

**Hybridization of diverging institutional logics through the “common tone”: the case of social entrepreneurship.**

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*This paper demonstrates that managing conflicting logics by balancing and/or insulating them are not the only strategies organizations may implement. We observe practical cases in which other ways may be pursued to combine heterogeneous patterns of framing, thinking and behaving under the same organization. Inspired by modulation technique from music theory, we show how it is possible to reconcile conflicting logics using what we call common-tones. The common-tones are processes that allow the satisfaction of conflicting claims based on the possibility to apply an unusual and apparently diverging logic to pursue the new opportunities offered by hybridity. Moreover, we shed light on the conditions which allow processes to actually play as common-tones. Being the common tone contingent on the nature of the organization, on the context, and the conflicting logics at work, we give an illustration of how this principle works in the case of social entrepreneurship. In such case, the condition allowing processes to play the role of common-tone is their aim of realizing the marginalized individual's potential value and un-blocking the factors that hamper its realization. Under this condition, the economic-impact-seeking logic can be used to read situation of social marginalization to discover and activate the value generation potential of the marginalized individuals; at the same time social-impact-seeking logic can be used to reinterpret the economic outcome of such production process, exposing the new human, social and civil rights re-gained by the individual during, and thanks, to, her productive activity.*

## INTRODUCTION

In organizations, conflicts due to the presence of different logics defining individuals' identities and guiding individuals' behaviors have been at the center of a fruitful and wide debate. When an organization operates in a field dominated by one logic, the logic influences the organization pushing it to adopt an identity and a behavior consistent with the logic's characteristics. However, in a field there may be a number of different logics, and some of them may be incompatible. This conflict is then translated at the level of the organization, which has no simple way to adopt an identity and a behavior that is consistent with the two conflicting logics at the same time. Early contributions in this line of research found that when logics are conflicting, the organization can only favor one at the expenses of the other (Lounsbury, 2007; Marquis & Lounsbury, 2007; Reay & Hinings, 2005, 2009). Balancing two logics is difficult to sustain in the long run, as it puts organizations under a continuous strain. However, and interestingly enough, some organizations voluntarily try to follow such competing demands thus achieving a hybrid nature between the two different institutional logics, as their *raison d'être*. Recent literature defined them as "hybrid organizations" (Battilana & Dorado, 2010; Pache & Santos, 2013) as they incorporate elements from different, and sometimes even conflicting, types of institutional logics. This coexistence of conflicting logics is very difficult to achieve (Glynn, 2000; Pache & Santos, 2010; Reay & Hinings, 2009; Vallaeys, 2004), as the conflict arising from the inconsistencies and tensions between the them can seriously hamper hybrid organizations performance and even their survival. The presence of such institutional complexity inside the organization must therefore be carefully managed. Despite this, only few studies have investigated the strategies, practices and mechanisms used by hybrid organizations to achieve such an aim (Battilana & Dorado, 2010; Pache & Santos, 2010, 2013).

We contribute to this literature identifying an original mechanism used to integrate competing logics (Lee, 2013) that we call "the common-tone process". The name is used to recall a technique applied by musicians to combine different harmonies by means of tones that are common between the two. If such tones are used carefully, and if they are stressed enough, the coexistence of different harmonies makes sense and assumes consistency, becoming instrumental in the development of the melody. By means of this metaphor we argue that -when certain conditions are met- the common-tone processes are able to satisfy different even conflicting logics at the same time. In that, logics cease to be conflicting, and indeed their hybridization becomes not only sustainable but the core of the growth possibilities of the

organization. Common-tone processes allow the combination of two conflicting logics, but only under certain conditions, that we investigate in detail in the text.

This investigation is here restricted to social enterprises, among the most interesting examples of organizations operating in a field where logics are conflicting, and leave extensions of the concept to other instances to future research. We use this setting, as it has been identified by literature as typical context of clash between the two main logics at work, namely the social-impact-seeking logic coming from the no-profit world and the economic-impact-seeking logic coming from the economic world (Battilana & Dorado, 2010; Tracey, Philips, & Jarvis, 2011). Moreover, the apparent incompatibility of the two logics makes social enterprises what they are: is it this institutional complexity what generates the specific hybrid organizational characteristics of the social enterprises we observe in the reality (Battilana & Dorado, 2010; M. T. Dacin, Dacin, & Tracey, 2011; P. A. Dacin, Dacin, & Matear, 2010; Pache & Santos, 2013).

In the paper we seek to define a) the mechanism of common-tone b) find the conditions under which it leads to effective logic hybridization. As of a), we argue that common-tone processes produce outcomes allowing a social enterprise to fulfill the demands and claims of both the social-impact-seeking and the profit-seeking logics, satisfying both sets of stakeholders. Concerning b), we discuss how this is true only when 1) social impact is defined as the possibility for marginalized individuals to completely execution of their rights (of whatever nature) and thus to exploit a full reintegration within the society 2) the common-tone process are aimed at recognizing the marginalized individual's potential value and un-blocking the factors that hamper its realization.

The paper starts by reviewing institutional logic theory with a specific focus on institutional complexity. It goes on explaining the meaning of the common-tone metaphor and its role in generating the intuition behind this paper. Then, the specific setting of our analysis is reviewed, and social entrepreneurship is presented, and the concept of common-tone process is detailed. We discuss how, in that setting, the execution of common-tone processes ease the conflict between the social-impact-seeking logic and the economic-impact-seeking logic and allows to reach an effective hybridization. We argue that this result is however contingent to a series of conditions, namely a specific (but broad) definition of social enterprise and the capability of the common-ton processes to unblock the capabilities of marginalized individuals to produce economic value. Finally, four anecdotal instances are used to visualize how the common-tone process works and what is the role of the conditions we have identified: Grameen Bank (the first microfinance institution), Kickstart (a social enterprise

producing water pumps), WaterHealth (a producer of water-disinfection machinery), Made in Carcere (a social enterprise producing clothes through the involvement of convicts).

## **BACKGROUND THEORY**

### **Institutional Logics and Institutional Complexity**

Alford & Friedland (1985) and Friedland & Alford (1991) have introduced the concept of institutional logics as the practices and beliefs inherent institutions typical of modern western societies. From this first characterization, the concept has evolved over time assuming the more composite/complex meaning of “the socially constructed, historical patterns of material practices, assumptions, values, beliefs and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality” (P. Thornton & Ocasio, 1999, p. 804).

More recently, institutional logics have been used to study how institutional change often brings to life different types of organizations. The literature on institutional logics connected to the organizational field (Thornton & Ocasio, 2008) opening a new perspective on how organizational change may be induced, how it unfolds, and with what results. For this reason, an institutional logics perspective has been usefully used to study all those instances in which organizations are exposed to multiple, different institutional demands and pressures (Greenwood et al., 2010, 2011). This situation, in which multiple logics occur in a particular context and exert different pressures and influences on the organization, is defined as “institutional complexity” (Greenwood et al., 2011; Pache & Santos, 2013; Villani & Philips, 2013). Some organizations willingly embody different institutional logics and are thus defined as “hybrid organizations” (Battilana & Dorado, 2010; Kraatz & Block, 2008; Pache & Santos, 2013). Interestingly, hybridity of organizations has been already studied in other research fields. For example, ambidextrous organizations face the challenge to pursue the contrasting processes of both exploring and exploiting (March, 1991): clearly two contradictory logics. They achieve so by “hosting paradoxical strategies through differentiated subunits for each revenue stream” (Smith, Binns, & Tushman, 2010, p.451). More in general, learning organizations are good example of this hybridization, as they are in the need for a constant look at the present as well as at the future; they need to achieve learning, change and flexibility on the one hand, and assure performance, stability and control on the other hand (Itami & Nishino, 2010; Smith et al., 2010). One remarkable example is the case of Oticon’s Spaghetti organization which, albeit unsuccessful in the end, managed for about a

decade to pursue the two organizationally conflicting aims of a) extreme skills' flexibility through hierarchy-free decision making and b) coherence between decisions taken independently (Foss, 2003). The important fact is that this kind of hybridization allows organizations to be more innovative (Reay & Hinings 2009; Stark, 2009) because drawing from multiple logics enhances the ability to come up with novel knowledge combinations and solutions (Chen & O'Mahony, 2006; Murray, 2010; O'Mahony & Bechky, 2008), thus allowing organizations to face more complex problems (Jay, 2012). The cost of this expanded innovativeness is that hybridization exposes organization to the logics' conflict, i.e., the conflict between practices, assumptions, values, beliefs and rules, and the relative strain. Moreover, the more incompatible the conflicting logics, the more severe the conflict and its consequences in all dimensions: performance, belongingness, organization, and learning (Smith, Gonin, & Besharov, 2013; Smith & Lewis, 2011). Logics' tensions generate intra-organizational identity problems (Battilana & Dorado, 2010; Fiol, Pratt, & O'Connor, 2009), internal power struggles (Pache & Santos, 2010) and even, to the extreme, organizational paralysis or breakups (Glynn, 2000; Pache & Santos, 2010; Vallaey, 2004).

A good example of this extreme situation comes from the Atlanta Symphony Orchestra as described by Glynn (2000). As most cultural institutions, Orchestras are composed of many different elements, each one with its own specificity. This may generate contrasts, as the organization contains actors coming from different professions, with different standards, norms and incentives. Thus "different groups of actors cherish and promote different aspects of the organization's identity" (Glynn, 2000, p. 285). The conflict that arose inside the Atlanta Symphony Orchestra between musicians and managers had particularly negative results, as it led to the strike of musicians in 1996: a fact that completely paralyzed the organization. In this context the conflicting logics remained separated as "several musicians opined that, over the last 30 years, they had witnessed increasing polarization between management and musicians" (Glynn 2000, p. 288). Each logic could work in its field, but as the occasion of encounters increased, the conflicts exploded until the point of organizational paralysis.

The same kind of conflicts can be observed in the example of Canadian health care system, where the battle between *medical professionalism logic* and *business-like health care logic* has been conducted for many years. According to the *medical professionalism logic*, physicians were the key decision makers within the field determining what services needed to be provided for the patient. In the *business-like health care logic*, instead, the government relying on its authority and control over financial resources transferred this mandate to an external authority in order to reduce inefficiency and integrate services. In order to cope with different claims coming from different actors and finally

provide the medical services, specific organizational solutions have had to be developed (Reay and Hinings, 2005).

Institutional complexity, despite its push toward innovation, has been recognized to have negative impact on hybrid organizations' performance and even survival. Scholars agree on the need to deepen knowledge on how to cope with these downsides, balancing the elements of conflicting logics in an ever-changing and unstable equilibrium. However, despite the importance of this issue, only recently the literature has begun to focus on the conflict between logics at the intra-organizational level and on the mechanisms that allow them to be managed (e.g., Pache & Santos 2010; 2013; Greenwood et al 2011; Battilana & Dorado 2010).

### Organizational responses

Some of the strategies used by organizations to cope with institutional complexity (thus arguably usable by hybrid organizations) are aimed at diminishing conflict by trying to minimize the chance of clash between the two competing logics. The first type of mechanisms to achieve conflict minimization consists in **insulating and decoupling the logics** from each other. For instance, *decoupling* as in Kraatz & Block (2008), allows to "compartmentalize" identities and relate in an independent manner to the different institutional constituencies (Pratt & Foreman, 2000). *Structural differentiation* (Simsek, 2009) between the two logics works precisely along the same line, creating separate and insulated spaces for the two logics. *Avoidance and defiance* as presented in Pache & Santos (2010) can also be considered following this criterion based on keeping logics separated: avoidance by trying to eliminate the necessity of following one logic, and defiance by trying to eliminate the claims of one logic that create the largest conflict. The point is that this kind of strategies do not attempt to integrate the logics, but just try to keep them as apart as possible. This is not the only mechanism that organizations can implement. Other types of strategies and organizational answers to institutional complexity may take instead a difference stance, where the organization tries to apply **balancing strategies** aimed at partially satisfying both logics, possibly to an equal extent. This balancing can be achieved in several ways. First of all, the balance may be implemented through settings a specific level of satisfaction for each specific claim of each logic. As a consequence, none of them is supposed to be fully satisfied, but each one received at least partial satisfaction, as in a sort of compromise (Pache & Santos, 2010). Balancing can be realized also by fully satisfying the claims of the competing logics, by selectively coupling the claims to be satisfied for each organizational activity (Pache & Santos, 2013). As long as the diverging logics have an important amount of completely satisfied claims, the organization will be

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**Commenta [1]:** Non uso "demands" perché ho tolto la storia delle domande perché difficile da capire per un profano. A parte questo, quindi è giusto? Ma se il conflitto è tra 2 domande delle 2 logiche, quale delle 2 tolgo? Una a caso? Giusto per capire... e come si differenzia da "avoidance"? Insomma, sono tutti meccanismi da spiegare ad un profano

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capable of keeping the logics together. In other words, if the first type of balancing implies partial satisfaction of all the claims coming from the two logics, in the second type in certain cases only the claims coming from one logic are completely satisfy, whilst in other instances the organization satisfies only those coming from the other logic.

In an effort to advance this type of inquiry, a closer look to specific empirical cases (mainly coming from the social enterprise field) allows to recognize the possibility to extend the boundaries of what we already know on managing conflicting logics in organizations. There are instances in fact where competing logics continue to coexist for long periods of times and with a rivalry that is not perceived as harmful by the organization, or treated as such. These hybrid organizations implement strategies *stressing the common elements spanning different logics*, thus answering at the same time with one single solution to claims coming from both conflicting logics. Doing this they combine the two logics without generating frictions or dissonance.

Indirect evidences of this may be found in the literature emphasizing common identity creation (Battilana & Dorado, 2010) or the usage of individuals as boundary spanners between the two logics (Villani & Philips, 2013). In particular Lee (2013) has recently defined as "integrated" those practices that allow to use the same resources to satisfy different institutional claims at the same time. In doing this, integrated practices nullify the conflict, as both claims from logics are fulfilled by the same resource deployment processes. Indeed, Jay (Jay, 2013) argued that a closer focus on the processes enacted in response to institutional complexity can provide several useful insights on how conflicting institutional logics are managed. This study starts where these very recent contributions stop: we define a theoretical model unfolding the nuts and bolts of the process (Jay, 2013) generating the integrated practices that have been found empirically to allow for long-term hybridization (Lee, 2013). To illustrate the model we provide in the last section of the paper four illustrative cases in which we observethe model unfolding step by step. What is interesting to notice here it that this insight coming from the most recent literature and from some empirical studies suggests that this process is a fruitful line of investigation. The research on this type of hybridization is still in its infancy.

We start from this point to argue that managing conflicting institutional logics is possible without choosing one logic over the other, or be threatened by the unstable equilibrium between the two insulated logics. It is possible to include both logics, although conflicting, in a unique set of processes (Jay, 2013). This happens when instead of stressing the heterogeneous and diverging elements of conflicting logics, the organization strengthens their homogenous and common elements (Lee, 2013).

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In this perspective, hybridization is not supposed to be based on mixing and blurring heterogeneous elements of conflicting logics. Rather, in our perspective, this is achieved by stressing and leveraging their existing common elements. We give a more detailed account on how this process develops in the next section, using an analogy to Music Theory and taking from it the concept of “common-tones” to indicate precisely these elements common between the conflicting logics.

#### **A STEP FORWARD: THE COMMON-TONES**

In music, modulation has an essential role since it allows the creation of variations in the harmonic structure within a composition, bridging different parts of it. Obviously several techniques may be adopted for modulating. In particular common-tone modulation is based on the idea of sustaining or repeating pitches (i.e., tones) that can bridge two harmonic keys. Because they are in common between them. However, the further apart the two keys in the harmony, the less the number of possible common tones available for modulation. The challenge in coupling distant harmonic keys is to find out exactly the few specific tones which could actually be in common. The illustration of this technique is a powerful tool for conceptualizing how different logics may work in a hybrid organization. If we imagine the organization’s activity as a musical composition, where different notes composing the melody are the organizational processes, then we can conceive the logics as the underlying harmonies. Each harmony is internally consistent, comprising notes that can be played together and excluding others that are not compatible. As for logics in an organization, different harmonies in a composition increase variation, but create an acoustic tension between conflicting harmonies that need to be bridged. By structuring the composition in such a way that common tones have a prominent role, a composer is able to bridge the two harmonies precisely as a manager building a business model founded on the common elements of two conflicting logics is able to respond to the claims of each logic at the same time. As a result, the execution within the same organization of common tone processes does not arise organizational frictions, as in the melody the common tones do not generate acoustic dissonance.

Following this line of reasoning, our insight is that combining different institutional logics is not a matter of mixing idiosyncratic and somehow conflicting practices into a new organizational form. Rather, organizations should leverage those processes (the “common-tone processes”) whose outcomes fulfill the claims of both institutional logics.

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The aim of this paper is to define theoretically the common-tone processes and the way they realize this result. We cannot do this without entering a specific field of application of these ideas. What common-tone is in practice depends on the type of organization we are observing: different organizations implement different common-tones, obviously depending on which conflicting logics they need to manage. It is not within the scope of this article to provide an extensive classification of the different processes that may play the role of common-tones and the condition under which they may actually execute such role. In the spirit of contingency approach (Perrow, 1967), we limit our study to one specific type of hybrid organization, i.e. social enterprises, with the aim of detailing when and how common-tone may be used by such organizations, leaving to future research the task of defining common-tone processes in contexts dominated by other contingencies.

### **THE SETTING: SOCIAL ENTREPRENEURSHIP**

In order to discuss more in depth common-tone processes, we rely on the studies investigating social entrepreneurship. We chose social entrepreneurship because conflicts between diverging logics are connatural to the organizations operating in this field. Social ventures, in fact, strive to achieve two seemingly contrasting aims: on the one hand, they have the objective of creating the highest possible amount of social value and spread it into the society; on the other hand, they try to do so whilst achieving economical sustainability, if not profit (Santos, 2012; P. A. Dacin et al., 2010; Mair & Martí, 2006; Peredo & McLean, 2006).

But what do “economic value” and “social impact” mean? We conceive the former as the production of a sellable good or a service (whose definition must be very broadly intended) that increases the utility of those consumers who can afford to buy it. If the activities of the firm produce something whose consumption increases the utility of anyone, then the underpinning goods or services are sold on the market and economic value becomes visible. Social value can be broadly defined moving from the concept of social marginalization. Individuals can be marginalized from economic processes (resulting in poverty), social processes (and be excluded from any community), and political processes (with no role in the public sphere). In all these instances marginalized individuals suffer psychologically and physically from the exclusion from processes that generate human development. Broadly speaking, we thus define marginalized individuals as those that live in situations lacking the recognition of the same human, social or civil rights of the other citizens in the society. For example, handicapped,

mentally-ill, or non-educated people are often left aside and considered only as recipients of social services. The same, mutatis mutandis, can be said for convicts, poors or non-bankable people with no collaterals. Reintegrating these individuals into the economic, social and political processes forming our societies, giving them the rights they could not experience before because of their marginal condition, is what we mean by social impact.

### COMMON-TONE PROCESSES AND CONFLICTING LOGICS.

In this context, **Figure 1** shows that economic-impact-seeking organizations have goals that deal mainly with economic-value creation, and are expected to apply an economic-impact-seeking logic. Social-impact-seeking organizations, instead, have goals related to reintegration of marginalized individuals, and their activities are expected to be related to this logic. In both cases we can easily find processes that are specific to each logic. In the former case, financial speculation, for example, is an activity they may be considered having the only purpose of maximizing profit. In the latter, gathering and mobilizing volunteers is something that concern exclusively social organizations. On both sides, however, there are activities that are less radically rooted in the structure of the logic they belong to. Producing economic value on one side and assisting marginalized individuals on the other implies activities that may impact positively also the claims of the other logic. Those actions, indeed, open up the possibility for an intersection between the two logics. Some processes may be so close that they can be seen as the two faces of same coin.. What we look in our search of a detailed definition of common-tone processes are thus processes that lay in the intersection between the two logics, at the level that they can be considered the two sides of the same coin, or –to state that better- the same coin seen from two different sides.

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What characterizes the processes laying in the intersections? What are their properties? To answer these questions we need to revert to our definition of economic value and social impact. Social impact is here identified with the reintegration of marginalized individuals. Any process that reintegrates marginalized individuals is consistent with the social-impact-seeking logic; any process that generates

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economic impact is consistent with the economic-impact-seeking logic. A process achieving both outcomes can be clearly placed at the intersection between the two logics in Figure 1, and can be surely claimed to satisfy both logics at the same time, acquiring the definition of common-tone process. If we conceive the marginalized individual as an individual capable –although at the margin- to potentially produce economic value, then we can clearly see that allowing her to actually produce that economic value would also generate reintegration in the society, first in the economic sphere and then in the social and political sphere. Producing, in fact, is not only generating economic value, it is also generating economic independence, and thus increasing freedom, experiencing a sense of belongingness to the to the employing organization, community of professionals, to the value chain, and determining a sense of fulfillment, autonomy and increased intrinsic motivation (Ryan and Deci, 1985). In letting the marginalized individual to free her economic capabilities and produce economic value, one allows her to gain her role in the society, and the rights connected to it. In sum, the main idea is that social enterprises can avoid the conflicts between the economic-impact-seeking and the social-impact-seeking logics identifying the process by which the potential productive capability of the marginalized individuals they address can be un-blocked. When Yunus recognized the labor capabilities of non-bankable individuals and the potential group lending could have in assuring repayments he applied the same principle depicted here. The process of un-blocking the marginalized individual's potential is thus the common-tone process we were after. In the following section we enter this process and detail its structure and dynamic evolution

## **GENERATING COMMON-TONE PROCESS**

Battilana and Dorado state that logics "represent shared understandings of what constitutes legitimate goals and how they may be pursued" (Battilana & Dorado, 2010, p. 1420). In other words, logics have a double nature: the *cognitive dimension*, which explains how individuals frame and interpret the reality; the *behavioural dimension*, which translates perceptions in concrete actions and coherent behaviours. Glynn definition also confirms this interpretation: "*logics represent frames of reference that condition actors' choices for sensemaking, the vocabulary they use to motivate action, and their sense of self and identity...*[However] *logics are more than cognitive frames of reference; rather, they are action oriented, embedded in fields of meanings and constitutive of actors' identities...* [...] *thus logics light the way to recognizing which actions are appropriate in each institutional order by typifying behaviours and structuring practices endemic to that order.*" (Glynn, 2013).

The presence of these two dimensions allows us to imagine a situation in which the cognitive and the behavioral aspects may be temporary out of synchronous. The behavioral sphere implies consequences in terms of visibility, outcome and impact of the action on the world, while the cognitive dimension allows for a certain degree of “experimentation” imagining for a moment to wear someone else’s shoes. Indeed, this is what individuals do when entering a dialog with the aim of creating a common understanding of common fact: they try to wear each other’s shoes to see the fact as the other sees it.

If a logic is a set of “*material practices, assumptions, values, beliefs and rules by which individuals provide meaning to their social reality*” (Thornton & Ocasio, 1999, p. 804), then the cognitive dimension of it gives a specific reading of the reality, attaching a specific set of meanings to the a certain situation, hiding certain features of it, because unimportant or contradicting the inner structure of that logic, and magnifying other characteristics, because central or easily explainable applying the logic’s set of interpretative tools. So certain situations are easily interpretable using a certain logic, particularly suited to its features, and this hides certain features of the situation places others at the forefront. When a cognitive shift takes places an unusual logic is then used to read a situation typically interpreted using another logic’s cognitive lenses. What happens is that new insight emerges, and new opportunities are opened. Jeppesen and Lakhani (2010) show that an change in the perspective is precisely what is needed to see new solutions to old unresolved problems, and thus create innovation. In their work on the auto-focus on the InnoCentive case, they find that “*inventions are usually made by outsiders, that is, by men who are not engaged in the occupation which is affected by them and are, therefore, not bound by professional customs and traditions*” (Ben-David 1960, p. 557)... *outsider solvers are not bound to the current thinking in the field of the focal problem and therefore can offer perspectives and heuristics that are novel and thus useful for generating solutions to these problems.*” (Jeppesen and Lakhani, 2010, p. 1019). Applying an unusual logic allows to see a certain situation in a different perspective, and this creates the possibility to innovate, finding solutions never thought before. In sum, it is the temporary decoupling of the cognitive an behavioral sides of the individual’s logic experience that generate innovation allowing to see a situation usually interpreted using one logic under the different perspective of another logic.

In social entrepreneurship this process is clearly visible. Production is usually red using the economic-value cognitive schemes, marginality is usually red using the cognitive schemes of social-impact-seeking logic. When facing marginality an actor naturally reads the situation adopting the cognitive lenses of the the social-impact logic, but she can in principle imagine what it would be to conceptualize

the same situation from an economic-impact angle. This change in perspective, being only a temporary cognitive experiment, can be done even if the actor keeps on behaving coherently with the social-impact logic. In many situation where marginality is structural, marginal individuals are potentially able to produce economic value (e.g., labor supply) but that possibility is blocked by factors that the individual alone cannot overcome. The experimentation allows the identification of economic opportunities of this kind, opportunities that was impossible to spot applying the cognitive scheme of the social-impact logic. Many biographies of NGO founders and leaders of the no-profit sector followed precisely this path: seeing from a social-impact perspective a situation usually conceptualized with an economic-value logic, and deciding that the former was the right behavior to adopt, shifting from the profit to the no-profit sector (XXX). This change in the perspective is what allows the recognition of mechanisms of economic-value creation by marginalized individuals that the social-impact logic tended to hide because they were unfamiliar to it. As soon as marginalized individuals are in the condition to realize economic value because of their own unblocked capacity, we can red their achievement with the cognitive lenses of the social-impact logic, recognizing that the removal of the block holding back their potential allows them to get access to all the rights they were excluded from before, and finally to actually experience their reintegration. This process can be further structured along 6 phases, all of them composed into one whole in **Figure 2**:

1) *targeting*: Approaching a situation of marginalization using the social-impact logics. This is the standard situation.

2) *the first change in the perspective*: the behavioral dimension remains unchanged, but use the shift in the cognitive dimension to experiment a new perspective. Apply the lenses of the economic-value logic to the socially marginalized individuals and identify what resources and capabilities could allow them to become economically productive. In this phase the marginalized individual is seen from an economic perspective as a productive individual, able to generate economic value.

3) *see the blockage*: Identify the factors preventing the marginalized individual to actually produce that economic value

4) *remove the blockage*: elaborate the strategies (from technologies to business models, from access to markets to access to resources) to remove those blocking factors together with the processes needed to implement it on the behavioral dimension. These are the common-tone processes, as they are the

processes that, allowing the removal of the blockage, allow the marginalized individual to become productive.

5) *the second change in the perspective*: with a second shift along the cognitive dimensions use the social-impact logic lenses again to read the economic value produced by the individual: now the individual is not marginalized anymore. The social-impact logic lenses allows the discovery of the new rights she has gained due to their new role in the society gained via her manifested productivity.

6) *outcomes*: while the economic surplus generated by the reintegrated individual is clearly the economic outcome of the process, the social impact of the social enterprise is the delta in terms of human, social and civil rights between what observed in phase 1 and the outcome observed in phase 5.

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There are some observations that derive directly from the theoretical model developed above. First of all, the mechanism determining the fulfillments of the claims coming from the two logics is based on a unique series of processes. It is thus a mechanism that goes beyond the decoupling and coupling approach we described in the initial sections of the paper.

Second, the actual transformation of the marginalized individual's situation takes place via a value creation process centered around her capabilities. This transformation leads also to social reintegration, so when comparing the initial level of human, social and civil rights of the individual to that obtained after the economic value production, there is a clear improvement of her social condition in terms of rights, and thus a clear social impact. This is the moment in which it becomes clear that it is the processes unblocking the productivity of marginalized individuals that generate the economic surplus *and* the social reintegration at the same time. A unique set of processes generates two conflicting outcomes: precisely what happens in music when the set of tones connects two diverse harmonies and is consistent with both, remaining however only one. Stakeholder sensitive to the first logic would read the presence of economic surplus as a positive factor, while those involved on the social side will pay attention to the capability of the process to reintegrate individuals.

Third, it becomes clear that the capability to generate common tone processes depends crucially by the business model adopted by the firm. The business model must be based on 1) the capabilities of the marginalized individual to produce value, 2) a clear understanding of the blocking factors impeding

such production in the current situation, and 3) the implementation of effective processes able to remove those factors. This has a clear managerial implication: as a composer carefully designing and crafting its composition around common-tones that allows two distant harmonies to be tuned together in one melody, a social entrepreneur has to carefully design and continually innovate the business model of the firm, leveraging common-tone process to bring together the two conflicting logics.

## **VISUALIZING COMMON TONE PROCESSES IN SOCIAL ENTERPRISES**

In order to ground these ideas in reality, we critically analyze four instances of social entrepreneurship where we can clearly see how the common tone processes described above work. In particular, the most critical issue of each case is the identification of the specific blocks upholding the productive potential of marginalized individuals. Such blocks, which limit their economic potential, may take different natures and forms. For example they may consist of blocks to credit access, as in the microfinance institutions, where the possibility to start and run an economic activity is strongly bound by the availability of a minimum amount of capital; blocks to the access to productive factors needed to implement even rudimental economic activity; blocks to access to the minimal sanitary conditions able to guarantee safe employment conditions of potential productive individuals; blocks to final market access. All of these examples of blocks will be deeper discussed in the cases, and it is important to recognize that there are idiosyncratic to each case. In our case we selected only some among all the possible blocks with the aim to provide an illustration of how the model works. The illustrative cases we are going to discuss are:

1. Grameen Bank, the first microfinance institution;
2. Kickstart, a social enterprise producing water pumps;
3. WaterHealth, a producer of water-disinfection machinery;
4. Made in Carcere, a social enterprise producing clothes through the involvement of convicts.

### **Grameen Bank**

The process that led to the creation of the Grameen Bank and of the micro-credit movement can be interpreted using the insight offered in the previous sections. Muhammad Yunus, a Bangladeshi economist, is the entrepreneur around which all the history of micro-credit revolves (Yunus & Yunus, 1998). The history of microcredit started when he began to investigate extreme poverty in Bangladesh, his home country. He visited some households and recognized the conditions in which they were living

as dramatic. However, he did not apply the usual lenses related to the social-impact logic, which would have pushed him to see marginalization as a trap whose consequences can only be healed by social-impact actions, discarding any other intervention as impossible. Indeed, regular banks also applied that logic, which brought them not to see the potential productivity of the poor and declare them not bankable and thus in the need of intervention coherent with a social-impact logic (e.g., charity). Instead, Yunus applied the lenses of the economic-value logic, recognizing the capability of the poor to produce economic value and the block to that capability due the lack of access to the capital market. Yunus applied an unusual logic, and beyond the people's property of any resource or collateral he saw the potential of people's labor force and their capabilities to produce goods and services to be sold on the market. He recognized that access to the financial recourses was the most sever "blockage" preventing marginalized individuals to re-enter the economic system and gain a role in society. As a matter of fact, many of these people could have started their own small businesses if provided with the necessary amount of money. Starting from this insight, he created a new business model based on a series of processes that organize borrowers into quite complex and innovative organizations, establishing mutual rules and giving novel roles to each one of them, offering learning opportunities and new procedures to deal with defaults. In other words, Yunus elaborated a complex business models based on processes able to make loans to marginalized people possible, thus un-blocking the value they could potential realize. These individuals were then able to enter the economic system producing economic value and thus generating a surplus. Part of the surplus was then appropriated by the Grameen Bank itself via the interest rate, generating revenues. When using again the lenses of the social-impact logic, the borrowers can be seen as having exited the extreme poverty they were trapped in, and having gained the human, social and civil rights they were excluded from before. It is easy to see that the process producing the economic outcome –unblocking marginalized individuals' labor capabilities- is the same granting the positive social impact, so that the business model of Grameen Bank merges the economic-impact-seeking and the social-impact-seeking logics.

### **Kickstart**

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

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Two American entrepreneurs, Nick Moon and Martin Fisher, founded their first entrepreneurial venture, ApproTech (now KickStart) with the aim of helping poor Kenyan people in developing their businesses. They wanted to tackle the problem of poverty in Africa and thought that most of it derived from the difficulty in developing profitable small businesses. Studying the Kenyan context, they realized that the great majority of Kenyan population are small scale farmers whose survival depends mainly on the amount of land they can farm. So increasing the entrepreneurial productivity of small scale farms would have had a strong impact on a large part of the poor Kenyan population. Studying small Kenyan farmers, the two entrepreneurs realized that the most important variable in cultivation is irrigation, which, in the traditional Kenyan agriculture is achieved with extremely inefficient methods, thus restricting the amount of land that can be productively cultivated. Since the amount of harvest depends mostly on the technology used for irrigation, KickStart provides Kenyan farmers with a reliable, powerful and easy-to-use pump allowing the farming of a much greater amount of land. Using traditional methods, farmers could irrigate only a small area of land, given the difficulty in bringing water from the source to the cultivated land. This difficult access to the most important productive factor in farming puts great constraints on their productive potential. Thus, KickStart eliminate these constraints by providing farmers tools that give them easy access to water and finally un-blocking the potential value they may be able to realized. Also here, as for Grameen Bank, the business model is quite complex. To make sure many products are sold KickStart needs to involve entire villages, explain how the pumps work and how to maintain them, and invest in the relationship with groups of farmers. Other companies sell similar products, but the lack of a strong relationship with the villages leads to unsustainability of the business model. Utilizing KickStart products allows farmers to notably increase their productivity. In other words, what KickStart achieves is to unblock the potential value embedded in Kenyan agriculture, allowing Kenyan farmers to obtain much more value from their work, thus favoring the exit from poverty of small farmers. This has a positive economic consequence not only on the farmer, but also on his family and, given the tightly knit Kenyan society, on the wider social group around the farmer. To achieve this, KickStart needed to struck a balance amongst obtaining the highest social impact and at the same time running the business in profit, as both this two dimensions are equally important: achieving social impact is the final and main objective of KickStart, so it is important to spread its products as widely as possible (meaning, low prices). However in order to keep the venture alive, it also needs a steady stream of revenues and to invest in better technologies, that can lead to more performing and cheaper products. The social impact deriving from thousands of people

moving out of poverty thanks to better productivity of their work is huge and given the high number of farmers in Kenya, it has high potential impact on the whole country.

## **WaterHealth**

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

WaterHealth aim was to find a way to increase the quality of life and diminish poverty in the underdeveloped rural areas of India. In developing and underdeveloped regions, and especially in some Indian areas, waterborne diseases are a constant presence. WaterHealth's intuition was that this does not just affect the health of the individual, but hinders its everyday life and working activities. Such disease creates inability to work, deteriorating the individuals' standard of living and thus increasing the probability to incur in other diseases. The consequence is a deteriorating situation in which the ill person keeps losing potential opportunities of improvement. As waterborne diseases are the great majority of diseases in such area, finding a way to diminish their incurrence would have had a great impact on the productive potential of these regions' people. Thus, in this case, the lack of the necessary conditions to work productively (being healthy) creates the block that hinders people's potential. The high disease rate that characterizes the context of these areas strongly penalizes people's working ability, negatively impacting such societies. To solve this problem, WaterHealth tackled it at the base, looking for a way to sanitize water and thus strongly reducing the disease rate. WaterHealth devised a way to do it efficiently and with low costs, therefore effectively enabling the access to productive working conditions. WaterHealth makes use of an innovative and effective UV light based disinfection technology that allows a relatively low-cost purification of water. However this is achieved through a complex and innovative business model: WaterHealth purification centres and machinery are sold to the local communities and, given the high cost of the machinery, a financing program is offered alongside the sale of the purifier. The buyers can then repay the loan thanks to the fees collected from water sales. In the end, when loans are repaid, the purification machinery becomes an income-generating asset for the original buyers. And this is the second main driver which fosters the success of the business model: the product becomes an income-generating asset for the community that bought it. Thus, the main contribution of WaterHealth business model is that a remarkable amount of potential value, both economic and social, is unblocked thanks to, first, the higher standards of living and health conditions achievable using WaterHealth's purification systems, and, second, by the income the

original buyers can enjoy once the loan is repaid. The improvement in the life of communities starts in the moment that WaterHealth provides them its services, and keeps growing over time, until the community can fully acquire the sanitation implant. The increase in quality of life and productive performance of the community are now clearly improved, compared to what they were before the presence of WaterHealth. Again, the process aimed at generating positive social impact by lowering the water-based diseases, is actually the same which fuels the economic process and make sustainable the diffusion of the UV innovation.

### **Made in Carcere**

Finally, Made in Carcere is an Italian social enterprise run by Luciana Delle Donne, which produces simple cloths, like T-shirt, bags and accessories tailored by women who are even physically marginalized from the society, as they are actually detained in prison. What Make in Carcere does is to involve female convicts in a training program aimed at their re-integration in the society as free and skilled workers.

Luciana Delle Donne started with the intention to do something to improve the life of jailed women. She wanted for convicts women the opportunity to become part again of the society, a feat usually difficult for ex-convicts. Whilst what she wanted for them was the possibility of a “second chance”, she realized that the main obstacle for prisoners in creating a new life after detention was the lack of a “real chance” to change life. Typically, Italian conviction system tries to facilitate the return of former convicts into society by giving them the skills to enter the labour market. However, this attempt’s success lies on the possibility for the convicts to develop their skills, and the best way to do so would be to develop them directly on the market. The market considered by this example is the clothing market, and the convicts were involved in the re-use of waste materials and denims for the production of the cloths. However, prisoners lacked access to any kind of external market, and this hindered their capability to produce economic value. Access to market is one of the most important requisites for a business to express its potential, and jail-based ventures typically suffer their lack of it. Made in Carcere restores such connection by partnering with different actors in need of dismissing their waste materials (most of them from the local fashion district), on the input side, and offering the products of the prisoners on the final market, on the output side. This smart business model allows to un-block the potential economic value that convicts may be able to realize,, because it allows convicts’ labor capabilities to meet the markets where they can express their potential. At the same time the business model foster the generation of social value, via training, rehabilitation, and reintegration of

marginalized individuals. The final consequence is that convicts working with Made In Carcere during their conviction time have significantly higher likelihood to be successfully introduced into society, because they can exploit the abilities they learned and developed..

## **CONCLUSION**

Extant literature offers many examples of how to manage institutional complexity deriving from the existence of diverging logics in the same organization. Organizations may try to juggle logics looking for an equilibrium which may be, however, unstable. For that reason, a stream of literature, as we saw, suggests that organizations are bound to manage such complexity by enacting strategic choices that tend to favour one logic over another.

This paper demonstrates that managing conflicting logics by balancing and/or insulating them are not the only strategies organizations may implement. We observe practical cases in which other ways may be pursued to combine heterogeneous patterns of framing, thinking and behaving under the same organization. Inspired by modulation technique which comes from the theory of music, we show how it is possible to reconcile conflicting logics using what we call common-tones. The common-tones are those processes that allows the satisfaction of, being consistent with, conflicting claims, and thus are required to be based on the possibility to apply an usual and apparently diverging logic and to pursue the new opportunities such hybridization allows to open up. Moreover, a critical issue of this hybridization is the understanding of the conditions which allow processes to actually play as common-tones. We argue that these conditions are pretty contingent to the characteristics of both the organizational field, where specific institutions exert their pressures and rise their claims, and the nature of actors and their responses.

Being the common tone very contingent on the nature of the organization, on the context, and the conflicting logics at work, we have given an illustration of how this principle works in the case of social entrepreneurship. In such case, the condition which allow processes to play the role of common-tone is their focus on and aimed at realizing the marginalized individual's potential value and then at un-blocking factors which may hamper its realization. Under this condition in fact, the economic-impact-seeking logic can be used to read situation of social marginalization to discover and activate the value generation potential of the marginalized individuals; at the same time social-impact-seeking logic can be used to reinterpret the economic outcome of such production process, exposing the new human, social and civil rights re-gained by the individual during, and thanks, to, her productive activity. Thus

here the common-tone processes allow social enterprises to obtain the social impact by unblocking the potential economic value of subjects normally marginalized. However *the same processes* they use to produce this social value is thus *the same process* with which the economic value necessary to their reintegration is created. Therefore, in the case of social enterprises, the two conflicting logics (and all the related conflicting activities) can be kept together without generate remarkable frictions and dissonance among their cognitive and behavioural dimensions.

As a second contribution, this argument provides a direct contribution to the field of social entrepreneurship in three ways. First We stand by Short, Moss & Lumpkin statement that "if the social entrepreneurship field is to progress, the next two decades should be characterized by unity in construct definition and by examining the social entrepreneurship construct through a variety of well established theoretical lenses" (2009, p.173). Thus, we hope our work will help in this direction by strengthening the institutional theory approach to social entrepreneurship. We believe this theoretical framework is particularly suited to the setting of social entrepreneurship because of its nature based on two seemingly irreconcilable logics: one social and one entrepreneurial; indeed the tendency of scholars to propose dichotomous explanations (eg. Boschee, 1998; Dees, 2012) on the subject is based on this underlying paradox of seemingly opposite logics coexisting in the same structure. Because of this we argued the existence of two type of social enterprises, i.e. the two-side social enterprise and the common-tone social enterprise, and we specified that only the later is the type supposed to perform the a real hybridization of logics.

Second, we have shown that social entrepreneurs able to look at marginalized individuals with the intent of un-blocking their potential value, are those actually doing common-tones. This also implies their ability to switch economic-impact-seeking and social-impact-seeking logics without generate frictions and dissonance among their cognitive and behavioural dimensions. Certainly they are required to be also creative enough to imagine business models, technologies or networks where that economic potential can be expressed removing the obstacles that prevented that value to be created up to now, and committed enough to social impact to be able to see the social achievement the economic value production has generated. From this reasoning we can derives thus, that being a social entrepreneur means being able to 1) apply unusual logics to read certain situations 2) invent and implement unexpected and innovative business models. We retain that these findings may clearly contribute also to the literature looking the social entrepreneurs at individual level, in order to understand their role and identify the precise capabilities they need to develop to create sustainable enterprises. As a final

contribution to this stream of literature, we think this article can give interesting insight on the relationship between social value and economic value in social enterprises: recent work (Santos, 2012) questioned the usefulness of the mainstreaming approach of defining social entrepreneurship on the categories of social and economic value, and we would like this article to contribute to the debate saying that, to certain extent, social and economic value maybe weighted as the same when their production pass through the direct involvement of marginalized individuals.

Finally, we can infer a more general managerial implication from our theory, concerning hybrid organizations in general. The number of hybrid organizations is growing in the entrepreneurial panorama, their growth fueled by the increasing number of different demands imposed by the complexity of the present economical and social environment. Globalization arguably forced enterprises to face new contexts and markets with their heterogeneous claims, pushing them towards hybrid organizational to take all of this into account; in other words, the growth of even more complex customers' needs and the progressive converges and integration among services and goods pushed organizations towards new form of hybrid organizations and business models able to provide them in a sustainable and effective way. For these reasons, the ability to manage conflicts inside organizations is becoming increasingly important in currents and future economic contexts. We think that our theory can provide a useful suggestion for hybrid organizations' managers, as the implementation of a "common tone" processes makes the hybrid organization more resilient to the conflicts created by different logics. The inside conflict becomes more sustainable thanks to the fact that "playing the common-tone" raises the threshold level of conflict that the organization can sustain without imploding. This add a new series of strategies/mechanisms that can be implemented inside the organization, as previous literature only hinted to mechanism aimed at lowering the level of inside conflict, whilst the common-tones aim at raising the level of inner conflict that the organization can effectively sustain. So, since as seen here for social enterprises, a critical issue is the understanding of the condition under which common-tone practices may be accomplished it would be very interesting a replication of this analysis in different and organizational fields. Such condition is supposed to vary a lot of course, however a nuances analysis of how it allow common-tones practices to be carried out in other settings may be useful for possible find out and generalize a theoretical way to identify it. Further on, this may advance the identification and understanding of other mechanisms at individual or organizational at the base of common-tones practices.

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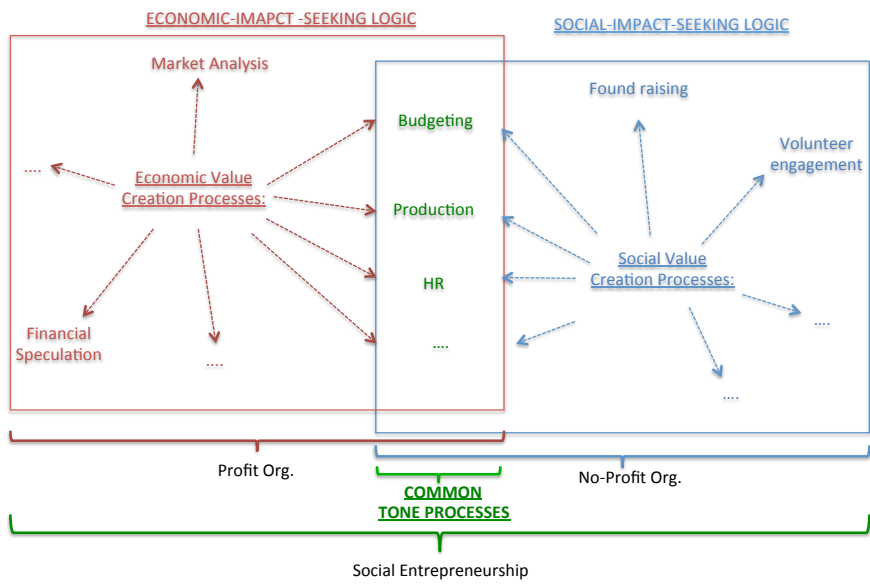
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**Fig 1. The common-tones at the intersection of two conflicting logics**



**Fig 2. Focus on the Common Tone Processes**

