

UNDERSTANDING THE BUSINESS MODELS OF SOCIAL HYBRIDS – 10P’S FRAMEWORK FOR CHALLENGES AND ACTIONS

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Abstract: *There are increasing numbers of social hybrids focusing on the design and implementation of innovative, market-based business models for serving the global base of the pyramid (BoP) segment. The hybrid business models of these enterprises focus on delivering the integrated mix of positive social outcome and commercial revenue streams. However, considering the complexity of the BoP context, the success and sustainability of the social hybrids depend upon the ability and capability in identifying the challenges and determining the strategic alternatives and actions to blend the business model appropriately. The research objective involves identifying the challenges faced by the social hybrids and corresponding strategic choices specifically in terms of 10 P’s (purpose, product, price, place, promotion, people, partnerships, policy, purse strings and presence) framework identified by the authors. The qualitative multi-case based research methodology is applied for data collection and analysis. The sampling involves the field interaction with the three social hybrids targeting the energy and healthcare needs of the BoP segment in India. The experience of the social hybrids cited in this article helps to resolve the theoretical tension as to why should social hybrid means self-sustainable and social mission focused enterprise leveraging the market-based logic for positive cash flow irrespective of the legal setup.*

Keywords: *social hybrids, business model, social enterprise, base of the pyramid, BoP. socio-economic outcome*

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Introduction

The phenomenon of social hybrids is gaining recognition as an effective market based approach towards addressing the basic social needs of the base of the pyramid (BoP) segment in the developing economies. This approach is increasingly recognized by the global academicians and practitioners as an effective solution for creating the positive socio-economic impact at the BoP.

The BoP segment is defined on the basis of the income level and access to the formal market ecosystem for the fulfillment of its basic social needs. This segment constitutes 65% of the global population (4 billion approx.), which is earning less than \$8 (Year 2002 PPP levels) per day. The majority of this segment lives across the rural and semi-urban areas; and transacts in an informal market ecosystem for the fulfillment of their basic necessities like food, energy, water, sanitation, healthcare, transportation, education and housing (Prahalad and Hammond 2002, Prahalad and Lieberthal 2003, London and Hart 2004, Hammond et al. 2007, Kapoor and Goyal 2013, Goyal et al. 2014).

At one end of the entrepreneurship landscape, there exist the commercial enterprises, which focus on the design and implementation of the market based logic for maximizing the revenues, sales growth and profits without any need for evaluating the social and environmental outcomes. At other end of the entrepreneurship landscape, there exist the non-government organizations (NGOs) and government institutions, which are driven by the funding and focus on the social welfare of the masses irrespective of the financial outcomes. This conception and belief in the traditional enterprises (commercial, NGOs, government) has led to a situation, where the majority of the BoP segment gets treated as beneficiaries, lacks access to the formal market ecosystem for the fulfillment of the basic needs, lives and transacts in an informal economy. The social hybrids lie in between these two broad conceptions of entrepreneurship. The social hybrids combine the market efficiencies of the commercial enterprises with the social acceptance and last-mile presence of the non-government organizations to design and implement the socio-economic business models¹ for addressing the diverse social needs like food, income generation, healthcare, education, energy, housing, transportation, sanitation and environment (Dees 2001, Esposito, Kapoor, and Goyal 2012, Kapoor and Goyal 2013, Goyal, Esposito, Kapoor, Jaiswal, and Sergi 2014).

¹ The term business model refers to the blue-print of strategy. It describes the rationale of how an organization creates, delivers and captures value (Osterwalder and Pigneur 2010). The business model concept is understood from the varying perspectives in the academic literature. The architectural perspective links business model concept to the product, service and information flows (Timmers 1998). The transaction perspective links business model concept to understanding of the content, structure and governance (Amit and Zott 2001). The belief and interest in business model concept has grown rapidly among academicians and practitioners during the decade (2000-2010), both from the operational and strategic perspectives. The operational aspect of the business model focuses on value offering, creation, delivery and revenue logic. The strategic aspect of the business model focuses on evaluating the sustainability of the value offering, creation, delivery and revenue logic in the context of the dynamic environment (Morris et al. 2005). The strategic aspect is gaining importance due to the shift in focus and attention of the global institutions and enterprises towards the growing customer segment living in the high growth developing economies.

However, despite the perceived impact potential of the social hybrids at the BoP, the researchers and practitioners consider this form of entrepreneurship to be a complex and understudied phenomenon requiring the deeper study of the underlying challenges and corresponding strategic actions. The hybrid approach linking the social mission with the self-sustainable value capture (revenue streams) entails the complex combination of activities thereby requiring the different ecosystem as compared to the traditional enterprises maintaining the unilateral focus and identity (Battilana, Lee, Walker, and Dorsey 2012). The social hybrids need to maintain the focus on scaling the social impact in terms of volumes and reach while remaining economically viable and socially relevant.

This article examines the challenges and ambiguities faced by the social hybrids in terms of the 10P's - purpose, product, price, place, promotion, people, partnerships, policy, purse-strings and presence. We also explore the emerging solutions and alternatives to address these challenges and ambiguities thereby enhancing the sustainability and socio-economic viability of the social hybrids.

The article is organized in the following sections. The next section compares the phenomenon of social hybrids with entrepreneurship. This is followed by the literature review to understand the definition of social hybrids. The subsequent sections highlight the research methodology, data collection and analysis as well as brief overview of the three social hybrids in scope of this study. This is followed by the section elaborating the findings regarding the existing challenges and possible choices for the social hybrids to maintain the double bottom-line. The article concludes by highlighting the theoretical, practitioner and policy level implications as well as future research directions.

Social Hybrids versus Entrepreneurship

The term “entrepreneurship” has been attributed different meanings since the 19th century by the well-known economists like Jean-Baptiste Say, Joseph Schumpeter, Peter Drucker, Israel Kirzner and Howard Stevenson. Martin and Osberg (2007) argue that the definition of entrepreneurship ranges between value creation logic (Jean-Baptiste Say), creative destruction logic (Joseph Schumpeter), exploitation of opportunity (Peter Drucker), posing alertness to opportunity (Israel Kirzner) and resource constrained opportunity (Howard Stevenson). The majority of the academicians believe that entrepreneurship relates to exploiting / leveraging the opportunity in terms of understanding the context, identifying and pursuing the opportunity within, and ensuring the positive financial or social outcome (Martin and Osberg 2007).

There has been an ongoing debate and discussion regarding the fundamental differences between commercial enterprises and social hybrids (self-sustainable social enterprises). The term “social entrepreneurship” or “social hybrids” is in congruence with the term “entrepreneurship” while adding a specific mission type qualifier to the term “entrepreneurship”. The social hybrid possesses the characteristics similar to the ones linked to the entrepreneurship in general. The critical distinction lies in the mission type, target segment and conception of the value proposition (Martin and Osberg 2007).

Martin and Osberg (2007) argue that social hybrids are driven by the social mission linked to the primacy of the social benefits; target the unorganized market comprising the low-income and underserved population; and offer basic solutions to the real needs of the target segment. There is

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no anticipation towards substantial financial profits for the shareholders involved in the social hybrids. Whereas, the commercial enterprises are organized to deliver the value offerings to the paying customer segments across the competitive formal market setup thereby generating financial gains for the shareholders of the organization as well.

Chell (2007) argues that the key difference between commercial enterprises and social hybrids is attributed to the orientation towards culture and ethos. The culture and ethos of social hybrids are based on the principles of voluntarism, ethical behaviour and social mission. However, the culture and ethos of commercial enterprises are based on employment contract, pragmatism and instrumental actions, and mission oriented towards maximizing shareholder value.

Austin et al. (2006) compare social enterprises (including social hybrids) and commercial enterprises on the basis of four distinct variables comprising target segment (BoP versus non-BoP), mission orientation (social versus economic), availability of resources (rural versus urban) and performance metrics (socio-economic versus financial).

Mair and Marti (2006) argue that the personality of the social entrepreneur (leadership skills, passion and ethics) drives the success and growth of any social enterprise (social hybrid). Considering the above, the whole domain of entrepreneurship should be looked upon as a **continuum landscape** where social hybrids are positioned on a continuum scale between the non-profits and commercial enterprises (**Figure 1**). The difference lies in the degree of intent with respect to the social and economic goals of these different types of enterprises. Massetti (2008) argues that the continuum perspective helps in analyzing the current and future evolution of the different types of enterprises. First, it introduces the notion of the degree of intent in doing the relative comparison of the different types of enterprises. Second, it enables the options of evaluating the shift in mission orientation of the enterprises across the social and market dimensions.

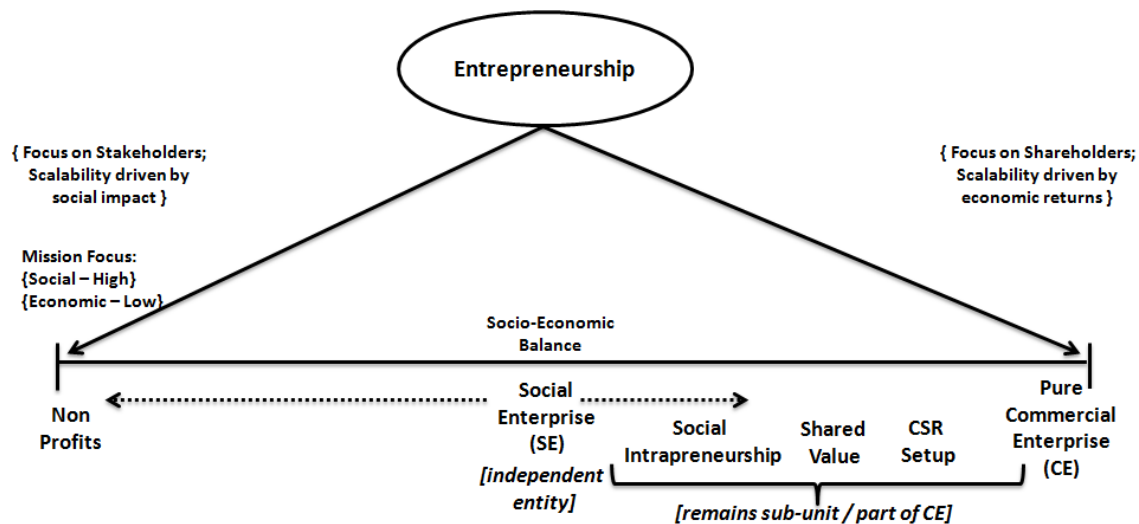


Figure 1 Entrepreneurship – Socio-Economic Continuum Landscape

Source: Created by Authors

Definition of Social Hybrid – Literature Review

The term ‘social need’ is defined as the gap between socially desirable condition and reality (Guclu et al. 2002). Seelos and Mair (2005) argue that ‘social’ holds different interpretation by different people due to the influence of social and cultural background. To resolve this ambiguity, it becomes essential to evaluate the social enterprises² from the perspective of achieving sustainable development by focusing on those social needs, which are acknowledged by the global institutions and developing economies as the ones requiring global action (Seelos and Mair 2005). The strategic and operational dynamics of social enterprises get influenced by the mission type, focus on sustainability, macroenvironmental dynamics, globalization trends and government support system (Sullivan et al., 2003; Weerawardena and Mort, 2006).

The academic literature highlights the multi-dimensional perspectives on social hybrids in terms of the mission orientation, operational framework and legal setup (**Table 1**). The construct of social hybrid comprises a specific range of social enterprises having socio-economic orientation and self-sustainable business model irrespective of the organizational setup (non-profit, for-profit or both). These enterprises follow the social or socio-economic mission orientation; target the basic social needs at the BoP; and design and implement innovative business models (pro-social or pro-market) to fulfill the mission.

Table 1 Social Entrepreneurship Definition – Key Characteristics, Source: Created by Authors

<u>Characteristics</u> →	Mission Impact	Innovation logic	Organization Setup	Leadership	Social Outcome	Socio Economic Outcome
Dees (2001)	X	X			X	
Roberts and Woods (2005)	X				X	
Peredo et al. (2005)		X				
Austin et al. (2006)	X	X	X			
Mair and Marti (2006)	X	X				X
Ridley-Duff (2008)	X	X				X
Weerawardena and Mort (2006)	X	X				
Chell (2007)	X		X	X	X	X

² The academic literature uses the term “social enterprise” to reflect the enterprises having social mission focus irrespective of the legal setup or revenue generation model. The social hybrids represent a subset of social enterprises, which are self-sustainable and focus on socio-economic impact despite having a social mission.

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The social mission involves the focus on bringing about the positive social change irrespective of the organizational setup, structure or processes (Dees 2001, Roberts and Woods 2005, Austin, Stevenson, and Wei-Skillern 2006, Chell 2007). The success is measured on the basis of social impact. The revenue is generated mainly from philanthropic organizations.

The socio-economic mission involves the focus on bringing about the positive social change while remaining self-sustainable (Peredo and McLean 2006, Austin, Stevenson, and Wei-Skillern 2006, Ridley-Duff 2008, Mair and Marti 2006, Weerawardena and Mort 2006, Chell 2007). The success is measured on the basis of the social and financial performance. The revenue is generated mainly from market based transactions.

Dees (2001) argues that the key characteristics of social enterprise involve (1) focus on the social mission; (2) identifying the new opportunities to serve the mission; (3) focus on the continuous innovation, adaptation and learning; (4) managing resource constraints; (5) and holding accountability for the social outcomes and impact on the target segment.

Roberts and Woods (2005) define social entrepreneurship as the organizational approach towards bringing out the positive social change.

Peredo and McLean (2005) link social entrepreneurship to innovation and dynamic market context. The authors emphasize on the changing market dynamics in terms of decreasing funding opportunities, increasing number of non-profit enterprises and increasing demand for impact metrics. These changes require the social enterprises to design and implement an innovative business model for targeting the social needs.

Austin et al. (2006) relate social entrepreneurship to an innovative activity, which is being undertaken to fulfill the social mission irrespective of the organizational setup (for-profit, non-profit or hybrid form).

Similarly, Mair and Marti (2006) relate social entrepreneurship to innovative business logic for leveraging the market based ecosystem and scarce resources to bring out a transformative social change. The primary focus is on social change followed by financial sustainability.

Chell (2007) extends the definition of social enterprise by emphasizing the critical role of visionary and passionate leadership in the success of social enterprise. However, the definition encompasses both non-profit and for-profit entities. The non-profit entities discourage focus on wealth generation and attract human and social capital with pro-social, community-spirited motives, and engender survival strategies. The for-profit entity also known as social hybrids, balance the social mission with economic gains and leverage the market based business model and revenue generation for scaling the social impact and outreach.

During 2006, social hybrid model of social entrepreneurship started gaining recognition and acceptance as the market based approach towards socio-economic impact. Ridley-Duff (2008) defines social enterprise as a market based entity having focus on socio-economic returns while making use of business process, structures and key performance indicators to achieve the same. Similarly, Weerawardena and Mort (2006) define social entrepreneurship in terms of social mission and self-sustainable business model.

Research Methodology

This research adopts the inductive logic to conceptualize the challenge-action matrix for the social hybrids targeting the BoP segment. The inductive logic involves the use of an interpretive epistemological stance on primary and secondary data to conceptualize, categorize and inter-relate the findings (Goyal, Sergi, and Kapoor 2014). The multi-case based research qualitative research methodology is applied for data collection and analysis. This approach is suited to analyze those issues and relationships, which are complex and inter-disciplinary and which can't be made evident by survey based statistical analysis (Esposito, Kapoor, and Goyal 2012). The study of BoP is considered as a complex phenomenon in terms of context (operating environment), customer (socio-economic profile), competition (informal market) and stakeholders (multi-level),

The multi-case study methodology involves the iterative selection of multiple cases in order to create theoretical constructs, propositions, and/or mid-range theory from case based (with-in and cross) empirical evidence (Eisenhardt 1989). A multi-organization case study design allows for an in-depth analysis across different contexts and enables researchers to better understand how and why outcomes occur (Miles and Huberman 1994). The tentative explanations found during with-in case analysis can be tested across other cases, enhancing reliability and validity of the conclusions drawn (Yin 2009).

Data Collection and Analysis

Sampling and Data Collection

The key aspects of the case study based research design involve setting up the criteria for sampling and data collection (Yin 2009). The design of case study protocol is the first step towards the data collection phase. This documents the data collection approach and instruments thereby ensuring the reliability of the research design (Yin 2009). The case study protocol for this research focused on listing down the "How" and "Why" questions to gather the field-based inputs from multiple stakeholders pertaining to the challenges faced and actions undertaken or choices made by the social hybrids at the BoP.

The sampling involved the selection of social hybrids involved in addressing the energy and healthcare needs of the BoP segment in India. The selection of subsequent cases was done on the basis of replication or extension of the findings from prior cases (Eisenhardt 1989). The data collection involved collecting inputs from the secondary (company website, online information in the public domain) and primary (senior management team, operations team, BoP customers and field partners) sources. The data collection techniques involved interviews, focus group discussions and observations.

The details of the selected social hybrids are provided in the next section.

Data Analysis

The data analysis stage involved iterative and multi-stage process of conceptualizing the data (converting raw data into concepts or labels) and grouping the concepts (labels) into categories (Corbin and Strauss 1990). The concepts and categories were compared and contrasted in an exploratory manner using the partially ordered data display technique for data analysis and reduction (Miles and Huberman 1994). The findings were updated and refined on the basis of the iterative data collection.

Understanding the Selected Cases – Social Hybrids

*Case 1: Selco (India)*³

IEA (2010) statistics indicate the prevalence of extreme energy poverty in terms of lack of access to electricity and dependency on biomass and fossil fuels for lighting and cooking. Globally, 1.4 billion (approx.) people lack access to electricity and 2.7 million (approx.) people rely on biomass and fossil fuels for cooking.

Harish Hande identified the lack of access to clean energy solutions as a trigger for the social, economic and environmental adversities leading to the persistent poverty trap for the BoP segment living in rural India. Harish Hande and Neville Williams setup Selco in 1995 with the focus on enhancing the quality of life for the BoP segment by offering solar-based sustainable energy solutions.

The key attributes of Selco's business model include the following. First, it offered end to end energy solutions bundling energy equipments with door-step servicing and financing. Second, it focused on the embedded delivery and support network by setting up local support centers as well as engaging the locals as micro-entrepreneurs and customer service agents. Third, it setup a rural lab to undertake continuous experimentation and innovation. Fourth, it focused on long-term collaborations with suppliers, social investors, regional rural banks, training organizations and locals trained as micro-entrepreneurs. Fifth, it focused on scaling the social impact by targeting the extreme poor, adopting the s-curve growth rather than vertical growth model, and setting the Selco Incubation lab to mentor the future social entrepreneurs across different regions in India.

Regarding outreach and impact, Selco created an extensive network and presence across six states in India by 2014 thereby benefitting more than 1.2 million individuals and 5000 institutions across the semi-urban and rural locations.

³ <http://selco-india.com/>

*Case 2: VisionSpring (Global)*⁴

According to the World Health Organization study by Fricke et al. (2012), there was an estimated count of 703 million people suffering from vision impairment in 2007. According to Gordois, Pezzullo, and Cutler (2010), this is expected to increase to 826 million by 2015 and 929 million by 2020. The majority of these individuals can get their vision restored by a pair of eyeglasses. However, the majority of these individuals belongs to the low-income group and lives in the semi-urban and rural areas across the developing economies. This results in lack of access to the appropriate vision screening and correction measures. The vision impairment leads to the persistent poverty trap for the affected individuals and their households due to the decreased job productivity resulting in diminished quality of life and financial instability.

Jordan Kassalow realized the negative socio-economic impact of vision impairment on the BoP segment. To address the same globally, Jordan formed a partnership with Scott Berrie to setup VisionSpring as a non-profit enterprise in 2001. It started its operations in El Salvador in 2002 followed by India in 2005 and later on expanded to Bangladesh, Guatemala, Nicaragua, Paraguay South Africa and other developing countries through its own offices as well as the franchise partners.

The key attributes of VisionSpring's business model include the following. First, it designed a complete vision care solution for the BoP segment. This involved holding awareness sessions, conducting vision screenings, selling eyeglasses and providing prescriptions to the BoP individuals requiring advanced check-ups for vision disorders. Second, it followed a multi-disciplinary approach in setting up last-mile channels for awareness building, accessibility and availability of affordable eyeglasses to the BoP segment. This involved setting up the hub-n-spoke network of stand-alone eye-centers in towns serving the surrounding villages as well as collaborating with eye hospitals (private/mission based), primary health centres, government hospitals, non-government organizations, community-based organizations and corporate entities having corporate social responsibility (CSR) initiatives.

Regarding outreach and impact, VisionSpring sold over 2 million pairs of eye-glasses across 20 developing economies across the world by 2014.

*Case 3: E Health Point (India)*⁵

According to World Health Organization (2013), there are more than 880 million people globally, who lack access to safe drinking water. This includes 120 million people living across India, who lack access to improved sources of drinking water. This lack of access to clean drinking water has an adverse impact on the health and income potential of the underserved communities and individuals. Besides this, the low-income population in rural areas (especially women and children) lack access to the affordable and high-quality primary care network thereby relying on the under-staffed government healthcare centers and untrained rural practitioners for their healthcare needs. According to UN-MDG (2014), 32% of the deliveries are done globally

⁴ <http://www.visionspring.org.in/>

⁵ <http://ehealthpoint.com/>

without having access to skilled health professionals. Almost 300,000 women died globally in 2013 from causes related to pregnancy and childbirth.

Amit Jain formed partnership with Allen Hammond and Chris Dickey to set up E Health Point (EHP) in 2009, a social hybrid enabling access to the clean drinking water and primary healthcare for the BoP segment in India.

The key attributes of EHP's business model include the following. First, it offered the unique value proposition bundling the preventive and curative healthcare (clean drinking water and primary care) with access to diagnostics and medicines. Second, it focused on last-mile connectivity by setting up the telemedicine network. Third, it focused on continuous experimentation and innovation to improve the delivery of drinking water and primary healthcare. Fourth, it focused on long-term collaborations with government, investors, academics, technology based institutions and local health providers. Fifth, it focused on training and engaging the locals as nurses and water-operators.

Regarding outreach and impact, EHP created an extensive network of more than 115 water-points delivering the clean drinking water to more than 300,000 individuals on daily basis by 2012.

Discussion and Findings – What does it all mean?

There are increasing numbers of social hybrids focusing on the design and implementation of innovative, market-based business models for serving the global BoP segment. The hybrid business models of these enterprises focus on delivering the integrated mix of positive social outcome and commercial revenue streams. However, considering the complexity of the BoP context, the success and sustainability of the social hybrids depend upon the ability and capability in identifying the challenges and determining the strategic alternatives and actions to blend the business model appropriately.

This section elaborates the business models of social hybrids across two dimensions on the basis of detailed analysis of three social hybrids targeting the energy, healthcare and water needs of the BoP segment. The contextual dimension involves elaborating the challenges and dilemmas faced by the majority of the social hybrids specifically in terms of the 10 P's (purpose, product, price, place, promotion, people, partnerships, policy, purse-strings and presence). The action dimension involves understanding the strategic choices and alternatives undertaken by the social hybrids for managing those challenges and dilemmas (**Table 2**).

Table 2 Hybrid Models – Challenges and Alternatives

Source: Created by Authors

Dimensions	Challenges / Dilemmas	SELCO	VISION SPRING	E HEALTH POINT
Purpose	<i>managing double bottom line; avoiding mission drift</i>	<i>mission oriented setup and culture</i>	<i>mission oriented setup and culture</i>	<i>mission oriented setup and culture</i>
Product	<i>lack of complementary products or services</i>	<i>end to end energy solutions including servicing and financing</i>	<i>end to end solution including vision screening and wide range of eye-glasses and referrals to large hospitals for advanced vision problems</i>	<i>end to end solution for preventive and curative healthcare – drinking water, primary healthcare, diagnostics, medicines</i>
Pricing	<i>heterogeneous BOP segment – low income, subsistence, extreme poor; price-minus or cost-plus</i>	<i>segmentation; price-minus; hybrid setup; facilitate financing; government subsidy; cash-flow linked payment cycle; combined offerings</i>	<i>price minus, range of offerings(\$1 onwards); institutional sales to large hospitals who can leverage government subsidies</i>	<i>segmentation; price-minus; tele-conferencing setup; hybrid setup; fee-for-service model; combined offerings at one place saving time and travel cost</i>
Place	<i>last-mile accessibility and availability</i>	<i>brick-n-mortar setup, locals as micro-entrepreneurs for last-mile reach</i>	<i>hub-n-spoke, cluster setups in collaboration with local institutions, micro-franchising (locals as vision entrepreneurs)</i>	<i>hub-n-spoke setup between healthpoints and cluster of waterpoints; locals as micro-entrepreneurs</i>
Promotion	<i>awareness, social mindset, informal market ecosystem; socio-economic and cultural characteristics of the target segment and communities</i>	<i>demonstration at public places and trial setup at houses; training camps; gain trust of community leaders and regional rural banks; local engagement</i>	<i>vision camps; mobile outreach vans; presence in local hospitals; gain trust of local community leaders; local engagement</i>	<i>demonstrations at public places; health camps; home visits for social marketing and awareness ; local engagement; clean and transparent facilities; dedicated slots for women</i>
People	<i>scarcity of skilled resources</i>	<i>skill-building trainings ; local engagement as sales agents and energy entrepreneurs; bottom-up growth prospects for local hires; embedded setup; volunteers/trainees</i>	<i>train local individuals as vision entrepreneurs; collaboration with local institutions for last-mile reach, B2B sales; volunteers/trainees</i>	<i>local engagement as employees and water entrepreneurs; technology based video-conferencing setup; embedded setup</i>
Partnerships	<i>limited capital and margins; lack of understanding of the local market dynamics; need for 5A's</i>	<i>global academic, quality and technology institutions; financial institutions; non-traditional with government, non-profit, community based, philanthropic and holistic</i>	<i>global technology and quality institutions; non-traditional with government hospitals, eye hospitals (private / mission based), non-government, community based, philanthropic and corporate entities having</i>	<i>global academic, quality, marketing and technology institutions; non-traditional with government, philanthropic, community and informal market players</i>

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Dimensions	Challenges / Dilemmas	SELCO	VISION SPRING	E HEALTH POINT
		<i>organizations</i>	<i>CSR initiatives</i>	
Policy	<i>government policies, infrastructure, lack of reliable data sets of the market</i>	<i>avail government subsidies for solar adoption in rural areas; contribute to government policy making</i>	<i>no specific action</i>	<i>referrals to government hospitals for secondary and tertiary issues</i>
Purse-Strings	<i>limited capital and cash flow, longer lead time in purchase decision</i>	<i>social investors (impact investing); revenue generation (product and service)</i>	<i>philanthropic funds; sales revenues</i>	<i>fee for service (water supply, consulting, diagnostics); sales of medicines</i>
Presence	<i>scaling social and economic impact; market penetration (extreme poor)</i>	<i>s-curve growth model; scaling by mentoring new entrepreneurs; market expansion and penetration</i>	<i>s-curve growth model using cluster and hub-n-spoke approach; market expansion via B2B sales</i>	<i>s-curve growth model; market expansion in terms of locations and offerings</i>

Purpose

The social hybrids face the ethical dilemma in balancing the double bottom line comprising the social value creation and economic returns (Tracey and Phillips 2007). The partnerships with investors for gaining access to capital put pressure on the social hybrids to shift their orientation towards the vertical growth and increasing rate of returns. This leads to the risk of mission-drift for the social hybrids thereby posing a negative impact on the social mission and sustainable growth.

One of the solutions being adopted by the successful social hybrids is to have a well-defined social mission in terms of the target segment and ensuring that the overall business model remains consistent with the social objective of the mission.

Selco, VisionSpring and E Health Point defined their mission very clearly in terms of the underserved communities and offerings.

Selco defined its mission as “To enhance the quality of life of underserved households and livelihoods through sustainable energy solutions and services. The mission of VisionSpring was enabling “affordable access to eyewear, everywhere.” E Health Point defined its mission as “To provide high quality, affordable, health and safe drinking water services in under-served communities by building and operating the necessary infrastructure”.

Proposition 1. Social hybrids manage the ethical dilemma by defining their mission in terms of underserved communities and offerings and evaluating all future actions in terms of mission-impact before deciding to go ahead.

Product

The competitive nature of the formal market economy is driven by the availability of substitutes as well as complementary product and service offerings. However, BoP market lacks the formal market setup thereby posing challenges in terms of lack of availability of complementary product and service offerings. This leads to complexity in designing the value offerings for the underserved segment as well as amplify the adoption and acceptance barriers at the BoP.

Social hybrids address this challenge by offering need based, customized, end to end solutions to the target segment at the BoP. The socio-economic and cultural characteristics of the target segment form the basis for the social hybrids to decide upon the design and delivery of offerings at the BoP.

Selco focused on identifying the need based end to end energy solutions for the underserved population at the BoP. The sales team designed and implemented the end to end lighting solutions based upon the need assessment and paying capacity of the individuals at the BoP. Additionally, Selco ensured access to financing for the BoP segment from the regional rural banks as well as access to after sales servicing and maintenance support via annual maintenance contract. The financial models were designed in accordance with the occupation and cash flow cycle of the customers.

“...need to understand individual needs and not wants...understand the cash flow cycle of individuals in target segment and design financial models accordingly...sugarcane farmer has a cash-flow once a year, and street vendor etc has a daily cash-flow ...What we offer to the customers includes access to energy with installation of a complete solar setup customized to their requirement and paying capacity; access to door-step service, access to door-step finance and customization.”

Proposition 2. Social hybrids manage the complementary products or services related challenges at the BoP by offering need based, customized, end to end solutions.

Pricing

The majority of the BoP segment lives and transacts in an informal economy, earns less than \$ 8 (year 2002 purchasing power parity level) and lacks access to the formal ecosystem for income and savings (Prahalad and Hammond 2002, Prahalad and Lieberthal 2003, London and Hart 2004, Hammond et al. 2007, Kapoor and Goyal 2013, Goyal et al. 2014). This results in complex pricing decisions for the social hybrids targeting the BoP segment.

Social hybrids undertake a multi-dimensional approach to ensure the affordable pricing for the target segment. First, these enterprises opt for a segmentation strategy to have clarity on their respective target sub-segment (occupation, gender, income levels) at the BoP. This is done in congruence with the mission of the enterprise. Second, these enterprises opt for an organizational setup comprising the for-profit entity for market based transactions and non-profit entity for generating funds from philanthropic sources. The funding from philanthropic sources is utilized for the social inclusion of the extreme poor as well as for the market building and local capacity building initiatives. Third, these enterprises ensure the affordability in terms of the total cost of ownership as well as focus on creating a positive impact on the household income levels. Fourth, these enterprises leverage the expertise of technology institutions and grassroot institutions to

ensure the cost effective design and delivery of value offerings at affordable pricing. Fifth, these enterprises bundle the multiple offerings and leverage the same value delivery network to reduce the per-unit cost overheads.

E Health Point adopted a hybrid model comprising the for-profit and non-profit entities for offering the preventive and curative offerings (drinking water, primary healthcare – consulting, medicines and diagnostics, community healthcare and hygiene products as sanitary napkins and reading glasses) to the local communities thereby eliminating the infant and maternal morbidity associated with water-borne diseases and lack of access to primary healthcare. The for-profit entity focused on the needs of the top 70% of the rural and semi-urban population in the target locations. The enterprise designed the systemic behaviour change orientation programme comprising regular health camps, social marketing and health awareness campaigns. This created an environment of trust and acceptance thereby motivating the local population (especially women and children) to visit the waterpoints for clean drinking water and healthpoints for early detection and cure of health issues. This preventive and curative approach made the healthcare affordable and increased the working hours for the local population thereby improving their life-style and income. The enterprise set up the technology based video link for consultation with the expert city based doctors and ensured the confidentiality, diagnosis and treatment for the patients in a single visit thereby saving upon their working hours and travel costs.

“...one of the unique points of healthcare business model pioneered by E Health Point is that it is both curative as well as preventive. Curative to the extent that we are more of identifiers and screeners for any type of curative requirements and then enabling cure for the basic kind of health issues and diseases...it is vital in the sense, it helps in preventing debility, disability and morbidity and high cost of treatment, which happens due to lack of early detection...Diagnosing and treating people in a single visit is one key to delivering affordable health care. That's because a large chunk of health care costs for low-income people is transportation to and from a clinic, and the wages lost during those visits.”

Proposition 3. Social hybrids manage the affordability challenges at the BoP by focusing on segmentation, hybrid set-up, local engagement and end to end solution based approach.

Place

The majority of the BoP segment lives across the semi-urban and rural areas thereby posing the last-mile connectivity challenges for the social hybrids. However, considering the socio-economic characteristics of the BoP segment, there is a need for last-mile channels to ensure physical and emotional proximity to the masses. This requires the adaptive distribution and delivery setup ensuring accessibility and availability as per the needs and preferences of the BoP segment (Prahalad and Hammond 2002).

Social hybrids adopt the two dimensional approach to ensure the last-mile connectivity and reach thereby eliminating the accessibility and availability barriers. First, these enterprises localize their business model by training and engaging the local individuals as employees and micro-entrepreneurs. Second, these enterprises ensure their local presence by leveraging the technology, going for brick-n-mortar setups and forming non-traditional partnerships with local government, philanthropic, community based and informal market institutions.

VisionSpring followed the iterative approach towards setting the last mile channels for connectivity and reach to the vision poor segment across the semi-urban and rural areas. The enterprise started with the micro-franchising approach, which involved training and engaging the local individuals as vision entrepreneurs. These vision entrepreneurs were responsible for creating market awareness, conducting basic eye-screening and selling eyeglasses. Gradually, VisionSpring complemented the micro-franchising approach with a combination of Hub & Spoke and partnership based models. Regarding Hub & Spoke model, the company set up the network of eye-centres in the premises of the partner eye hospitals. These eye-centres conducted the vision campaigns in the rural areas as well as carried out vision screening and selling the eyeglasses to the patients visiting the partner hospitals. Regarding Partnership based model, VisionSpring collaborated with the government, philanthropic, community based, NGOs and commercial enterprises having CSR initiatives to leverage their last-mile connectivity, reach and acceptance among the masses.

“We are finding lot of benefits in hub-n-spoke and partnerships model for last mile reach. For example, we have collaborated with Sahaj e-Village to leverage their last mile presence. This organization has over 10,000 workforce already selling different products at the BoP. We train this workforce and provide marketing support to sell glasses to the poor...”

Proposition 4. Social hybrids manage the accessibility and availability challenges at the BoP by local skill-building, leveraging the technology, going for brick-n-mortar setups and forming non-traditional partnerships.

Promotion

The BoP segment lives and transacts in an informal market ecosystem. This implies lack of awareness and trust on the formal market ecosystem promoted by the social and commercial enterprises (Prahalad and Hammond 2002, Tracey and Phillips 2007). The trust-deficit requires the social hybrids to commit significant amount of resources (capital, time and manpower) in building awareness and trust at the BoP.

The specific actions of the social hybrids include conducting local campaigns for creating awareness, training and engaging the local individuals for creating trust and building extensive social network with local public, private and philanthropic institutions.

E Health Point designed the extensive behaviour change communication programme to ensure the slow and steady transformation in the local mindset towards the benefits and adoption of preventive and curative healthcare offerings. The first step involved engaging the local women and creating the team of village health coordinators (VHCs) and village health workers (VHWs) for imparting the door-to-door awareness regarding the benefits of safe drinking water, hygiene products and curative healthcare service offerings. The second step involved conducting local campaigns in the form of public demonstration and outreach camps at public congregation places like schools and government hospitals. The third step involved setting up clean, hygienic and transparent facilities for water-points and health-points manned by the trained staff in uniform. This created a feel-good factor among the local individuals, thereby increasing trust and acceptance. The fourth step involved paying attention to the cultural sensitivity by offering dedicated clinic hours for women and ensuring confidentiality.

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“We have a chain of health coordinators...to educate the locals on the benefits of clean drinking water and healthcare setup...promoted E Health Point and its service offerings at public places like educational institutes...we also celebrated events like doctor's day, wherein we setup health camps...cultural sensitivity in the form of separate waiting areas for male and female patients is reflected in the design of E Health Points and in their operating procedures, e.g. dedicated clinic hours for women only.”

Proposition 5. Social hybrids manage the awareness and acceptance related challenges at the BoP by designing and implementing the systemic behaviour change orientation approach.

People

The scarcity of skilled professionals, who are willing to work on the social mission related initiatives in the semi-urban and rural areas, has been one of the major persistent challenges affecting the social enterprises globally (Tracey and Phillips 2007).

Social enterprises focus on local skill building and capacity building initiatives to bridge the demand-supply gap for the mission-focused and skilled resources across the BoP locations. This localization approach helps the social hybrids to align with the local communities and non-traditional partners thereby gaining the local market knowledge, trust and acceptance apart from ensuring the timely and cost effective availability of skilled and dedicated resources. Also, this enables the local communities and individuals in learning the market based skills thereby enhancing their market knowledge and sources of income.

E Health Point focused on imparting the skill-based trainings to the local individuals and engaging them to expand its operations across the semi-urban and rural locations. This was critical to enhance the organizational resource capacity, minimize the attrition of skilled resources and build local trust and acceptance via word-of-mouth publicity from the local hires.

“With regards to minimizing the extent and impact of the resource scarcity and attrition, E Healthpoint engages the staff from local areas who have an incentive to stay closer to home...we are very careful in ensuring that the majority of the people, we employ or engage are from the local geographical areas. This results in understanding local context and generating sustainable employment locally, we also encourage women to be engaged as employees. This approach ensures that they have the pride and ownership in the services they deliver to their own community.”

Proposition 6. Social hybrids manage the resource scarcity challenges at the BoP by focusing on local skill building and local capacity building initiatives.

Partnerships

The mission focused social hybrids are constrained by the limited capital, thin margins, high operating costs, complex environmental dynamics and focus on 5A's (affordable, accessible, available, acceptable, awareness).

These challenges require the social hybrids to focus on two types of partnerships based business models. The first type of partnerships involves collaborating with the global technology and academic institutions to leverage the global technologies, processes and standards for value creation and delivery. The second type of partnerships involves collaborating with the non-

traditional partners like government institutions, philanthropic organizations, community based organizations, NGOs and local market entities to leverage their network for gaining local acceptance and last-mile accessibility.

VisionSpring adopted the broad-based approach while making the choice of partners for value creation and delivery. The enterprise collaborated with the global certification body for ensuring the quality control of their offerings. At the same time, VisionSpring extended partnership with the non-traditional partners partners (private and mission-based eye hospitals, primary health centres, government hospitals, NGOs, community based organizations and large corporate entities having CSR initiatives) to leverage their existing network and reach among the masses.

“The partnership model has been quite successful in Bangladesh, where we did the partnership with BRAC having a team of 100,000+ community members. We have trained 34,000 (approx.) of these in conducting eye screenings and selling the eyeglasses. We are expanding the similar partnership based delivery network in India. By 2014, we have already developed partnerships with more than 250 organizations across India thereby enabling us to enhance our reach and impact.”

Proposition 7. Social hybrids manage the market infrastructure and acceptance challenges at the BoP by collaborating with global technology and academic institutions as well as non-traditional government, public and private institutions at the grassroots level.

Policy

The social hybrids are constrained by the ambiguous policy level framework towards the recognition of the hybrid business model targeting the BoP segment (Goyal, Sergi, and Jaiswal 2015). The majority of the nations recognize mainly two types of organizational setups – for-profit and non-profit. There is no separate entrepreneurial ecosystem for the social hybrids comprising the incentives and recognition of the separate legal entity. Further, the governments in the developing economies do not encourage the active participation of the social hybrids while designing the policies and subsidies programmes for the BoP segment. In contrast, the government institutions compete with the social hybrids for serving the BoP segment rather than facilitating them in market building, last-mile connectivity and reach.

Social hybrids focus on leveraging the government infrastructure, subsidies and policies benefitting the BoP segment. However, these enterprises have limited options in shaping the government policies. The well-established social hybrids attempt to share their field learnings with the government so as to improve the policies and subsidy programmes thereby enhancing the social impact and entry of future social entrepreneurs.

Selco focused on providing the practitioner view to the government on existing policies and framework. It believed that policies and frameworks should be designed on the basis of the inputs from the field practitioners rather than going by certain theoretical assumptions.

“...focus area is to contribute in policy making considering our more than seventeen years of experience in this field...In our country, there is no clear policy for social enterprises. That is exactly what we want to focus on... continuously make efforts to ensure that policies are in synchronization with the actual realities while targeting the underserved segment.”

Proposition 8. Social hybrids manage the policy level challenges at the BoP by sharing practitioner approach with the government for improving the policy framework as well as aligning with the government for leveraging its existing infrastructure for last mile connectivity and reach.

Purse-Strings

The nature of the social mission poses constraint for the social hybrids in gaining attention from the venture capitalists for securing the funding. The venture capitalists expect the higher rate of returns, which is not viable for the social mission focused enterprises despite the for-profit or hybrid business model. Also, there is a risk of mission-drift for the social hybrids in aligning with the venture capitalists. The engagement of venture capitalists increases the pressure for higher margins and growth.

The majority of the social hybrids overcome the cash-flow challenge as well as the ethical dilemma of whether to align with commercial investors or not by relying on internal accruals and process innovations. These enterprise focus on generating the cash flow from internal accruals, managing the cash flow using asset-light-no-frills approach, optimizing the processes to make the best use of resources, building the cost efficiencies, leveraging the delivery network of non-traditional partners and collaborating with the social investors.

Selco had been very cautious in choosing the right investors having socio-economic focus. The enterprise discontinued its partnerships with the commercial investors and collaborated with the social investors, who were willing to lend patient capital for the long-term and evaluated their investments on the basis of socio-economic outcomes.

“...engage the locals and interns to minimize the costs...we focus on revenues from selling energy solutions and after sales support...we raise philanthropic funds for market building based investments and for targeting the extreme poor...avail the government subsidies...have raised investments from social investors, who are willing to wait long term and evaluate us on the basis of the mission impact.”

Proposition 9. Social hybrids manage the cash flow challenges at the BoP by using asset-light-no-frills approach, optimizing the processes to make the best use of resources, building the cost efficiencies, leveraging the delivery network of non-traditional partners and collaborating with the social investors

Presence

The major dilemma faced by the social hybrids is regarding the appropriate timing and choice of strategy for scaling their mission in terms of socio-economic outcomes (Goyal, Sergi, and Jaiswal 2015). The questions like when to scale, how to scale and where to scale contribute to the success or failure of the social enterprises. Many social hybrids have failed due to the vertical growth strategy resulting from the pressure of the investors and high ambitions of the leadership team.

Based upon the field studies, it is observed that many social hybrids are realizing the significance of the “S-curve” growth model rather than vertical growth model. The “S-curve” growth model involves starting small with the focus on market building and fine-tuning the business operations before aiming for scaling in terms of multiplying the offerings and market

expansion. The vertical growth model is perceived as a risky proposition considering the dynamic context of the BoP market and limitations in terms of market infrastructure and resources.

Selco's perspective of scalability favored the "S-curve" growth model, which put lot of attention to the inception phase before looking at the growth phase.

"Scaling is important and critical...considering the non-homogenous nature of underserved market, we need to ensure the flexibility in the organization to understand and react to field situations...we feel that scalability can't be so fast for the enterprises targeting the underserved segment...when we talk of scalability, we have to be clear on objective of scaling. Is it better turnover? No. Our objective here to reach more people and ensure our energy services benefits more people."

Proposition 10. Social hybrids manage the scalability challenges at the BoP by opting for "S-curve" growth model

Research Implications – Theory, Practice and Policy

This article reaffirms the belief in the conception of the self-sustainable social business models as the future model of entrepreneurship.

Regarding theoretical implications, this study signifies the need for shift in attention and focus of the research community towards the deeper understanding of the social hybrid form of entrepreneurship as compared to the traditional forms of entrepreneurship. What are the key challenges and characteristics of the social hybrids? How does the social hybrid relate to other theoretical disciplines?

Regarding practitioner implications, this study brings awareness regarding the operational challenges faced by the social hybrids and corresponding choices (actions or alternatives) available to minimize those challenges.

Regarding policy level implications, this study recognizes the major role of the government both as a policy maker and a facilitator (non-traditional partner) to the social hybrids. The policies and programmes should rather focus on creating an inclusive ecosystem that can provide the operational flexibility, recognition, support and incentives to the social enterprises focusing on the basic social needs of the BoP segment. This will create a major shift from an informal market ecosystem to the formal market ecosystem at the BoP.

Limitations and Constraints

This study has its limitations and constraints. One of the major constraints being faced is regarding the organizational setup of the social hybrids. The majority of the social hybrids exist as private entities thereby having the restricted information available in the public domain. This increases the efforts to access reliable data sets about the social hybrids. The second constraint is regarding the limited number of social hybrids having significant experience in the field of social entrepreneurship. This restricts the choice and increases the sampling efforts. The third constraint is regarding the complexity of the BoP context in terms of informal market ecosystem and

unreliable data-sets. Due to this, many social hybrids are driven by the gut feeling while making a decision on the field thereby limiting the rationality of decisions being taken on the field. The fourth constraint is regarding the statistical generalization of the propositions and framework derived from this study. This study has focused on qualitative multi-case based research methodology while studying the social hybrids offering energy and healthcare solutions at the BoP. However, the findings need to be extended further by analyzing social hybrids targeting the other basic needs of the BoP segment.

Conclusion

The above examples highlight the changing face of the global socio-economic dynamics from the traditional commercial or social capitalist mindset towards the hybrid model based conscious capitalism mindset. The complexity and enormity of the global social and environmental problems faced by the population at the BoP are no longer acting as a state of flux or no-action for the entrepreneurs and institutions willing to contribute towards the social transformation by self-sustainable actions and business models. There is an emergence of phenomenon and models, which are innovative and dynamic, thereby transforming the challenges into capabilities and opportunities. These models leave aside the dominant mindset and traditional assumptions, and rather perceive the underserved needs as specific context based scenarios requiring customized contextual solutions rather than product or service offerings. The contribution of this article lies in reflecting the two-dimensional view of the hybrid business models. The first dimension highlights the challenges / dilemmas faced by the social hybrids. The second dimension reflects the feasible strategic choices / actions undertaken by the social hybrids to manage those challenges while remaining mission-focused.

This article recommends the future research focus on two under-researched areas. The first one relates to the impact assessment framework. There is no uniform socio-economic impact assessment framework, which can provide an insight into the socio-economic performance on a global and standard scale. The majority of the social hybrids evaluate the social performance on the basis of the statistics and numbers related to the outreach levels (number of set-ups completed, number of locations covered etc.), and number of beneficiaries (income levels, need addressed, trainings conducted, carbon savings, increased income levels etc.). This has been evident for the case examples in this study as well. However, there is a need to define the framework, which can provide a uniform and quantitative view of the triple bottom line impact (comparison of the pre and post intervention) of the social hybrids over the years.

The second area requiring attention relates to the current limitations, possible actions and future role of government in creating the positive ecosystem for entry and growth of social hybrids targeting the BoP segment. The literature depicts the limited role of the government in terms of designing the effective policies and creating an enabling legal framework for attracting the hybrid entrepreneurs towards the BoP segment.

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