was problematic. By operating in rural settings, ISSPs enhance livelihoods for employees, while allowing them access to underutilized labor pools. Typically, however, rural ISSPs operated at a limited scale and served a small number of clients. Again, Cayuse is a good example, whose major client is the mainstream provider Accenture.

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

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

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

In contrast, five ISSPs mainly operated from *urban settings*. Urban ISSPs benefitted from more developed infrastructure, easier client access, but typically also tougher competition. Many urban ISSPs shared features of geographic clusters (Porter, 2000) in having a concentration of both ISSPs and regular outsourcing service providers competing for clients. Unlike rural settings, urban areas had

a segmented working population, where the educated urban elite enjoyed a range of employment opportunities, and people living in urban slums, disabled people or minorities struggled to find work. Urban ISSPs served the latter populations to effect inclusive employment.

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

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

Growth Orientations: Community-focused vs. Client-focused

ISSPs in our sample differed in their *growth orientation.* Growth orientation included the approach to growth and ways of managing client and community relations and related tensions, and was influenced by structural conditions and informed by entrepreneurial aspirations. We found ISSPs to pursue one of two approaches: community-focused or client-focused growth. Table 3 gives an overview of core features and differences in client and community relations and the way ISSPs manage social-business tensions with each orientation.

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

Community-focused Growth

Community-focused growth is an orientation where growth was motivated and guided by community needs. Entrepreneurs operated for slower growth, without much pressure from clients or other stakeholders, and emphasized maintaining and incrementally expanding existing client relationships in support of the social mission. These ISSPs were mostly younger, and had integrated business and social objectives with client and community relations. Furthermore, this approach to growth appeared to be supported by two inter-related conditions: operation out of rural areas, and focus on domestic clients.

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

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

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

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

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

Client-focused Growth

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

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

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

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

Entrepreneurial Aspirations

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

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

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

Emergence and Management of Tensions

Social-business tensions may remain latent until environmental factors or cognitive efforts 'accentuate the oppositional and relational nature of dualities' (Smith and Lewis, 2011). Further, each

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growth orientation implies certain ways of managing tensions, contingent upon structural conditions and (as noted previously) entrepreneurial aspirations. Actors in both growth orientations identified social—business tensions and adopted various practices to manage them, and we explored environmental and structural conditions that rendered the tensions salient, and ways they were managed. One major social-business tension emerging from structural conditions identified by interviewees surrounded the need to gain client trust while hiring beneficiaries that may lack skills desired by clients, and we use this as an example.

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

Accepting and managing. Another practice that addressed client trust while serving the social mission was to accept the paradoxical social—business tension (Smith and Lewis, 2011) while also managing stakeholder perceptions and expectations. In this instance, ISSPs developed *community-*

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centered or *client-centered* solutions according with their orientation. For example, community-focused ISSPs like Cayuse Technologies (USA) promoted the skills of beneficiary employees: *"I put together an overview of our capabilities and our skills and diversities mix…" (CEO, Cayuse Technologies, USA)*, while client-focused ISSPs, such as iMerit, emphasized professionalism and initially downplayed the social mission:

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

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

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

> *"We are in no way an NGO or a charitable organization. We are a typical commercial organization, and we are trying to show to the world that even with these employees we can run a profitable organization. We are doing business with a profit motive. At the same time, we are also engaged in "philanthropy" by employing and creating opportunities for these (disadvantaged) people" (Executive, iMerit, India).*

Conversely, where entrepreneurial aspirations are not aligned with current growth conditions, tensions are perceived more strongly. Entrepreneurs with high growth aspirations perceived

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dependence on specific clients and specialized capabilities as a problem of focusing on the community, and in response some favored incremental approaches. For example, the CEO of Cayuse Technologies tried adding services to promote growth and keep Accenture from switching providers; favoring a solution in line with Cayuse's integrated community-focused approach:

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

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

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

Discussion: Hybrid Growth Orientations and Tensions in Global Supply Chains

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

The two orientations we have identified – 'community-focused' and 'client-focused' growth – are summarized in Table 3. Based on the case of ISSPs, we have identified key properties of each approach, including practices of managing tensions, as well as facilitating and moderating factors. Figure 3 lays out the overall theoretical model. *Community-focused growth* denotes an approach that orchestrates slower growth with needs and constraints of selective, highly integrated community and client relationships. This approach favors the expansion of long-term client relationships over expanding the client base. *Client-focused growth* seeks faster growth, driven by pressure and aspirations to expand the client base while managing social missions independently. This approach favors greater flexibility and independence, while sacrificing client buy-in into the social mission and exposing hybrids to mainstream competition.

>>>>>>>>>>>>>>>>>>>>>>>>>>>> FIGURE 3, TABLE 3 <<<<<<<<<<<<<<<<<<<<<<<<<

Each growth orientation is both enabled and constrained by structural conditions. First, we find that growth orientations are conditioned by the kind of settings in which hybrids operate and maintain community relations (see Table 3). Hybrids seem likely to pursue *community-focused growth* when they operate out of smaller, rural, less developed community settings. Through alliances with community partners, hybrids enjoy exclusive access to resources in these communities, such as underutilized labor, while simultaneously benefitting communities by generating income and making the local population more employable (see also Rivera-Santos et al., 2015; Prahalad and Hammond, 2002; Prahalad 2012; London et al., 2010). Mainstream competition is low, since access to community resources is exclusive. Yet, access to clients is often limited. By comparison, hybrids pursue *client-focused growth* mainly out of larger, more developed urban settings, which provide easier access to domestic and international clients and other resources, but expose hybrids to stronger mainstream competition for clients and resources.

Second, our findings suggest that hybrid growth orientations are strongly influenced by the types of business clients served (see Table 3). *Community-focused growth* is supported by a client base

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

Third, we find that entrepreneurial aspirations can either support or conflict with current growth orientations. Entrepreneurs operating community-focused ISSPs generally preferred slow growth in view of community needs and constraints; prompting them to invest in existing community and client relations. Likewise, entrepreneurs operating client-focused ISSPs from urban areas preferred fast growth and invested in their capacity to compete with mainstream suppliers. Where entrepreneurial aspirations conflict with given structural conditions, entrepreneurs may shift to a different growth orientation; typically, in this situation hybrids moved from a community-focused to client-focused growth orientation when they aspired to faster growth.

Importantly, our findings suggest that each growth orientation has implications for how tensions between commercial and social goals are managed (see Figure 3). Approaches to managing tensions thus become part of the growth orientation itself. One key management practice we identified is 'pre-empting', where entrepreneurs anticipate tensions before they arise, and manage them proactively by configuring operations, client acquisition, hiring and training in ways that aim to reduce the impact of tension on operations. We also identified instances where hybrids concurred with Smith and Lewis (2011) where hybrids accepted the tension, and regardless, hybrids developed either *community-centered* or *client-centered* solutions according with their corresponding growth orientation.

Implications for Future Research

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

First, we have shown how pursuing certain growth orientations – here: client-focused and community-focused growth – influence how tensions are perceived and managed. Prior research suggests that fast-past growth may result in 'mission drift' and 'increased tension' (Andre and Pache, 2016; Clifford et al., 2013; Pache and Santos, 2010), and that staying small and 'local' may prevent this drift (Kistruck and Beamish, 2010; Maak & Stoetter, 2012; Mair et al., 2012; Montgomery et al., 2012). Our findings indicate that neither slower-paced community-focused growth nor faster-paced client-focused growth are tension-free. Rather, each orientation is associated with different ways that tensions are *perceived and managed*, and therefore managing (and perceiving) tensions happens in a certain strategic frame. In our case, community-focused growth aligns with community-centered ways of managing social-business tensions. This may lower 'perceived tensions' within that frame, but it does not eradicate the latent social—business tension entirely. For example, whereas dependence on selected clients may *not* be perceived as a source of tension in a community-focused frame, it may be in a client-focused frame. Similarly, whereas 'de-coupling' of business operations and social missions might be seen as 'problematic' in a community-focused frame, it is considered a feasible 'coping

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practice' (Battilana and Lee, 2014; Pache and Santos, 2013) in a more client-focused frame. In other words, strategic frames – here: of approaching growth – influence the extent to which tensions are 'accepted' and/or 'accommodated', and thus contextualize what Smith and Lewis (2011) call the 'equilibrium model of organizing'. We thus encourage future studies to pay more attention to strategic frames in studying paradoxes.

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

Third, we introduce the importance of geographic embeddedness to paradox dynamics. To our knowledge, geographic context is an important omitted variable in studies of tensions and paradoxes (see e.g. Schad et al., 2016 for a current review). While the importance of local communities and contexts to how hybrids manage social and business objectives is known (Hoffman et al., 2012;

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

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

More broadly, we show that the nature of client relationships has a profound impact on hybrid strategies. Whereas in some sectors, such as consumer goods, the customers may also be beneficiaries

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

Implications for Practice

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

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

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

Conclusion

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

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

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Tables and Figures
Table 1: Overview of Data

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

Table 2: Summary of Cases

Firm, Country	Urban/Rural	Clients (Type/Nature)	Services Provided	IS Model/Practices Size (No. Employees) Age
Invincible Outsourcing /Impact Sourcing Academy, South Africa	Urban	Local civic governments, domestic telecom, financial service clients.	Voice support, back office support, transcription.	Work for study model. Employs students attending the Maharishi Institute graduate programs; students get fee waiver/living expenses. Size-500; Age- 7 years

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iMerit, India	Urban (and some rural)	International: Travel portals, NGOs, Publishing Houses Domestic: Publishing Houses.	Image tagging, content digitization, digital publishing, global help desks (back office tech support), social media marketing, online content moderation etc.	Recruits and trains rural and urban youths (from marginalized communities) with the help of its sister NGO. Upskills and employ them in high value assignments. Size-300; Age- 5 years
Cayuse Technologies, USA	Rural	Domestic: Fortune 500 companies and government agencies within the US; anchor client-large consulting and outsourcing company within the US.	Application outsourcing, infrastructure outsourcing, business process outsourcing.	Create sustainable, living wage jobs for the Native Americans and local community by providing clients with a low cost rural-shore technologies sourcing solution. Size-300; Age- 10 years
OTRA, India	Rural	Domestic: Regional telecom, banking, insurance and retail companies, government agencies.	Voice and Non-Voice services. Data and accounts processing, digitization, customer care, inbound and outbound voice services, technical help desks etc.	Rural outsourcing company providing employment opportunities to rural youth. Subcontractors to other major outsourcing companies. Size-40; Age-5 years
Craft Silicon, Kenya	Urban	Domestic, international; banking industry specific.	IT Services, BPO services including data services.	Recruits from urban slums while maintaining a non-beneficiary work force. Employees for client facing roles are based out of India, while main operation for BPO services located in Kenya. Size-200; Age- 18 years
SamaSource, USA	Rural & Urban	International (offshore, nearshore and onshore operations) and few domestic.	Machine learning, data, image and content services.	Microwork model where the client acquisition and quality control are done from the headquarters. The country partners employ unemployed youths in various digital jobs. Size-950; Age 8 years
DesiCrew, India	Rural	Domestic and some international.	Data management, digitization, content management, machine learning and lead generation for clients.	Operates out of multiple rural locations in India; employs people from disadvantaged groups and provides partial fee reimbursement for continuing education. Size-500; Age- 11 years
Harva, India	Rural	Domestic; educational institutes and government departments.	Data management, digitization and call centers in regional languages.	Rural BPO model for employment generation. Also runs a microfinance program that provides loan to the employees.

		Domestic and international; publishing houses, financial and legal services, B2B portals etc.	E Publishing, Web research, data management, back office services.	Size-50; Age- 4 years
B2R, India	Rural	Domestic and international; publishing houses, financial and legal services, B2B portals etc.	E Publishing, Web research, data management, back office services.	Opened delivery centers in a remote state with no IT/outsourcing background; 33% of PAT reinvested in the community. Size-300; Age- 7 years
Rural Shores, India	Rural	Domestic clients- telecom, insurance and financial services, local governments.	Digitization, corporate services, IT help desk etc.	Profit sharing model with rural entrepreneurs, tie up with community organizations for recruiting. Size-2500; Age- 5 years
Vindhya e Infomedia, India	Urban	Public offices and utility companies, large outsourcing company.	Digitization, customer service desk, data management.	Employs mostly people with disabilities, recruitment based on referrals. Size-200; Age- 11 years
Digital Divide Data, Kenya	Urban	Domestic and International. Clients include publishing houses, public universities etc.	e-publishing, digitization and content management (domestic and international clients), field research and product marketing.	DDD operates its delivery center out of Nairobi, employing youths hailing from urban slums, economically weaker sections etc. and some of who are pursuing college degrees along with their full-time jobs. Size-200; Age- 7 years

Table 3: Comparison of Community-focused and Client-focused Growth Orientation

Dimension	Community-focused Growth	Client-focused Growth
Definition	Growth orientation that is typically orchestrated with needs and constraints of established, highly integrated community and client relationships; growth pace is slow.	Growth orientation that is driven by pressure / aspirations to expand client base while managing community relationships independently; growth pace is fast.
Client base	Deeply embedded relationships with selected clients who are aware of and buy into social mission; clients are typically co- or near-located sharing social and economic environment with hybrids; client relationships are further supported by loyal staff trained into client-specific services.	Rather transactional, opportunistic relationships with a variety of clients who are often not aware of nor buy into social mission; clients are typically international and thus distant from hybrid locations and do not share social or economic environment.
Community setting	Hybrid operations are typically located in small, underdeveloped, often rural setting; exclusive, non-competitive resource access to community	Hybrid operations are typically located in larger, more developed urban clusters; access to multiple recruiting/sourcing channels, and

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

Figure 1: Coding Tree
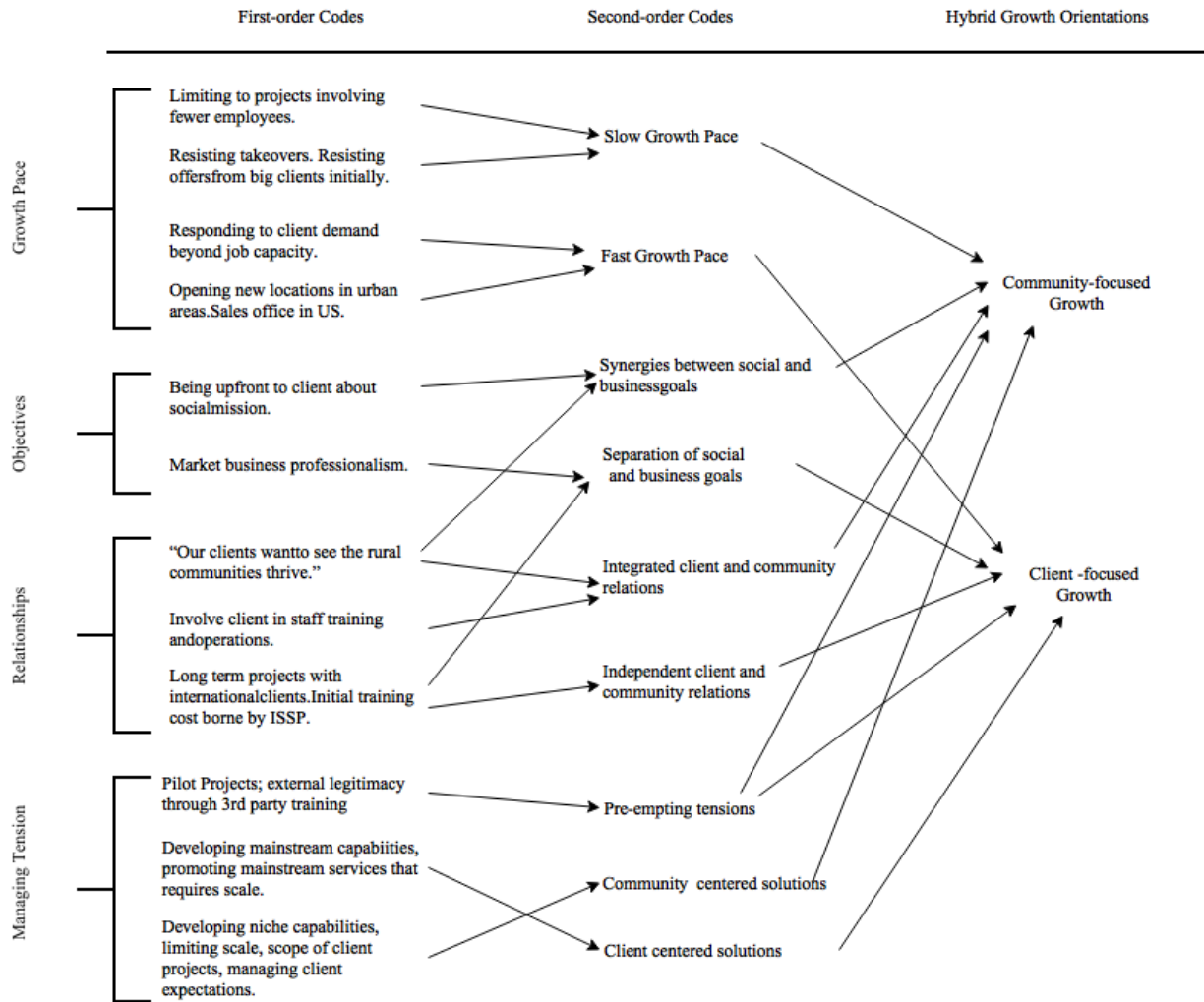
Figure 2: Relationships of ISSPs within the Global Service Outsourcing Industry
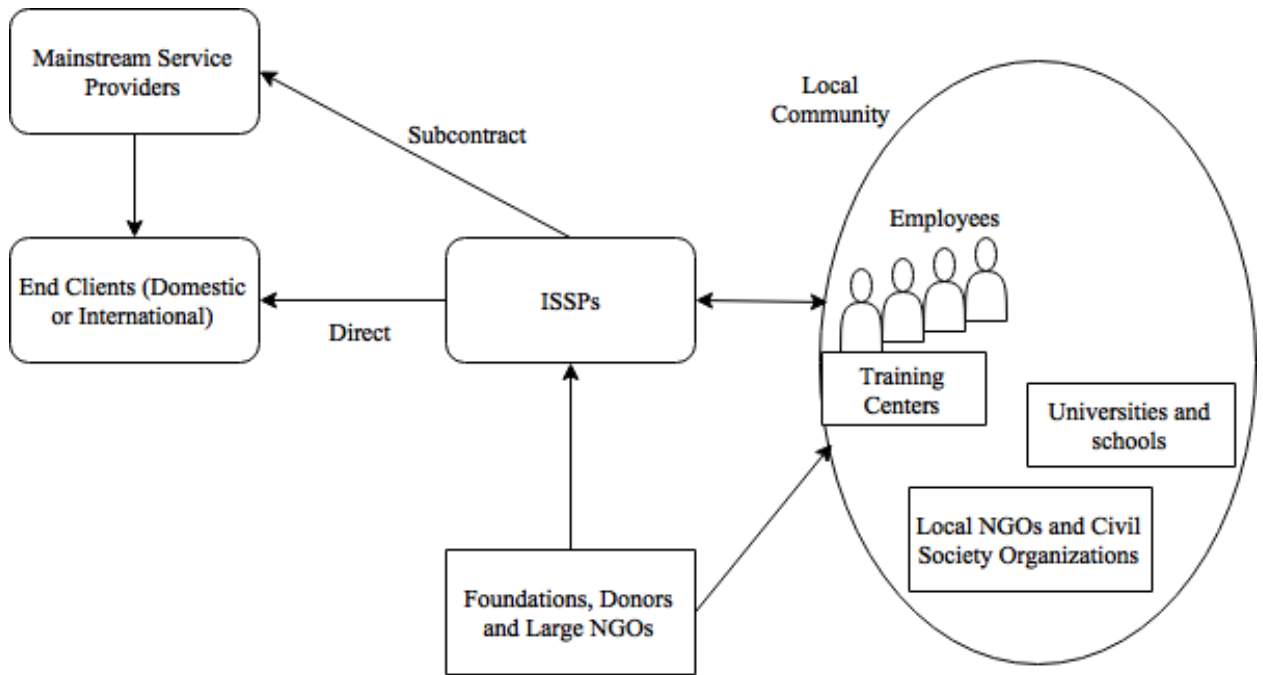
ISSPs and Stakeholders

Figure 3: Hybrid Growth Orientations in Global Supply Chains