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# **Business Model Innovation by International Social Purpose Organizations: the Role of Dynamic Capabilities**

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## **Highlights**

- Identify dynamic capabilities deployed by ISPOs at different stages of BMI
- Unique managerial, cognitive, and relational capabilities of founders to sense opportunities
- Knowledge exchange is key for production-marketing integration at seizing stage
- Dynamic capabilities for co-creation is key to scale-up the business models of ISPOs

# **Business Model Innovation by International Social Purpose Organizations: the Role of Dynamic Capabilities**

## **Abstract**

This paper examines the role played by dynamic capabilities and business model innovation in international social purpose organizations (ISPOs)<sup>1</sup> operating across developing and developed countries. Utilizing a qualitative multiple case study methodology, we identify a set of dynamic capabilities deployed and leveraged by these organizations for business model innovation in order to achieve their dual mission of social and economic value creation. The findings highlight unique micro-foundational capabilities of the *founders* that are vitally important to perceive social challenges as opportunities for ISPOs to *sense* socially and economically intertwined prospects. We discuss the specific *organizational*-level capabilities—at both the production and selling sites—that are developed and utilized by ISPOs to *seize* opportunities by combining competing social and economic logics. In relation to *transformation*, ISPOs develop *ecosystem*-wide production- and market-related capabilities—in both developing and developed countries—that enable them to scale-up their dual mission business model through co-creation.

**Keywords:** International Social Purpose Organizations; Hybrid Organizations; Business Model Innovation; Dynamic capabilities; Microfoundations; Economic value; Social value; Co-creation

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<sup>1</sup> International Social Purpose Organizations (ISPOs)

## 1. Introduction

Social purpose organizations<sup>2</sup> (SPOs) are increasingly regarded as a vital source not only of social value creation, but also of social innovation (Lyons, 2001; Rao-Nicholson, Vorley and Khan, 2017). Rooted in the notion of social entrepreneurship (Choi and Majumdar, 2014), these organizations play a significant role in society by innovatively combining market logics with benevolent orientations (Mair and Marti, 2006; Littlewood and Khan, 2018; Phillips et al., 2015; Haigh, Kennedy, and Walker, 2015; Weerawardena, McDonald, and Mort, 2010). Among different types of SPOs, International Social Purpose Organizations (hereafter, ISPOs) that create value across developing and developed markets have received recent scholarly interest (Marshall, 2011; Tukamushaba et al., 2011; De Silva, Khan, Vorley and Zeng 2019). Yet, we lack adequate understanding of how these organizations navigate through the complexities and tensions involved in operating across multiple institutional settings in their pursuit of generating dual value (Veronica et al., 2019), which this study intends to shed some light on.

In order to create social and economic value across countries, ISPOs typically pursue business model innovation (BMI)<sup>3</sup>. Fundamentally, BMI is an organizational process that comprises the “*search for new logics of the firm and new ways to create and capture value for its stakeholders*” (Casadesus-Masanell and Zhu, 2013, p. 464). To achieve BMI, organizations demand new resources and knowledge configurations to create novel strategies for creating and capturing value (Morris, Schindehutte, and Allen, 2005; Leih, Linden, Teece, 2015; Teece,

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<sup>2</sup> While SPOs are labelled by multiple names in the literature—such as *social enterprises* (Olofsson et al., 2018), *social hybrid ventures* (Haigh et al., 2015), and *bottom-of-the pyramid businesses* (Sinkovics et al., 2014)—what remains central to these organizations is the dual adoption of market and social value logics (Alijani and Karyotis, 2019, Haigh et al., 2015).

<sup>3</sup> Business Model Innovation (BMI)

2018). As dynamic capabilities (DCs)<sup>4</sup> are required for organizations to develop new resources and knowledge configurations, DCs play a critical role in BMI process (Eisenhardt & Martin, 2000; Weerawardena, Mort, Salunke, Knight & Liesch, 2015). In essence, DCs are higher-order idiosyncratic form of organizational and strategic capabilities (Eisenhardt & Martin, 2000, p. 1107). DCs enable firms to identify (sense), integrate and build (seize), and reconfigure (transform) internal and external resources and knowledge to design and implement business models for exploiting market opportunities (Teece, 2018; Weerawardena et al. 2015). As such, firms would rely upon their DCs to envision novel configurations of their knowledge-based resources, activities, and ordinary capabilities (e.g., operational, administrative, etc.) much needed for BMI (i.e., to design new value proposition, and specify how this value is delivered, captured, and distributed). As BMI is aimed at overcoming the challenges of existing business models (Inigo et al., 2017), firms need DCs to generate new revenue models and introduce changes to their knowledge and resource architectures, as well as, value chain structure to provide “a compelling value proposition for the customer and then capturing a portion of that value” (Teece, 2018, p. 2).

Extending literature on the interaction between DCs and BMI to the SPO domain, recent research has highlighted the significance of BMI in driving the attempts of these society-oriented organizations to create economically viable social innovation (Davies and Chambers, 2018; Geissdoerfer et al., 2018; Olofsson et al., 2018). However, despite the development in this field, we still know little about the nature and role of DCs and their underpinning microfoundations (e.g., Helfat and Peteraf, 2015) that enable the process of BMI for value creation in ISPOs. Furthermore, and from a larger perspective, while the process of BMI has been widely examined in the context of commercial organizations, studies are sparse in the

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<sup>4</sup>Dynamic Capabilities (DCs)

context of BMI and social purpose organizations. In fact, Weerawardena, Salunke, Haigh and Mort (2019) have observed the lack of theory-driven studies in this subject, suggesting that the “academic literature on BMI in SPOs is in its infancy, yet is fast-growing” (p. 2). Indeed, most of the extant studies that have examined BMI in such organizations are practice-driven or conceptual in nature, indicating that we lack empirical understanding about the BMI and the capabilities underpinning this process in SPOs (Olofsson et al. 2018; Weerawardena et al., 2019).

Against this backdrop, this paper addresses the following research question: “*How can ISPOs develop and deploy DCs when involved in BMI for simultaneous social and economic value creation?*” Addressing our knowledge gap on the DCs required for BMI is important in consideration of the significance of ISPOs in the global economy (Haigh, Kennedy, and Walker, 2015), in which they address the societal and environmental challenges of the developing world in innovative and financially sustainable ways, while also fulfilling the needs of their customers in developed countries (Hart, 2005; Prahalad and Hart, 2002; Webb et al., 2010). The greater challenges faced by firms operating across countries (Khanna, Palepu, and Sinha, 2005; Khanna and Rivkin, 2006) mean that understanding the DCs required for BMI will generate important practical implications for ISPOs, their collaborators, and policy makers in facilitating the creation of socio-economic value.

By adopting a qualitative multiple case study methodology, our research contributes to the literature on capability-based view, BMI and ISPO in important ways. First, we contribute to recent calls to further our understanding on how ISPOs spot opportunities to maintain the balance between their two missions (e.g., social and economic) across developing and developed countries (Santos et al., 2015; Veronica et al., 2019) through the deployment of specific set of DCs. We demonstrate the important role of microfoundations in this process

such as the managerial, cognitive, and relational capabilities of founders, developed through their past experience, in sensing opportunities for dual value creation across developing and developed markets. Second, our study contributes to the DCs perspective by highlighting the role played by network and ecosystems level relational- and knowledge-based capabilities in seizing and transforming opportunities for BMI and value creation (Ricciardi et al., 2016). While extant literature has discussed the role of DCs in integrating marketing and production functions of international organizations (e.g. Weerawardena, Mort, Salunke, Knight & Liesch, 2015), we provide additional insights to this literature by highlighting the vital role of knowledge exchange as a key element of DCs required for production-marketing integration within ISPOs at the seizing stage. Third, this study makes an original contribution by specially highlighting the role of BMI, DCs (Ammar and Chereau, 2018; Teece, 2010, Teece, 2007) and co-creation (Prahalad and Ramaswamy 2004) for scaling-up of ISPOs (e.g., Weerawardena et al., 2019). While recent literature discusses the significance of multiple stakeholders for opportunity co-creation to concurrently generate economic and social value (Sun and Im, 2015; De Silva and Wright 2019), we extend this perspective by specifically providing novel insights on how ISPOs deploy DCs to co-create value between multiple stakeholders in order to scale-up their business models during the transformation stage. Overall, our study provides a much fine-grained understanding of the nature and role of DCs as core elements for BMI in ISPOs (e.g., Weerawardena et al., 2019; Teece, 2007; Mezger, 2014).

The remainder of this paper is organised as follows. The next section provides a theoretical background on ISPOs, BMI, and DCs. This will be followed by the methodology section. The paper then concludes by discussing its results, implications, limitations, and future research directions.



## **2. Conceptual Background**

### **2.1. International Social Purpose Organizations**

Over the last three decades, the field of social entrepreneurship has become an active area of interest for researchers and practitioners alike (Choi and Majumdar, 2014, Littlewood and Khan, 2018). While social entrepreneurship can generally be viewed as the process through which resources are used and combined innovatively to pursue opportunities suited to address social needs and/or induce social change (Mair and Marti, 2006), the literature is mostly inconsistent in regard to how this concept should be defined. Recognizing this inconsistency, Choi and Majumdar (2014) developed a unified definition, which concluded that social entrepreneurship should be regarded as a contested concept. Accordingly, the authors proposed social entrepreneurship as a cluster comprising several sub-concepts, including: mission (social value creation); vision (of the social entrepreneur); organization (the social enterprise); feasibility (market orientation); and novelty (social innovation). They argued that defining a social enterprise can involve a combination of any of these sub-concepts, as long as the initiative involves ‘social value creation’. By building on this definitional clarity, we regard ISPOs as organizations that engage in simultaneous social and economic value creation across countries by addressing societal problems through the development of novel business models combining social and market logics. Thus, in line with the definition of SPOs, the main purpose of ISPOs is social value creation, for which they use market mechanisms (Peredo and McLean, 2006); in line with social enterprises, ISPOs achieve their mission through social innovation (Certo and Miller, 2008; Choi and Majumdar, 2014), which is achieved through BMI (Davies and Chambers, 2018, Geissdoerfer et al., 2018, Olofsson et al., 2018).

## 2.2. Business model (BM) and business model innovation (BMI)

The business model (BM) concept gained momentum during and after the 1990s dotcom boom era (Zott et al., 2011), as firms sought to understand, communicate, and operationalize innovative business ideas that could yield new revenue mechanisms (Hacklin et al., 2018, Muzellec et al., 2015). While there is no agreement on what a BM actually is (Zott et al., 2011, Evans et al., 2017), the literature presents a ‘definitional conversion’ (Foss and Saebi, 2017) whereby a BM can be perceived as the logic by which organizations can create and capture value (Teece, 2010). In other words, a BM is the “*underlying narrative of doing business*” (Laasch, 2018, p. 160), and thus specifies the nature of the firm and defines its “*logical structure that links theory to action*” (Richardson, 2008, p. 135). A BM is not only a cognitive element that emerges and evolves in people’s minds (Berends et al., 2016); rather, it is an organization’s value logic that enacts and prescribes the pragmatic tools and devices (e.g., offerings, business plans, and marketing strategy) through which value can be generated and retained (Foss and Saebi, 2018, Ritter and Lettl, 2018, Olofsson et al., 2018).

In seeking to unpack the BM value logic, the following four main value functions have been specified (Richardson, 2008, Zott et al., 2011): value proposition (VP), which defines the type and recipients of the value a firm can offer; value creation (VC), which delineates how this value is generated; value exchange (VE), which outlines the activity-system a firm adopts to deliver the created value to its targeted stakeholders; and value capture (VCa), which describes how a firm can retain part of the created value. However, these value functions do not work in isolation (e.g., VC affects VE, VP directs VC, and VCa depends on all the others), but interplay and interact differently across organizations (Casadesus-Masanell and Zhu, 2013); whereby each organization forms and, over time, develops a unique version (a DNA structure) of its value logic (Zhang et al., 2016, Laasch, 2018).

As firms operate in dynamic and changing environments (due to changes in market conditions, the transformation of competition dynamics, and the emergence of new technologies), the need to adapt and modify their BMs becomes eminent (Berends et al., 2016), which gave birth to the notion of BMI (Mitchell and Coles, 2003, Foss and Saebi, 2017). Specifically, firms need to update their existing business architectures by developing novel value functions and reconfiguring their activity and resource bases (Mezger, 2014, Chesbrough, 2010); thus, BMI is vital to the sustainment and enhancement of their performance. Through such innovation, firms ensure that their BMs are not static, but remain aligned with continuously-changing customer needs; this enables the exploration and exploitation of emerging opportunities (Inigo et al., 2017). Therefore, BMI has received substantial scholarly attention, which Foss and Saebi (2017) clustered into four overlapping research streams: 1) conceptualizing BMI, the focus of which is on how BMI can be defined (e.g., Amit and Zott, 2012, Sorescu et al., 2011); 2) BMI as a change process, with an emphasis on its stages and on the capabilities and learning mechanisms that underpin them (e.g., Dunford et al., 2010, Pynnönen et al., 2012); 3) the outcomes of BMI, which studies the new BMs that emerge from the BMI process (e.g., Karimi and Walter, 2016, Witell and Löfgren, 2013); and 4) the consequences of BMI, which centres upon its direct effects on a firm's economic performance and its indirect ones on innovation efficacy (e.g., Cucculelli and Bettinelli, 2015, Wei et al., 2014). While these streams are not mutually exclusive, our study—which is aimed at understanding the dynamic capabilities that drive the BMI of ISPOs—is aligned with the second stream: BMI as a change process.

### **2.3. Business model innovation (BMI) for social purposes**

A review of the literature on BMI shows that researchers have focused primarily on the context of financial goals—i.e., how BMI can enable companies to create and capture economic value (Olofsson et al., 2018, Czinkota et al., 2018). Yet, a recent shift has taken place whereby a new

pattern that addresses environmental and social issues (in addition to economic ones) has emerged as a potential avenue for the transformation of existing BMs (Bocken et al., 2014, Geissdoerfer et al., 2018, Goworek et al., 2018, Spieth et al., 2018). This new focus reflects the practices adopted by those firms that have evolved their BMs by going beyond the typical commercial mind-set to create new sustainable value-based business activities (Inigo et al., 2017, Bohnsack et al., 2014) that allocate higher priority to organizational impact (Olofsson et al., 2018) and institutional legitimacy (Geissdoerfer et al., 2018). In principle, the process of BMI can be regarded as sustainable when a new BM reduces the negative effects of a firm's previous one on the environment/society (Spieth et al., 2018), or has a positive impact by addressing any environmental/social issues (Dobson et al., 2018, Inigo et al., 2017). Yet, in both cases, the new BM should preserve the economic viability of the organisation (Geissdoerfer et al., 2018).

Interestingly, the latter scenario (i.e., sustainable BMI addressing social problems) has bred new archetypes of organizations that pursue the creation of social impact while remaining economically viable (Czinkota et al., 2018, Evans et al., 2017). Arguably, SPOs have emerged in response to the failure of the three sectors (i.e., private, public, and non-profit) to offer sustainable solutions to society's chronic problems (Austin et al., 2006, Dacin et al., 2011). This is why most researchers in the field of social entrepreneurship reject the idea that SPOs are just a 'simpler' or 'lesser' form of the 'pure' entities that belong entirely to one sector (Haigh et al., 2015). Rather, they should be conceived as the result of "*conscious cross-breeding*" (Hockerts, 2015, p. 83); new forms of organizations that are more capable due to the integration of the strongest attributes of each sector (Battilana et al., 2015). By combining sector-specific logics, resources, and stakeholders (Doherty et al., 2014); cultivating a culture of open innovation due to a prevailing 'non-zero sum competition' mind-set (Haigh et al., 2015); recognizing underserved market segment needs and conditions (that are typically

ignored by mainstream businesses/governments) (Alijani and Karyotis, 2019), the cross-fertilization process in SPO BMs can become “*a fountain of innovation*” (Alberti and Varon Garrido, 2017, p. 4) and create pioneered, yet feasible, mechanisms for the delivery of unique public value. Organizations such as the Khan Academy (that offers high-quality low-cost online education content) (Santos et al., 2015), SunnyMoney (that pioneered the provision of affordable renewable energy solutions in Africa) (MacLean and Brass, 2015), and Specialisterne (which creates jobs for people with autism in the software development domain) (Ranjatoelina, 2018) are just examples of how SPOs can innovatively go beyond the capacity of ‘pure’ organizations belonging to a single sector.

Managing the co-existence of two value logics (social and economic) is complex and can create serious challenges and tensions for organizations, as these logics are informed by different institutional norms and conditions (Spieth et al., 2018; Laasch, 2018; Jay, 2013), thus requiring different set of resources and capabilities. Through this institutional plurality, the pursuit of both agendas, with their diverse goals, can lead to internal competition for scarce resources (Pache and Santos, 2013) and to disagreement in the prioritisation of managerial attention (Ocasio, 2011). Moreover, ISPOs can drift into one of the two logics or be constrained by the complexity associated with operations in different institutional environments, which may undermine their legitimacy due to their failure to maintain the balance between different logics (Ebrahim et al., 2014). In addition, the adoption of different organizational objectives, while being accountable to diverse stakeholder groups with varying expectations, can create ambiguity in relation to how performance should be measured (Townsend and Hart, 2008; Dahmann and Grosvold, 2017). Such challenges underscore the importance of investigating how these different logics can be merged effectively when developing new social BMs. Foss and Saebi (2017) identified this need (i.e., the need to investigate the BMI as an organizational change process) as a distinctive research stream. Specifically, the authors stressed the need to

understand the antecedents of the BMI process, a critical part of which is the managerial capability essential to start and manage the transformation process for social BMI (Achtenhagen et al., 2013; Inigo et al., 2017; Zott et al., 2011).

#### **2.4. A capability-based perspective of BMI in ISPOs**

Merely outlining the need to innovate existing BMs is insufficient (Ammar and Chereau, 2018), as the process of BMI is challenging and becomes even more so when a new BM is designed to achieve the dual mission of SPOs. The competing logics attached to the achievement of social and economic value mean that, in such settings, BMI is a complex process (Spieth et al., 2018). To overcome the challenges and build genuinely effective BMs, ISPOs need to develop operational and managerial capabilities suited to manage the generation of paradoxical value (Inigo et al., 2017, Mezger, 2014, Zott et al., 2011). As a theoretical foundation, the dynamic capabilities framework (Teece, 2010, Teece, 2007) provides useful insights into this aspect.

Dynamic capabilities (DCs) are higher order ones that can be viewed as the ability of management teams to recognize potential opportunities and identify the new configurations of ordinary capabilities best suited to exploit them (Teece, 2007). Therefore, DCs have been associated with organizational innovation capacity (Mikalef et al., 2019, Salunke et al., 2011). Indeed, both conceptual (Michailova and Zhan, 2015) and empirical studies (Mikalef et al., 2019, Pandit et al., 2018, Piening and Salge, 2015) highlight the role played by DCs in driving competitive innovation. Scholarships suggest that capabilities enable managers to envision novel configurations and to renew and utilize their knowledge-related resources, activities, and organizational routines for developing competitive advantage and superior value (Eisenhardt and Martin, 2000; Weerawardena, Mort, Salunke, Knight & Liesch, 2015). Through these new configurations, firms can develop and advance their innovation competencies (Drnevich and Kriauciunas, 2011). As such, innovation is not directly triggered by the mere possession of

DCs but, rather, by the resource configurations created by a firm's DCs (Eisenhardt and Martin, 2000, Schilke et al., 2018). In effect, this indirect relationship can be well understood when realizing that innovation (as an organizational outcome) is a collective effort that includes the cross-flow of knowledge between individuals working within and beyond organizational boundaries. In order to design optimal arrangements needed to ensure that a firm's innovation outputs remain competitive, such interaction demands both dexterous coordination skills and an up-to-date understanding of the changes that are taking place externally (Forés and Camisón, 2016). In fact, recent research supports this argument by demonstrating the positive effect that DCs can exert on various forms of innovation, including disruptive (Pandit et al., 2018), incremental (Mikalef et al., 2019), service (Salunke et al., 2011), product (Verona and Ravasi, 2003), and process (Piening and Salge, 2015) ones.

Consistent with the above discussion, BMI can be regarded as a primary consequence of DCs. These capabilities determine an organization's ability to respond to environmental changes by recognising new opportunities, determining new strategic directions, and upgrading its resources and procedures to comply with the latter; they are therefore critical to BMI, which is needed to survive and remain competitive in any dynamic environment (Mezger, 2014; Teece, 2018). In an effort to attain a more specific understanding of this construct, DCs have been conceptualized as three sets of higher order capabilities (i.e., those residing with top management teams): *sensing*, *seizing*, and *transformation*.

Sensing concerns an organisation's ability to spot and understand new trends in the industry and to identify any novel business opportunities that may present themselves as a result of such trends (Achtenhagen et al., 2013). This set of abilities is complex (Mezger, 2014), as an organization needs to go beyond its current market to monitor and analyse any changes emerging in other industries or business domains (Inigo et al., 2017). Consistent with this

argument, Achtenhagen et al. (2013) asserted that, as part of its BMI, an entrepreneurial firm should develop a sensing ability by continuously scanning its market to realize and test new business ideas. Once such an opportunity has materialized, the organization should recognize the need to adjust or radically change its BM (Inigo et al., 2017). This would cause it to enter the seizing stage, which entails the possession of capabilities that involve a systematic approach whereby, by recombining technology, resources, and market knowledge, it would create a new BM suited to enable the exploitation of the emerging opportunity (Mezger, 2014). Importantly, the seizing stage requires an organization to embed itself within its ecosystem in order to increase its accuracy in coordinating the requisite resources which would complement the BMI process (Svejenova et al., 2010). While the sensing and seizing capabilities are conceptually distinct, organizations utilize them iteratively to create and operationalize their new BMs (Teece, 2007). However, this renewal process (i.e. transition stage) cannot be completed by relying solely on the existing resource base; rather, it requires the ability to build new organizational competencies. At this stage, in addition to reconfiguring resources, more intense efforts need to be made to internally develop the culture and structure of the firm towards its new BM (Teece, 2018). This can be achieved by getting internal stakeholders actively involved in the BMI process in order to ease the level of friction during the transition period (Achtenhagen et al., 2013).

An exploration of the three phases mentioned above enables the definition of a clearer picture of the dynamic process ISPOs undergo when they introduce BMs suited to achieve social and economic value. While some studies have explored the role played by DCs in BMI (e.g., Mezger, 2014; Inigo et al., 2017; Eisenhardt & Martin, 2000; Weerawardena, Sullivan Mort, salunke, Knight & Liesch, 2015), we know little about the building blocks of these capabilities and about their functions and dynamics when utilized by ISPOs for the BMI process. Addressing this gap is vital to understand how ISPOs can deploy and leverage different sets of



DCs to manage and mitigate the effect of the challenges that emerge throughout the timeline of their BMI process. Therefore, in this study, we address this gap by building on the theoretical underpinning of BMI and DCs to investigate the role played by the latter in enabling ISPOs to meet the competing demands of their dual mission through the former.

### **3. Methodology**

Due to the limited theoretical underpinning and to the complex and context-bound nature of the DCs associated with BMI in the ISPO context, we adopted an inductive, multiple case study approach (Eisenhardt and Martin, 2000; Eisenhardt and Graebner, 2007); this provides a good platform to answer *how* and *why* questions (Yin, 2009) and to generate key insights from contextually rich qualitative data (Lincoln and Guba, 1985). Due to their within and cross case analyses, multiple case studies are likely to provide opportunities for richer and more valid theory development (Strauss and Corbin, 2008; Yin, 2009). To select our case firms, we adopted a theoretical sampling strategy, which is deemed suitable appropriate for the development and extension of constructs (in our case, to extend the DC framework used for BMI) for the phenomenon (i.e., ISPOs) under investigation (Eisenhardt and Graebner, 2007). As theoretical sampling involves the selection of cases and data as the theory development proceeds, our data collection, analysis, and theory development occurred simultaneously. Initially, our sample selection was based on the main criteria that we have identified in the theoretical background section—i.e., our sample enterprises needed to (a) generate both social and economic value and (b) operate in both developed and developing countries. The suitability of the selected case studies to represent the general population of ISPOs that had successfully adopted new BMs to simultaneously generate social and economic value was verified by conducting interviews with three industry experts who had more than 15 years of experience in the SPO industry, particularly at the international level. This is a strategy that is commonly

adopted to improve the validity of qualitative studies (Rouse and Daellenbach, 1999; Mezger 2014). During the selection process, we also tried to increase the heterogeneity of the sample in relation to country and sector of operation, size, and key activities. Table 1 provides more information on our selected cases, including their key activities, the locations of their production and marketing functions and of their customers, their years of establishment, their sizes in terms of their production volume, and the nature of their customer bases. During the data analysis, it became increasingly evident that our proposed model could be generalizable regardless of such heterogeneity. The adoption of a three staged data collection procedure, as discussed in detail below, enabled us to decide what data to collect next and where to find them in order to develop theory as it emerged. As a result, theoretical replication was achieved by continuously comparing the case data, emerging theory, and extant literature (Van Maanen, Sorensen, and Mitchell, 2007). This iterative process was followed during both the data collection and analysis (Yin, 2009). In total we selected ten cases of ISPOs that had introduced new BMs to generate both social and economic value. The cases represented ISPOs the production functions of which were located in a number of emerging economies (i.e., Cambodia, Ghana, India, Jordan, Kenya, Malawi, Mexico, Pakistan, Palestine, the Philippines, Vietnam, and Zambia), while their marketing functions were based in various developed ones (i.e., the US, the UK, Singapore, EU countries, etc.) (Table 1).

**[Insert Table 1 about here]**

We gathered data in multiple stages and from different sources. First, we conducted in-depth interviews with key informants—such as the founders and directors of our sample ISPOs—who were involved in the BMI process. Each interview lasted between 60 and 90 minutes. Due to their specific roles, founders/directors are considered to have a comprehensive understanding of the BMs, operations, and DCs of their organizations (Dexter, 1970; Teece,

2012). The interviews were structured around five themes; namely, the BM of the ISPO, the social and economic value generated, the process involved in spotting and seizing opportunities, the transformation of organizational capabilities and strategies, and collaboration for the production and marketing functions in different locations. Subsequently, we conducted follow-up interviews and email exchanges to gather additional data. This was especially important in consideration of the iterative and simultaneous process that involved going back and forth between the data and the BMI and DC literatures to yield theoretical replication (Suddaby, 2006). Also, during this second stage, data were gathered from managers who were involved in day-to-day operations and business transformations. Gathering information from at least two people from each case study restricted any informant bias (Huber and Power, 1985; Kumar et al., 1993; Mezger 2014) and thus enhanced objectivity of the collected data (Al-Tabbaa and Ankrah 2018). All interviews were transcribed, reviewed, and, if necessary, corrected by the interviewees to improve accuracy (Huber and Power, 1985). During the third stage, the primary data were supplemented with a range of data from secondary sources, including: the websites of the case firms and their strategic partners; published case studies of these companies; and any relevant magazines, newspapers articles, and reports that provided information about them. The adoption of this comprehensive data collection procedure enabled us to gain a detailed understanding of each case, and also facilitated triangulation, increasing the data's reliability and validity—a practice often adopted in qualitative research (Fernandez et al., 2014; Anand and Watson, 2004; Carroll and Swaminathan, 2000; Phillips, 1994; Beverland, 2005).

Within and cross-case comparative analyses (Eisenhardt and Graebner, 2007) were performed to understand the international ISPOs' BMI and associated DCs that had enabled them to simultaneously generate both social and economic value. During the data analysis process, we constantly engaged with the key themes emerging from both the data and the existing literature

in order to establish theoretical connections (Gioia et al., 2013). The coding was conducted independently by two researchers, who then mutually checked and reviewed their independent analyses and cross-checked them with the theories on BMI and DCs both in order to come to a consensus and for theory building purposes (Miles and Huberman, 1994; Strauss and Corbin, 2008). The data analysis was conducted by focussing on three main stages of the capabilities associated with BMI: sensing, seizing, and transformation (Teece, 2007; Mezger, 2014). With respect to each stage, the analysis covered: 1) the involvement of key players, 2) the routines, processes, networks, and specific structures that the firms leveraged for BMI, and 3) the specific capabilities developed and applied (i.e., going beyond a one-off activity) (Bingham et al., 2007). The constant iteration between theory and data enabled us to improve both the data structure and the underlying theoretical argumentation (Eisenhardt, 1989).

#### **4. Findings**

The main purpose of this study was to investigate the DCs that enable ISPOs engage in BMI to achieve their dual mission of generating both social and economic value. It was evident that our sample ISPOs had leveraged and developed different capabilities at the sensing, seizing, and transformation stages of BMI. Below, we discuss the findings with the relevant empirical evidence in relation to each stage.

##### **4.1. Sensing BMI opportunities to achieve the dual mission of ISPOs**

It was evident that the BMs of the sample ISPOs involved the manufacture of products, the provision of services, and bonds or shares that generated both social and economic value. The innovation aspect involved the introduction not only of new products or services but also of new production processes (i.e., working closely with disadvantaged and poor communities in the production sites), partner networks (i.e., working closely with the production and selling sites), revenue generation mechanisms (i.e., selling goods to customers in developed countries,

whose purchasing behaviours were driven by both altruistic and consumption values), supply chain renewals (i.e., working with local actors in developed/emerging economies to produce goods, and with organizations in developed countries for marketing), value creation mechanisms (i.e., generating both economic and social value for the production sites by way of resolving social challenges and generating additional income for deprived communities), and value capture mechanisms (i.e., retaining some profit within the organization for financial sustainability). Hence, the BMs of our selected ISPOs seemed to fulfil the BMI criteria (Richardson, 2008, Zott et al., 2011). Also, it was evident that the highly contextualised nature of the BMs of our ISPOs—which spanned countries with heterogeneous and dynamic institutional set-ups—meant that each ISPO had to get involved in BMI; thus, merely copying an existing BM was not a viable option.

The originality of our findings lies in the fact that they highlight how ISPOs merge social and economic logics for BMI. By means of representative quotations, Table 2 highlights how each sample ISPO had identified opportunities to achieve its dual mission. What was unique was the socially and economically intertwined nature of these opportunities. They had identified production opportunities that solved social issues, while the sales of the goods produced generated economic value. For example, the Case 1 ISPO was working with waste pickers to convert plastic waste into ethical filament for 3D printers, which it sold to small and medium enterprises (SMEs) predominantly located in developed countries. Before the ISPO's intervention, the plastic waste pickers had been involved in picking and selling plastic waste for extremely low margins and under poor working conditions. The addition of value to plastic waste introduced by the ISPO had addressed two social challenges: reducing waste pollution and improving worker conditions:

*“Our company addresses the twin issues of poor conditions for waste pickers and plastic waste pollution ... They are involved in collecting, separating and selling plastic waste to scrap dealers. They have very poor worker conditions”*[C1]

Adding value meant that the waste-pickers were earning greater economic value, and that the ISPO was generating financial returns, which was necessary for its sustainability:

*“The pickers usually sell these to merchandisers without adding value ... we buy filaments from pickers for 300 rupees (£3.50) per kg. If the waste pickers sold the plastic waste directly to scrap merchants they would receive around 19 rupees (23p) per kg ... After factoring in the production costs and various other expenses, there is still a six to eight times multiplier per kilogram of filament”*[C1]

The ISPO worked closely with a corporation owned by the waste pickers and with local suppliers and R&D organizations to improve the techniques used to convert plastic waste into ethical filaments:

*“Our achievements are down to local collaboration. We are in a partnership with a corporation owned by the waste pickers, which is important to tackle social issues effectively. We also collaborate with the National Chemical Lab and local suppliers to find ways to improve the conversion of plastic waste into ethical filaments. All inputs are sourced locally.”* [C1]

On the one hand, working with the local community generated social value as, without the ISPO, the pickers would not have been working together to improve their communal social well-being. On the other hand, the selling of ethical filaments generated economic value to both the local community and the ISPO. In order to gain market entry to sell its ethical filaments, the ISPO collaborated with charities in developed countries:

*“Our buyers are mostly SMEs based in the US, the UK, and Germany ... Charities help us with market entry and promote and standardise an ethical way for filament to be made from the plastic collected by waste collectors” [C1]*

The sensing of the opportunity to produce and sell ethical filaments from plastic waste had thus enabled the ISPO to accomplish its dual mission. As illustrated in Table 2, all the other cases had pursued opportunities that enabled them to generate both social and economic value. More importantly, as per the illustrative quote presented below, all the ISPOs highlighted how their innovative BMs had paved the path towards self-sustainability:

*“We operate in five countries. Our general aim is for a country’s operation to be self-sustainable within five years. Our ongoing mission is to continue to create ethical jobs. We have a target of having 400 staff by 2021” [C8]*

As we can clearly see in Table 2, each case is different and involves different and innovative BMs. What was evidenced by our analysis is that, due to the contextualised nature of the BMs of our sample ISPOs—which involved bringing together different institutions and collaborators from different contexts to achieve common objectives—it was important to introduce new business rather than copying any existing one. Even if two ISPOs had been engaged in the same activity, the introduction of innovative BMs was important to match their specific contextual uniqueness for value creation.

**[Insert Table 2 about here]**

Our analysis revealed that the sensing of opportunities to simultaneously generate both social and economic value across countries had been enabled by the micro-foundational DCs of the sample ISPOs’ founders; the DCs specifically required to sense production-related opportunities in developing countries included the founders’ technical competency and their

understanding of problems in, experience of, and contact networks in developing countries; the DCs that enabled the founders to sense opportunities for selling to developed countries include their contact networks and their experience in developed countries. What was then important was sensing the chance to bridge these two types of opportunities in developing and developed countries; this was made possible by the founders' DCs, which involved their entrepreneurial mind-sets and their qualifications from developed countries that could be applied to developing ones. As discussed below, it was this unique blend of different founder DCs that enabled our sample ISPOs to sense opportunities for BMI.

A unique characteristic of these founders was that they had been born and bred in developing/emerging countries and held educational qualifications from institutions of repute in developed ones. Therefore, the founders not only had an in-depth understanding of the social issues prevailing in developing/emerging economies, but also could count on relevant network connections and support from developed countries, which had enabled them to spot the opportunities to bridge these two contexts. More importantly, they had been entrepreneurial in perceiving the social challenges found in developing/emerging countries as opportunities to generate social and economic value:

*"Our founder was working in Tanzania. While he was there, he had seen people playing football with a ball made of plastic bags and strings. He wanted people to use footballs that were durable. He thought about shipping balls over from Europe or Asia but he wanted to help the local community by manufacturing locally and thereby providing the local workforce with some much needed jobs. This prompted him to start the business in Africa. These durable balls were sold to developed countries and the income generated by the local community not only enabled its members to play with real balls but also improved their well-being" [C9]*



The founders had been entrepreneurial in introducing BMI to address a social need by generating economic value. They were making use of their experience, knowledge, skills (especially those gained through educational qualifications from universities of repute), and networks to sense and introduce innovative BMs:

*“First and most importantly, designing a business model that is self-sustainable requires you to be entrepreneurial. Our model is sustainable because we sell our products and, by doing so, we are able to continue to make a positive social impact on prisoners. Second, our ability to make ourselves distinctive from our competitors. Third, understanding our business and our customers; i.e., understanding what they want.” [C2]*

The founders’ entrepreneurial mind-sets had played a crucial role in connecting the needs and challenges of developed and developing countries to generate dual value. For instance, the founder of an ISPO that worked with disadvantaged refugee women to provide remote creative technology and business solutions to companies like Google stated:

*“I wanted to help refugee women, who had really good talents but had no opportunities to make use of them. This required me to be quite innovative. As I had a good network of contacts, I thought that the best thing to do would be to introduce a platform to connect refugee talent with large players. As a result, these refugee women now provide services to giants like Google. We became innovative not only in starting the business but also in providing services. For example, once, we indirectly worked for Google, and they wanted to enhance their voice recognition system. Despite not receiving any clear set of instructions directly from Google, we were able to adopt and innovate new ways to fulfil their requests related to the Arabic and Russian languages.”*

Table 3 provides additional quotations on the founders' micro-foundational capabilities that had enabled their ISPOs to sense opportunities suited to accomplish their dual mission.

**[Insert Table 3 about here]**

#### **4.2. ISPOs seizing opportunities for BMI to accomplish their dual mission**

Our analysis suggests that ISPOs seize opportunities by developing relevant organizational-level capabilities in their production and selling sites and those required to bridge countries. In the following sections, we first discuss the development of capabilities at the production sites (i.e., in developing/emerging countries), and subsequently illustrate it at the selling ones (i.e., in developed countries). Finally, we illustrate how the capabilities needed to bridge countries are developed and deployed.

Our sample ISPOs had helped their manufacturers to develop their relevant technical, managerial, and entrepreneurial capabilities. On the one hand, the development of relevant capabilities was essential to improve production quality, as the ISPOs were working with disadvantaged and marginalized producers, On the other hand, as these individuals would not otherwise have had opportunities to develop their capabilities, such development also generated social value in terms of empowerment, rehabilitation, and social well-being. As such, the development of capabilities for opportunity seizing purposes had generated both economic and social value:

*“Our goals are: providing employment and relevant skills and capabilities to the local workers; empowering the women that we work with; and essentially making it a self-sustainable business that is run by Malawians in Malawi.” [C4]*

*“The bags that we make are only one aspect. More importantly, we provide prisoners with tradable skills as well as rehabilitation ... we provide paid work and training to over 200 prisoners.” [C3]*

*“We also provide them with training to develop entrepreneurial potential, capacity building, and social guidance” [C6]*

To seize opportunities in their production sites, the sample ISPOs had also adopted other strategies that would enable the development of the organizational level capabilities essential to perform in developing/emerging country contexts. For instance, they had adopted strategies aimed at making marginalized producers feel valued, rather than exploited. These strategies included the development of collegial feelings, trust-based approaches, the sharing of best practices, and the offering of external capabilities when required. Table 4 provides quotations indicating how the sample ISPOs had adopted these strategies to enhance the organizational level capabilities at their production sites.

**[Insert Table 4 about here]**

The findings indicate that our sample ISPOs had developed capabilities suited to seize opportunities not only in the production sites, but also in the selling ones, in which they had developed two key capabilities. First, they had developed partnerships with third party organizations, especially not-for-profit ones, that had provided them with market entry opportunities. Such partnerships generated value for both the ISPOs and the third-party organizations. As the aim of these third-party organizations was to generate social value, the ISPOs provided them with an international level platform (i.e., the social value created by the ISPOs in the production sites) to demonstrate that they were achieving this aim. The strong links and presence of these third-party organizations in developed countries provided the sample ISPOs with avenues to sell their goods. Therefore, the development of relational

capabilities with the organizations that provided the ISPOs with market entry had been crucial for seizing opportunities:

*“We partner with not-for-profit organizations and large companies. It is key for selling our goods. We were able to tap into the resources of large charities and use their relatively vast networks. We, on the other hand, provided these organizations with a valuable opportunity to achieve their social mission. They would not have been able to generate such social value without our partnership. We have different partnership arrangements with them. Some charities market our products on their websites and we give them a commission on the sales. Other charities provide a good platform for us to raise awareness in developed countries by organizing events” [C3]*

*“We have third-party partnerships whereby other enterprises might be running their own marketing events [e.g., for the Football World Cup] and they will use our balls to tell the story of how our footballs are helping the local society.” [C9]*

Second, the sample ISPOs had developed capabilities required to fulfil two of their buyers' needs; namely, the generation of altruistic and consumption value. The buyers had purchased the goods due to both the social value generated by the ISPOs and to the fulfilment of their core needs. In order to fulfil their altruistic needs, the ISPOs had developed capabilities related to the telling of the story of the production enacted through, and of the social value created for, marginalised communities; and, in order to satisfy their consumption needs, the ISPOs had developed the capabilities needed to produce high quality goods. As this specific group of customers were not sensitive to price, the sample ISPOs had learnt that they were attracted by the story of the social value creation and the quality of the goods; thus, the seizing of opportunities had involved the ISPOs developing the capabilities relevant to understanding and deploying the unique needs of their target customer groups. For instance, the ISPOs provided

information on the names of the producers, narratives of how long it had taken to produce the goods, and how the customers were contributing to social value creation through their purchases:

*“With the embroidered goods, we mention the name of the embroider, how long it has taken to manufacture it, and also the story of production and social value creation ... it makes it more real to people” [C2]*

The fulfilment of core needs, which is usually achieved by firms through economic value logics, was also important to satisfy the customers, who would not have persisted in buying the goods only out of altruism; their consumption needs also had to be satisfied. This further indicates how the sample ISPOs had intertwined social and economic value.

*“We have built a great reputation for our quality. We also have an easy to sell story. Our greatest capability is our staff. We thus fulfil the needs for customers to both generate social value and to buy high quality balls. In the balls, we write stories about the production and social value creation” [C9]*

*“We were looking for ways to make Palestinian olive oil appealing to the customers. We wanted to focus on fair trade and use it as our USP. Another aspect of our message is the premium quality products that we sell” [C10]*

Finally, our sample ISPOs had also developed organizational capabilities that bridged the production and marketing functions located in developing and developed countries, respectively. For instance, the ISPOs provided opportunities for marginalised producers and their developed country customers to meet by arranging fieldtrips to their production and marketing sites. In this way, the ISPOs were able to reduce the distance between customers and producers, thus providing a platform to produce goods suited to satisfy the needs of customers

(i.e., increasing economic returns as a result), to satisfy the altruistic needs of customers (i.e., enabling them to witness social value creation), and to empower producers (i.e., as they could see how their goods were being sold in different markets).

*“We also help get farmers from Palestine to visit the UK and ask them to speak with students in schools ... We are also adding value for the farmers as we provide them with an opportunity to meet and build relationship with their customers here” [C10]*

Additionally, as their operations expanded, the ISPOs provided opportunities for different country operations to be shared with each other; this enabled them to learn from each other and further enhance the quality of production and marketing:

*“Also, sharing best practices has helped. We operate across four different countries but our teams are quite willing to share best practices and learn from colleagues in other countries.” [C9]*

#### **4.3. ISPOs transforming capabilities for scaling-up BMI to achieve their dual mission**

Having executed their BMI, the ISPOs were mainly looking at ways to scale-up their BMs. Our findings indicate that the ISPOs were developing and deploying their capabilities across the ecosystem—specifically those of individuals who were not necessarily employed by the ISPOs in the production sites—and the relational capabilities that involved direct relationships with customers (i.e., moving beyond reliance on third parties for market entry) at the selling sites.

The sample ISPOs had understood that, in order to scale up, they needed a strong labour market with the necessary capabilities. Hence, they were helping to improve the capabilities of their whole production sites (i.e., beyond those of the people who were currently working with them). While such efforts helped the ISPOs to develop the conditions required to scale up their

business, they also generated immense social value as a consequence of the skill development and social upliftment of marginalised communities:

*“The Tamari foundation is a foundation based in Geneva. They have a mandate on education, in particular. They approached us to fund an academy we created at a refugee camp [in Jordan] for Palestinian and Syrian refugees. We created the academy for training purposes and to ensure that the quality [of the embroidery] is up to international standards. The academy itself is a non-profit undertaking. The Tamari foundation is funding the academy, allowing us to train refugees to acquire the skills that enable them to become more employable and earn some much-needed money” [C2]*

*“We work with Universities across the middle east. We also work with international and national NGOs (e.g., DAI) to facilitate their work in training young people in marginalised areas ... We conduct awareness workshops at universities. The universities provide us with venues and equipment for training [e.g., laptops]. These networks also enable us to source some of the students at those universities for freelance work. We are particularly keen to provide any relevant training to students who would otherwise have no opportunities to develop such capabilities” [C5]*

The findings suggest that our sample ISPOs not only provided opportunities for skill development, but also used a portion of the surplus to develop communities as a whole. The improvement of community socio-economic wellbeing, on the one hand, generated social value (i.e., beyond the value provided to those who were directly involved in the production), and, on the other hand, enabled the ISPOs to develop a local base of suppliers, a skilled employment pool, and the technological advancements that were important to scale-up their BMs:

*“We use the surplus to improve the community. We build wells, schools, and health clinics, and introduce programmes to improve adult literacy rates and a radio outreach*

*programme to educate the community ... Of course, we do these due to our social mission ... Improving the wellbeing of the community entails the growth of the business as a whole” [C8]*

Also, when the BM was quite complex (i.e., the BM of impact bonds), the ISPOs’ sustenance and scaling up were dependent upon the community being aware of their operations. Therefore, the ISPOs had also taken actions aimed at making the local communities aware of their operations and value creation:

*“We also look to educate people through our knowledge management team and our research advisory team.” [C7]*

*"We continue to provide ethical and sustainable jobs to local communities. Also, when it comes to health education, we are adding value by delivering courses based on the needs of the communities in which we operate ... We use our profit to fund health education/sport coaching programmes". [C8]*

In terms of their selling sites, the ISPOs had adopted strategies aimed at developing direct links with current and potential customers, which was necessary to scale-up their business. They were using both on-line and off-line approaches to build such relational capabilities. For instance, some ISPOs were reported to be using social media to directly reach their customers:

*“I wanted to connect with customers from other regions. I started using social networks—e.g., LinkedIn—to find opportunities. We find talent [mostly women from Gaza], and we connect them with projects at major enterprises ... online marketing has helped me from a business development point of view” [C5]*

The sample ISPOs had also established their own stores for selling and platforms for raising awareness; by means of the latter, they provided opportunities for customers to meet the



producers and learn about social value creation. In addition to field-trips organized at the seizing stage, the ISPOs' own outlets in developed countries facilitated more frequent and deep interactions between producers and customers, which was important for scaling-up. Through such efforts, the ISPOs tried to provide their customers with a unique experience:

*“Keeping true to our values and demonstrating it through our work has also helped us. In a lot of our stores, we display pictures of artists [jail inmates] painting the designs or we ask some artists (former inmates) to visit in person. This makes it ‘real’ for our customers, and enables us to engage effectively with our customers.” [C5]*

*“We share stories about the borrowers in our own crowd funding platform ... The money raised is used to fund the borrowers’ needs/requirements” [C6]*

Such face-to-face and frequent interactions between customers and producers in the ISPOs' own outlets facilitated the co-creation of products and services, marketing strategies, and production and marketing processes. As the ISPOs' customers were keen on social value co-creation, they were very keen on contributing to it. As co-creation enabled the development of BMs by incorporating the exact needs of customers, it enhanced the ability of ISPOs to bridge developed and developing countries.

Table 5 summarizes the key findings of this paper by especially highlighting how, at different stages of their BMI, our sample ISPOs had developed and deployed capabilities suited to overcome the key challenges involved in achieving their dual mission of social and economic value creation across developing and developed markets.

**[Insert Table 5 about here]**

## 5. Discussion and Conclusions

The aim of this study is to understand how ISPOs create social and economic value across developed and developing economies. There has been an increasing interest in examining the value creation process in such organizations and extant studies have utilized DCs-based perspective to examine BMI (e.g., Mezger, 2014; Teece, 2007, 2018). Yet, despite the significance and relevance of organizational capabilities for BMI, past research had hitherto not specified the nature and dynamics of the specific capabilities required for BMI in order for ISPOs to manage the challenges linked to the accomplishment of their dual mission of social and economic value creation across different countries (e.g., Weerawardena et al., 2019).

Drawing from the DCs based view (Teece, 2007, 2010), which suggests that DCs provide new knowledge configurations for the firm to undertake innovations (Eisenhardt & Martin, 2000; Weerawardena et al., 2015), we identify the specific set of DCs deployed by ISPOs at the sensing, seizing, and transforming stages of BMI to create value. Therefore, our overarching contribution is to theorize how DCs (and their underpinning micro-foundations) can enable the BMI process in ISPOs for the simultaneous creation of social and economic value, as summarized in Figure 1. This is an important contribution as most of the extant studies are conceptual and descriptive in nature. Thus, one of the key goals of this study was to firmly bring the DCs perspective to BMI in ISPOs' context (e.g., Mezger, 2014; Teece, 2007; Weerawardena et al., 2019), and explicate how such capabilities act as core elements of ISPOs' BMI and enhance value creation. By doing so, we contribute to the literature on DCs, BMI and ISPOs in several ways, the key theoretical implications of which are highlighted below.

**[Insert Figure 1 about here]**

First, we contribute to recent calls to further our understanding on how ISPOs spot opportunities to maintain the balance between their dual missions (e.g., social and economic)

across developing and developed countries (Santos et al., 2015; Veronica et al., 2019) through the deployment of specific set of DCs. It is the unique blend of the specific capabilities of their founders that enables ISPOs to sense any socially and economically intertwined opportunities that integrate developing country production, and developed country market, sites. We demonstrate the important role of microfoundations in this process such as the managerial, cognitive, and relational capabilities of founders, developed through their past experience, in sensing opportunities for value creation across developing and developed markets. Second, the findings of this study provide important insight into the DCs perspective by highlighting the role played by network and ecosystems level relational- and knowledge-based capabilities in seizing and transforming opportunities for BMI and value creation (Ricciardi et al., 2016). While extant literature has discussed the role of DCs in integrating marketing and production functions of international organizations (e.g. Weerawardena, 2015), we provide additional insights to this literature by highlighting the vital role of knowledge exchange (i.e. the exchange of knowledge on: best practices, technical and managerial aspects, network, and socially and economically driven customer demands etc) as a key element of DCs required for overcoming the lack of production, and market, related capabilities and production-marketing integration within ISPOs at the seizing stage. Finally, this study makes an important contribution by particularly highlighting the role of DCs as a core element of BMI (e.g., Ammar and Chereau, 2018; Teece, 2010, Teece, 2007) and co-creation (Prahalad and Ramaswamy 2004) for scaling-up of business models in ISPOs (e.g., Weerawardena et al., 2019). Recent literature discusses the significance of multiple stakeholders for opportunity co-creation to concurrently generate economic and social value (Sun and Im, 2015; De Silva and Wright 2018), we extend this perspective by specifically providing novel insights on how ISPOs deploy DCs to co-create value between multiple stakeholders in order to scale-up their business models during the transformation stage. Current scholarship discusses the involvement of multiple stakeholders

for opportunity co-creation to concurrently generate economic and social value, especially during the sensing stage (Sun and Im, 2015; De Silva and Wright 2018). Therefore, we extend this perspective by particularly highlighting how ISPOs develop and deploy specific set of capabilities to co-create value between multiple actors in order to scale-up their business models during the transformation stage of BMI. Thus, we provide new insights into the nature and building blocks of scalability within the ISPO setting. In principle, the ISPOs' abilities to develop DCs, of their whole production ecosystems, to form direct links with customers, and to provide a platform facilitating co-creation between production and marketing sites reflect a novel approach to scaling-up the simultaneous creation of social and economic value across countries. Overall, our study provides a much fine-grained understanding about the nature and role of dynamic capabilities as core elements for BMI and value creation in ISPOs (e.g., Weerawardena et al., 2019; Teece, 2007; Mezger, 2014).

### **5.1. Managerial Implications**

In addition to their theoretical implications, the findings of this article provide managers with important insights. First, the findings suggest that different sets of DCs are important for the BMI conducted by ISPOs; thus, ISPO founders and managers need to pay attention to how they leverage both their individual and a mix of DCs for BMI. Second, the findings suggest the important role played by micro-foundations—the specific managerial actions for the leveraging of capabilities; therefore, ISPO managers should pay attention to the development of skills and managerial cognition for BMI and to balance social and economic value creation. Lastly, the findings highlight the role played by networks and relationships with external partners; thus, managers need to utilize and nurture their networks in order to not only develop specific DCs, but also take advantage of such relationships for the acquisition of knowledge that can be vital for BMI.

## **5.2. Limitations and Future Research Directions**

Despite the contributions of this study, there are potential limitations that point to future opportunities for research on this important topic. First, this study is based on a limited number of cases, and thus the findings may not be generalizable to other settings. Future research, therefore, could build on this study and conduct large scale comparative research on ISPOs across developing and developed markets. In this respect, there is scope to conduct quantitative research, which could also link different sets of DCs with performance in the context of ISPOs. Second, we highlight how the scope of the business model innovation expands during sensing, seizing and transformation stages from individual, organizational and ecosystem levels, respectively. Since our study is conducted specially in relation to ISPO context, BMI scholars could carry out future research to investigate the generalizability of our model in other contexts, for example, by focusing on firms that adopt sustainable business model innovation orientation. Also, we highlighted the use of dynamic capabilities for business model innovation in ambidextrous context (i.e. achieving social and business value when carrying out operations in developed and developing countries), which again could be an area of research BMI scholars to conduct further research on by focusing on contexts other than ISPOs. Third, future studies could pay greater attention to the role played by a wide range of stakeholders—both direct and indirect—and to how these enhance the development and leveraging of DCs in the ISPO context. Fourth, as the ISPOs expand and mature, organizational resources and capabilities other than those examined in this paper such as integration, coordination and knowledge acquisitions may play an important role in balancing competing logics, thus future studies should examine these capabilities. Lastly, we did not examine the role played by knowledge transfer, especially from external partners; therefore, there is a call for future studies to examine this role and its impact on BMI in ISPO settings.

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**Table 1: Description of ISPOs**

Case No.	Key Activity	Title of the interviewee	Base country of production function	Base country of marketing function/ the location of customers	Year of establishment	Size	Customer base
C 1	Working with waste pickers to convert plastic waste into ethical filament for 3D printers	Founder	India	Small- and medium-sized distributors based in the US, the UK, and Germany	2012	They work with a waste picker organization that has over 2,000 members.	With the help of charities, the products are sold to ethically concerned SMEs.
C 2	Working with refugee women to develop embroidered products	Founder	Jordan	Buyers in international markets such as the UK and the US	2014	Work with more than 400 Palestinian and Syrian artists who are refugees, mainly women, in the Jerash and Azraq camp, Jordan	In collaboration with the Department for International Development in the UK, products are sold to individual buyers
C 3	Working with prisoners to produce tattooed bags, wallets, belts and other accessories	Founder	Mexico	Selling online to large number of international buyers	2013	Operating in six prisons in the states of Guadalajara and Queretaro to make high-end textile goods. Provides paid work and training to over 200 prisoners.	Selling to international buyers via online and retail shops
C 4	Working with garment workers to produce fairly traded and ethically sourced clothing	Founder	Malawi	UK buyers	2012	Operating in the workshop established at the centre of Kasungu. About 25 deprived women from the city and from adjacent villages work. However, many others tend to work on a temporary basis	Working with large charities selling products to individual customers
C 5	Working with disadvantaged refugee women to provide remote creative technology and business solutions	Founder	Palestine	Companies and start-ups in the US and Switzerland—e.g., Google, Service Alliances, the US	2015	Has 60 ambassadors in Palestine, each of whom manages his/her own group of refugee women.	International start-ups and large companies (e.g., google) that source low cost services and avenues for their corporate social responsibility, respectively.



C 6	Issuing shares to invest in businesses started by poor young entrepreneurs	Executive Director	Pakistan	Investors mainly from developed countries	2001	With 3,500 investors, this enterprise operates in 105 cities and towns across Pakistan through 153 branches. The number of its active loans is 104,600 while the outstanding loan portfolio is over Rs1.1 billion. The loan recovery rate was 100%	International investors who invest on not only for return on impact investment but also for generosity. In order to reach these investors they work with government bodies.
C 7	Issuing bonds to provide loans to disadvantaged women to start businesses	Founder/ Managing Director	Cambodia, Philippines and Vietnam	Developed country investors including Singapore, the US, and the UK	2010	With over 50 employees, they have generated positive impacts for 77M direct and household lives in 46 countries by unlocking US\$126+ million capital and reducing 1 million metric tons of CO <sub>2</sub> emissions.	International investors who are seeking to combine social and financial returns. In order to reach these investors, they work with the stock exchange, banks, investor networks, and the government in the investor country
C 8	Working with cocoa farmers to produce premium quality, fair-trade chocolate	Director	Ghana	Top buyers across the USA, the UK, Scandinavia, the Netherlands, the Czech Republic, South Korea, Hong Kong, Japan, and Australia	1998	Work with a co-operative, made up of 1,135 members across 20 village associations to produce premium quality, fair-trade chocolate.	With the help from charities, trading organizations and the UK's Department for International Development, they sell chocolates to individual customers.
C 9	Working with poor communities to manufacture hand-stitched sports balls from local leather	Director	Kenya, Zambia and Ghana	Organizations such as UNICEF, UEFA, Arsenal, and Coca-Cola as well as Top customers buying online	2004	Employs 62 permanent workers and 14 short-term ones, and has trained over 200 stitchers. Many of these trainees have been able to start their own businesses and create more employment opportunities for others.	By partnering with a range of organisations, including Arsenal in the Community, Tackle Africa, and the Marketing Academy, they have delivered large orders for clients such as Nestlé, Coca Cola, and UNICEF. They also partner with NGOs to deliver social value to developing country communities.

C10	Working with farming families to produce organic, premium quality fairly-traded produce such as olive oil, almonds, spices, and dates	Founder	Palestine	Customers in the UK and Ireland	2004	Working with 2,000 farmers, and has bought £3.5 million worth in products from Palestinian producers to buyers	Private network of Fairtrade enthusiasts in the UK and NGOs (e.g., Oxfam), they sell products to UK customers.
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**Table 2: BMI to accomplish the dual mission**

Case study No	Business idea	Social value	Economic value
C1	Working with waste pickers to convert plastic waste into ethical filament for 3D printers	<p>1. Improved worker conditions</p> <p>2. Reduced environmental pollution</p> <p>“Our company addresses the twin issues of poor conditions for waste pickers and plastic waste pollution ... They are involved in collecting, separating and selling plastic waste to scrap dealers. They have very poor worker conditions”</p>	<p>1. Profit creation through value addition</p> <p>“pickers usually sell these to merchandisers without adding value ... we buy filaments from pickers for 300 rupees (£3.50) per kg—if waste pickers sold the plastic waste directly to scrap merchants, the pickers would receive around 19 rupees (23p) per kg ... After factoring in the costs of production and the various other expenses, there is still a six to eight times multiplier per kilogram of filament”</p>
C2	Working with refugee women to develop embroidered products	<p>1. Addressing the challenges of refugees</p> <p>“more than 30,000 Palestinian refugees are living in Jordan’s Jerash camp. They’re not allowed to work in state-jobs and are not given free education after grade Nine”</p>	<p>1. Economic value by selling embroidered products</p> <p>“We have a very high annual sales revenue and artists earn four times of minimum wage”</p>
C3	Working with prisoners to produce tattooed bags, wallets, belts and other accessories	<p>1. A solution to high crime rates in Mexico</p> <p>2. Rehabilitation of prisoners</p> <p>3. Improved social wellbeing of immediate family/dependents of prisoners</p> <p>“There’s very high crime rate in Mexico. We are working for rehabilitation and the reintegration into society afterwards ... This also helps the dependents of the prisoners.”</p>	<p>1. Economic value generated to company and prisoners by selling goods</p> <p>“We provide paid work to over 200 prisoners ... They earn more income than a prison guard”</p>
C4	Working with garment workers to produce fairly traded and ethically sourced clothing	<p>1. Ethical production of garments</p> <p>“We address the issue of a lack of ethical garment production in developing world and sell ethically produced fashion to western consumers”</p>	<p>1. Economic value generated by selling garments</p> <p>2. market for local supplies</p> <p>“We provide a fair wage and good working condition for garment workers making them financially stable and independent ... we will introduce the co-operative model owned by producers”</p> <p>“Even though there are opportunities to source materials locally benefiting the wider community, there was no market for it”</p>
C5	Working with disadvantaged, refugee	<p>1. Addressing the challenges of the lack of employment opportunities for refugees</p>	<p>1. Economic value generated by selling creative technology and business solutions</p>

	women to provide remote creative technology and business solutions	"Tough personal experiences and circumstances growing up in Jordan and Palestine. My peers and I could not find jobs. This made me want to change the status quo and find a solution to this common problem. Women, in particular, were the worst affected; e.g., they couldn't travel easily or freely for work."	"We offer employment opportunities to women refugees. They work as freelancers or contractors. They have good talent and we help them to further develop their talent"
<b>C6</b>	Issuing shares to invest in businesses started by poor young entrepreneurs	1. A solution to funding scarcity and support for marginalised start-ups or those who intend to start companies  "Our mission is to alleviate poverty. We are empowering socially and economically marginalised families by providing them with interest free microfinance. We also provide them with training to develop entrepreneurial potential, capacity building and social guidance"	1. Economic value generated by start-ups  "we provide enterprise loans to marginalised families who would like to start new enterprises ... we operate in 105 cities and have 153 branches"
<b>C7</b>	Issuing bonds to provide loans to disadvantaged women and social enterprises to start businesses	1. Support social enterprises to be financially sustainable ensuring long-term generation of social impacts  "We sell shares and bonds of social enterprises and fund them through money raised. In this way we generate social impacts as well as financial returns to investors. Adopt a forward looking approach and one that is focused on outcomes. We use data to make more insightful decision. We have consciously tried to develop a diverse and multi-skilled team."	1. Financial returns to investors and investment for social enterprises in developing countries  "In this way, we generate social impacts as well as financial returns to investors"
<b>C8</b>	Working with cocoa farmers to produce premium quality, fair-trade chocolate	1. Faire-trade chocolate production  "cocoa farmers were receiving significantly low returns for their products since intermediaries were taking a greater margin. Our business now adds value to cocoa and the business is co-owned by farmers"	1. Better income for farmers, who co-own the factory  "the profit gained by the business goes back to farmers. We have so far helped more than 80000 farmers and their families to be financially strong"
<b>C9</b>	Working with poor communities to manufacture hand-stitched sports balls from local leather	1. Reduce unemployment rate  2. Improve environmental protection  "Our main aim is to provide ethical job in areas where there is high unemployment. 90% of our workforce is from those local areas. We use local leather to make sport balls."  "Majority of our balls are made with leather that would have otherwise gone to landfill sites. So we are helping the environment."	1. Better income for previously unemployed adults and their families  "Since the inception we have helped many stitchers and their families to improve their financial condition"

		We have also successfully used leather from old handbags, airline seats and car seats, and turned it into sport balls (i.e., footballs, rugby balls, handballs, netballs)”	
<b>C10</b>	Working with farming families to produce organic, premium quality fairly-traded produce such as olive oil, almonds, spices and dates	<p>1. Helping farmers in war affected areas</p> <p>“Olive farmers in Palestine were selling their oil at a price below the cost of production to Israeli traders. We decided to do something about it and found the opportunity the UK market that guaranteed fair-trade”</p> <p>“We help thousands of Palestinian farmers and their families who are affected by Israeli occupation.”</p>	<p>1. Better income for farmers</p> <p>“we help farmers to have a market for their premium quality, fairly-traded produce such as olive oil, almonds, spices and dates. They earn better return”</p>

**Table 3: Founder micro-foundational capabilities that had enabled ISPOs to sense opportunities to accomplish their dual mission**

Capability	Description	Representative quotation/evidence
Qualification	Higher degrees from highly reputed institutes in developed countries – all except for one case had these	<p>“C 1 – Producing filaments for 3D printers from plastic waste PhD Student, MIT Atmospheric Chemistry Modelling Group</p> <p>C 2 – Manufacture embroidered products with refugee women BSc WU (Vienna University of Economics and Business)</p> <p>C4 – produce fairly traded and ethically sourced clothing BSc. The National College of Art &amp; Design, Dublin</p> <p>C 5- Working with disadvantaged, refugee women to provide remote creative technology and business solutions MSc, Birkbeck, University of London</p> <p>C 6 – Developing bonds to offer loans to disadvantaged entrepreneurs Master’s in Public Administration, American University; LUMS-Mc Gill University Social Enterprise Management Programme; Hubert H. Humphrey Fellowship in Public Administration, American University; Bachelor of Medicine, Bachelor of Surgery (M.B.B.S.), King Edward Medical College”</p> <p>C 7 – Developing social impact bonds for social enterprises BA Government, Economics - Smith College; The Johns Hopkins University- MA- International Relations, International Economics with focus on Energy and Environment The Wharton School - MBA- Finance</p>
Understanding of problems in developing countries	The individual has lived and experienced the social/environmental problems in its original context.	All the informants in the cases had been born and bred in these markets
Technical competency	Knowledge, skills, and experience required for the	<p>“I have a PhD from MIT Atmospheric Chemistry Modelling Group, thus have some relevant technical expertise” [C1]</p> <p>“Our strength in collaboration also lies in our knowledge and experience over the last 17 years” [C6]</p>

	technical side of the production process	
Networking	Developing networks in both developed and developing markets	"Some of the capabilities that have led to our success are: social capital (i.e., having mentors from different countries, who were all very supportive), my technical expertise, and effective networking." [C5]
Entrepreneurial	Spotting and exploiting opportunities and designing new business modes	<p>There are an estimated 15 million people globally who currently make their living from waste picking and many earn less than a dollar a day. A key problem ... is that workers only capture a tiny proportion of the value of the waste they collect, separate and transport to scrap dealers ... the market for filament, the majority of which is made from virgin plastic, is growing rapidly. A report by a leading markets analyst predicted the 3D printing materials market would grow by nearly 266% over the next five years, to be worth £1.07bn by 2021 ... we buy filament from S for 300 rupees (£3.50) per kg—if waste pickers sold the plastic waste directly to scrap merchants the pickers would receive around 19 rupees (23p) per kg ... After factoring in the costs of production and the various other expenses, there is still a six to eight times multiplier per kilogram of filament [secondary data] [C1]</p> <p>"Our founder was working in Tanzania. While he was there, he saw people playing football made with plastic bags and strings. He wanted people to use footballs that were durably built. He thought about shipping balls over from Europe or Asia but he wanted to help the local community by manufacturing locally and thereby providing local workforce with some much needed jobs. This prompted him to start the business in Africa. These durable balls were sold to developed countries and the income generated by the local community not only enabled local community to play with real balls but also improved the well-being of the whole community". [C9]</p> <p>"Knowledge of business administration and business management expertise. Social enterprises need to be more like other mainstream businesses. Drive and Passion for the social problem you are looking to address should be a given but this alone isn't enough, and you need good business expertise as well as sound judgement". [C2]</p>
Innovative	Ability to think beyond existing knowledge and assumptions to offer creative solutions	"This requires us to be quite innovative, e.g. once, we indirectly worked for Google, and they wanted to enhance their voice recognition system. Despite not having any clear set of instructions directly from Google, we were able to adopt and innovate in order to fulfil their request related to the Arabic and Russian languages." [C5]

**Table 4: Capability development in the production site**

<b>Capability Development in the production site</b>	<b>Representative quotations</b>
<p>Capability development of producers—Technical, managerial, entrepreneurial capabilities</p>	<p>“Our key strategy has been to build the capability from ground up, and work with local teams. We couldn’t have achieved anything without the help of our community partners on the ground” [C1]</p> <p>“The Tamari foundation is funding the academy, allowing us to train refugees and refugees to acquire skills that enable them to become more employable and earn some much-needed money” [C2]</p> <p>“Our goals are: giving employment and relevant skills and capabilities to the local workers; empowering the women that we work with; and essentially making it a self-sustainable business that is run by Malawians in Malawi.” [C4]</p> <p>“The bags that we make are only one aspect. More importantly, we provide prisoners with tradable skills as well as rehabilitation ... we provide paid work and training to over 200 prisoners.” [C3]</p> <p>“We work with Universities across the middle east. We also work with international and national NGOs (e.g. DAI) to facilitate their work training young people in marginalised areas ... we also offer training for our freelancers...[C5]</p> <p>“We also provide them with training to develop entrepreneurial potential, capacity building and social guidance” [C6]</p>
<p>Developing collegial feelings with producers</p>	<p>“We try to avoid unnecessary layers of middle management ... We want to have a direct relationship with all our colleagues, and we are keen for everyone (all artists/ ops managers) to feel that they belong to one organisation.</p> <p>We made a strategic choice to promote refugees with the required capabilities into management positions as opposed to bringing in expats or people who weren’t part of the refugee community. We are breaking down the stereotypes around ‘donor and beneficiary relationship’- we are all colleagues”. [C2]</p>



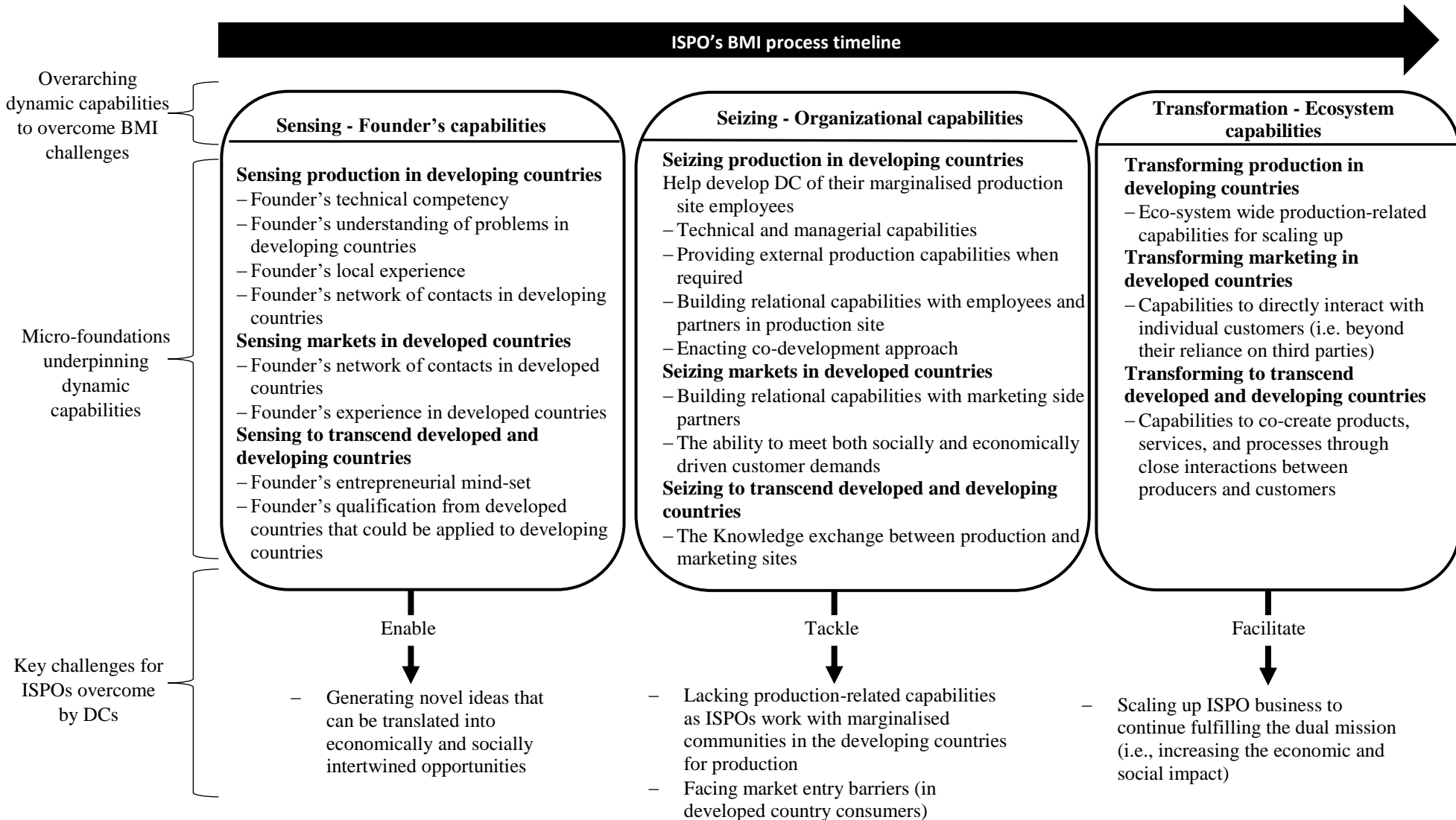
Introduce trust-based approaches that work well in the production site	Another strategy we use is that we give out loans on the basis of social collateral, i.e., we trust our borrowers. We don't ask for a physical collateral. Instead we use social collateral (i.e., someone in the society would give their word that Mr Joe blogs will repay the loan). Through this trust based model, we have a recovery rate of around 99.9% (which is remarkable). This is one of the reasons why a large proportion of our borrowers eventually become lenders, who help out other borrowers." [C6]
Make producers aware of the customers' needs	we also help get farmers from Palestine to visit the UK and ask them to speak with students in schools ... We are also adding value for the farmers as we provide them with an opportunity to meet and build relationship with their customers here" [C10]
Sharing best practices	"Also, sharing best practice has helped. We operate across four different countries but our teams are quite willing to share best practices and learn from colleagues in other countries." [C9]
Adopting strategies to reduce operational costs	"A key strategy that we have adopted is having minimal operational costs. We achieve this through using volunteers and through using existing social networks/platforms within the society to carry out our operations. For example. instead of working in offices, we work from mosques and churches." [C6]
Provide external capabilities when required	"Each entity intending to list will be required to appoint an Authorised Impact Representative (AIR) – an accredited social adviser – who will provide support through the listing process and ensure that the issuer complies with impact requirements. [secondary data]" [C7]

**Table 5: How the unique set of ISPOs dynamic capabilities are leveraged to address challenges of BMI (an integrative framework)**

Development timeline	Challenges for innovating ISPOs business model	Analysing the challenge	The micro-foundations and other organizational skills that underpin the overarching dynamic capabilities		The role of the micro-foundations and other organizational skills to address the challenges
Sensing stage: Identify the opportunity	Generating novel ideas that can be translated into economically and socially intertwined opportunities	An initial challenge for all ISPOs when innovating their BM is to identify value creation prospects (i.e., business opportunities) that can mesh social and economic objectives to develop a core business model that can balance between the two value logics.	Founder's capabilities	<ul style="list-style-type: none"> <li>– Founder's qualification from developed countries</li> <li>– Founder's technical competency</li> <li>– Founder's understanding of problems in developing countries</li> <li>– Founder's local experience</li> </ul>	This unique managerial competency that comprises a mix of skills and knowledge on developed as well as developing markets enable the ISPOs to identify business ideas that are economically viable and social sensitive (i.e., design a new BM that fulfils dual missions).
				<ul style="list-style-type: none"> <li>– Founder's network of contacts with both production and marketing sites</li> </ul>	This ability enabled the bridging between the two economic settings (i.e., developed and developing) as a pathway for integrating economic and social logic
				<ul style="list-style-type: none"> <li>– Founder's entrepreneurial mind-set</li> </ul>	This ability played a key role in identifying opportunities to integrate two competing logics. Hence, these capabilities explain why these entrepreneurs were able to successfully spot opportunities while others who may have had same qualifications and experience were not able to.
Seizing stage: Develop a new BM (including new activities and processes for value proposition) to exploit the	Lack of production-related capabilities (in the developing countries)	As the new BM depends on the manufacturing in the developing countries, these ISPOs were lacking capabilities in the production site for efficient production of goods and service. This is because producers are	Organizational capabilities	<ul style="list-style-type: none"> <li>– Technical and managerial capabilities</li> <li>– Providing external production capabilities when required</li> </ul>	This improved the efficiency and quality of the production process (i.e., economic value) and provided skills for marginalised producers who would otherwise have no opportunities to acquire these (i.e., social value)
				<ul style="list-style-type: none"> <li>– Production side relational capabilities</li> </ul>	These provided better working conditions for producers, enacted collegial bonds with producers and

new opportunity		often disadvantaged groups with low skills.			developed working processes that are built upon trust-based approaches in production site, which was important to generate both social and economic value.
				– Enacting co-development approach	Sharing best practices within the production unit has enabled producers to improve the quality of production (to generate economic value) as well as to develop skills by learning from others (i.e., generation of social value).
	Market entry barriers to developed country consumers	While the founders have some contacts with the developed countries, it was important to enhance the access to developed country market during seizing stage since the goods produced target altruistic customers in the developed world.		– Marketing site relational capabilities	The ISPOs have overcome the entry barriers by developing relationships (i.e., relational capabilities) with third party not-for-profit organizations that has provided them with access. ISPOs in return provided these organizations with a platform to showcase the generation of social value.
				– The ability to meet both socially and economically driven customer demands	The ISPOs had developed the capacity to articulate and communicate their story in supporting marginalised communities, while being able to produce high quality product/service that can satisfy the needs of the developed market.
				– Knowledge exchange between production and marketing sites	Make producers aware of customer needs, thus improving the quality of production to satisfy customer needs. Arrange visits from buyers to meet producers and experience the social value creation
Transformation stage: Adapt existing resource base, organization design, and culture to embrace and	Scaling up ISPO business to continue to generate dual mission	Scaling up a BM is a major challenge faced by ISPOs. Overcoming this challenge is also important to avoid a potential mission drift as it might not be easy to continue to manage two competing logics	Ecosystem capabilities	– Production-related capabilities for scaling up	ISPOs were developing capabilities of their whole production site in order to have a future work force (i.e., economic value) and to generate social value to the local community through skill upliftment and improved well-being.
				– Market-related capabilities for scaling up	ISPOs developed relational capabilities that involved direct relationships with customers (i.e., moving beyond relying on third parties for market entry) at the selling sites. This was important to enhance their

maintain the new BM					customer bases for scaling up as the reach to customers was limited through third parties. ISPOs were also co-creating with customers by allowing frequent and deep interactions between producer and customers
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**Figure 1: Conceptualizing BMI in ISPOs: a dynamic capabilities perspective**