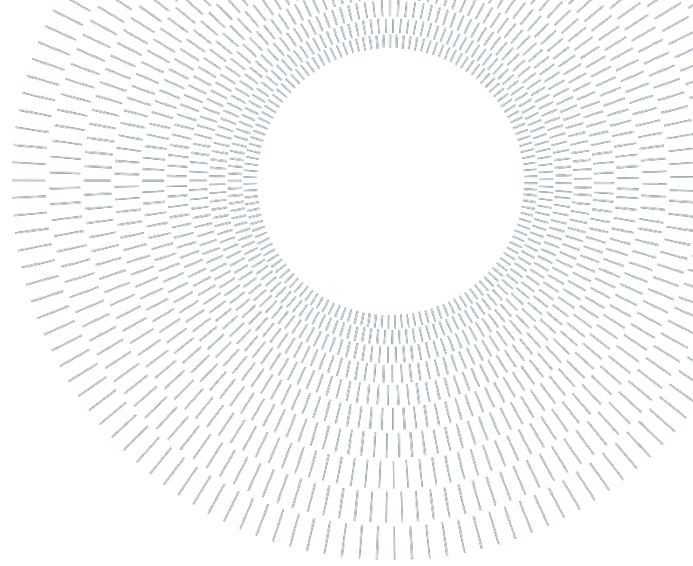




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EXECUTIVE SUMMARY OF THE THESIS

Social Enterprises in the Context of Severe Institutional Voids: How Social Enterprises Engage with the Co-Evolution Paradox between Entrepreneurial Culture and Growth-Oriented Firms. The Tsara Tsiky case study

TESI MAGISTRALE IN MANAGEMENT ENGINEERING – INGEGNERIA
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1. Introduction

Institutional voids refer to the absence or weakness of formal and informal institutions that are necessary for markets to function effectively. In contexts marked by severe institutional voids, such as in developing countries, entrepreneurial ecosystems often struggle to generate productive and growth-oriented ventures, as structural constraints and misaligned cultural norms limit opportunity recognition, resource mobilization, and long-term scaling. Within these fragile environments, social enterprises have increasingly been identified as a potential organizational response. By combining a social mission with economically sustainable business models, social enterprises operate across institutional boundaries and often treat institutional voids not only as

constraints but also as spaces for intervention and innovation. For this reason, they are attracting growing scholarly attention as actors capable of mitigating institutional deficiencies, fostering local capability-building, and contributing to the gradual strengthening of entrepreneurial ecosystems.

1.1 Objectives

This thesis aims to investigate the relationship between institutional voids, entrepreneurial culture, and the emergence of growth-oriented firms within weak entrepreneurial ecosystems, and to explore whether social enterprises can act as a transformative organizational response in such contexts. In particular, it seeks to conceptualize the Co-Evolution Paradox between Entrepreneurial Culture and Growth-Oriented Firms, whereby weak entrepreneurial culture constrains the

emergence of growth-oriented ventures, while the absence of such ventures inhibits the development of a more supportive culture. Furthermore, the study aims to identify, through a Systematic Literature Review, the distinctive enabling factors that allow social enterprises to survive and scale despite severe formal and informal institutional voids. Finally, through an in-depth ethnographic case study of Tsara Tsiky in Madagascar, the thesis examines how these enabling factors operate in practice and through which mechanisms they may contribute to reducing institutional voids over time, thereby potentially weakening the paradox and strengthening the local entrepreneurial ecosystem.

2 Theoretical Context for the Analysis

2.1 Weak Entrepreneurial Ecosystems

Entrepreneurial ecosystems are place-based, dynamic configurations of interdependent actors and factors that enable or constrain productive, growth-oriented entrepreneurship within a territory [1]. Their effectiveness depends not only on the presence of these elements but on how they interact and reinforce one another over time. In strong ecosystems, this interaction generates entrepreneurial recycling and cumulative feedback loops: successful entrepreneurs reinvest capital, knowledge, networks, and legitimacy into new ventures as mentors, angel investors, or role models, producing spillovers that strengthen culture, resource access, and future high-growth activity. In developing countries characterized by weak formal institutions (e.g., ineffective regulation, limited rule of law, constrained finance) and weak informal institutions (e.g., low trust, weak legitimacy of entrepreneurship, stigma around failure), these virtuous cycles often fail to emerge. Ecosystems may instead become trapped in equilibria dominated by necessity-driven and informal entrepreneurship, where the absence of growth-oriented firms limits entrepreneurial recycling and prevents institutional strengthening over time.

2.2 The Culture-Growth Co-Evolution Paradox

The severity of institutional voids shapes both the forms of entrepreneurship that emerge and the goals ventures pursue [2]. When formal and informal institutions are misaligned, informal institutions weigh more heavily on entrepreneurial behavior: if formal rules are not backed by shared norms and social expectations, firms rely on locally enforced informal practices [3]. Culture is therefore a key selection mechanism in the ecosystem: it influences whether growth-oriented entrepreneurship is seen as legitimate and desirable. At the same time, growth-oriented firms are not just outcomes of culture; they are also inputs into it. By visibly demonstrating that growth is feasible and socially acceptable, they generate role-model effects, spillovers, and “entrepreneurial recycling” dynamics that can gradually reshape local norms. This creates the Co-Evolution Paradox between entrepreneurial culture and growth-oriented firms, defined in Proposition 3 in the thesis.

Proposition 3: *Without an entrepreneurial culture, growth-oriented firms are unlikely to emerge; But without growth-oriented firms, that entrepreneurial culture may struggle to develop in the first place.*

In weak ecosystems, where necessity-driven and informal entrepreneurship dominates, this circular dependence can harden into a self-reinforcing low-growth equilibrium: limited cultural support inhibits the emergence of growth-oriented firms, and the absence of such firms prevents culture from shifting toward growth, locking the system into a constrained development trajectory.



Figure 1: Institutional Voids and the Culture–Growth Co-evolution Paradox

2.3 Social Enterprises as a Possible Solution to the Culture-Growth Co-Evolution Paradox and Research Framework

In contexts where the Culture–Growth Co-Evolution Paradox persists, the thesis treats social enterprises as a particularly relevant organizational form that may be a possible solution to the focus paradox, as they can address both formal and informal institutional voids [4, 5] and generate spillovers that may reinforce the broader ecosystem, including more conducive entrepreneurial culture and growth-oriented firms. However, this contribution is assumed to be gradual and bottom-up and is not automatic, since the same institutional voids also constrain Social Enterprises’ viability and scaling [6]. Accordingly, the study is guided by two research questions:

(R1) *Which factors enable some SEs to operate, survive, and scale in weak entrepreneurial ecosystems characterized by severe institutional voids, where the paradox is likely to arise; and (R2) Which of these factors, and through which mechanisms, help reduce institutional voids and thereby weaken or break the paradox over time.*

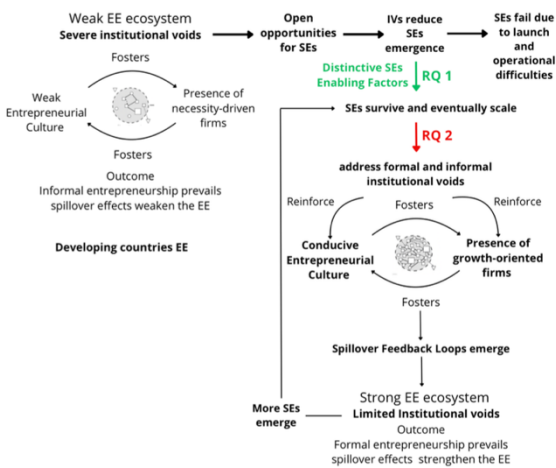


Figure 2: Research Framework

3 Methodology

The thesis adopts a two-step methodological design. First, a theoretical phase was conducted through a Systematic Literature Review, resulting in a synthesizing framework developed to address RQ1 on the distinctive enabling factors

that allow social enterprises to survive and scale in weak entrepreneurial ecosystems characterized by severe institutional voids. Second, an empirical phase was carried out through ethnographic research within the real-life case of Tsara Tsiky in Nosy Be (Madagascar), based on embedded fieldwork conducted during an in-company internship. Data collection combined participant observation, document analysis, and semi-structured interviews; throughout the research process, regular check-ins with H4O members were used to clarify emerging issues and validate the information collected. Given the insider role of the researcher, reflexivity and triangulation were adopted to enhance credibility.

4 Distinctive Social Enterprises Enabling Factors

To address the first research question, this thesis identifies “Distinctive Social Enterprise Enabling Factors” as the recurring organizational and strategic levers that explain why some social enterprises can operate, survive, and scale despite severe institutional voids, and why they may also generate conditions that contribute to reducing those voids. They are derived from the literature review and organized into three clusters: hybridness-related characteristics [7], change-oriented capabilities, and networking engagement effects. Within hybridness, a dual value proposition refers to the credible integration of value creation (social impact) and value capture (revenue), where impact and economic performance are designed to reinforce each other; finance concerns building resilience through multiple revenue streams and mechanisms such as cost recovery, reinvestment, cross-subsidisation, and access to lower-than-market-rate capital; and workforce composition concerns assembling and balancing social and commercial skills (often leveraging trustees, volunteers, mission-driven recruitment, and cross-training). Within change-oriented capabilities, a bricolage mindset captures the ability to recombine imperfect resources at hand into workable solutions; social innovation is the development and implementation of new ideas that solve social problems more effectively, efficiently, and sustainably than existing alternatives; intrapreneurial proactiveness is the behavioural tendency to anticipate and act on future opportunities rather than merely react; and

uncertainty tolerance is the capacity to operate under ambiguity by treating setbacks as learning and sustaining adaptive resilience. Finally, networking engagement includes local engagement (deep embeddedness that turns trust and social capital into an operational asset), non-target stakeholder engagement (multi-sector partnerships with actors beyond customers/beneficiaries to mobilise complementary resources, expertise, and legitimacy), and customers/beneficiaries engagement (actively managing the dual relationship with paying customers and mission beneficiaries, often through two-way involvement such as co-creation and community-based adoption).

5 Tsara Tsiky in Context: Case Study Background

5.1 Tsara Tsiky

Tsara Tsiky is a women-led social enterprise operating on the island of Nosy Be (Madagascar), founded by the Italian ODV Help For Optimism to foster the autonomy of a team of Malagasy women through the artisanal production of natural soaps and medicated toothpastes, while improving local livelihoods and public health and promoting women's empowerment and skills development. It is used in this thesis as the real-life case study for the ethnographic phase in order to answer the second research question (R2), i.e., to observe in practice which of the enabling factors identified in the theoretical framework can concretely reduce formal and informal institutional voids and, by doing so, weaken (or break) the Culture–Growth Co-evolution Paradox in a weak entrepreneurial ecosystem.

5.2 Madagascar and Nosy Be

In the case-study context, the thesis argues that the Culture–Growth Co-evolution Paradox is observable both in Madagascar and, more specifically, in Nosy Be where Tsara Tsiky operates. At the national level, Madagascar is described as a setting with severe formal and informal institutional voids, where growth-oriented firms are scarce and entrepreneurial culture is assessed as unfavourable, based on the

combined reading of World Bank [8] evidence on the limited presence of growth-oriented firms and GEM [9] insights pointing to low entrepreneurial potential, low awareness of entrepreneurship, and an environment perceived as unfavourable; which led to Proposition 4.

Proposition 4: *“The Co-evolution Paradox between entrepreneurial culture and growth-oriented firms emerges within the context of Madagascar”.*

At the local level, Nosy Be is portrayed as lacking growth-oriented firms outside the tourism sector, which is largely foreign-owned and highly seasonal, generating few spillovers for the local population; because local data on culture are limited, the thesis triangulates field observations and semi-structured interviews conducted through Tsara Tsiky with the GEM-based cultural lens, and formulates Proposition 5 that the paradox emerges within Nosy Be as well.

Proposition 5: *“The Co-evolution Paradox between entrepreneurial culture and growth-oriented firms emerges within the context of Nosy Be”*

Given that the paradox manifests at both national and local levels, the social enterprise Tsara Tsiky provides an ideal case through which to investigate R2.

6 Case Study Results

▪ Hybridness-related characteristics

The findings show that Tsara Tsiky's *dual value proposition* works when social and commercial logics are operationally interdependent rather than merely co-existing. A “dual impact” mechanism emerges: training and job stability improve productivity and quality while reducing turnover costs; community trust and social legitimacy lower cultural resistance and expand access to local sales networks; and a 20% ownership stake for local team members (with decision involvement) is designed to strengthen responsibility, motivation, and belonging. In this configuration, social value creation is not only an outcome but also a driver of managerial and economic performance, a condition under which institutional voids can be reduced. A second result concerns *financial sustainability*. Current resilience depends heavily

on H4O's fundraising and governance. Revenues come from local sales, H4O-supported sales abroad (Italy), and cross-subsidization, while grants/donations buffer continuity. H4O holds 80% ownership and centralizes financial control and reinvestment decisions. This protects the mission and enables a medium-term horizon, but it also risks "comfortable dependency," keeping salaries stable while cost recovery and break-even remain unresolved. Moreover, through the Tsara Tsiky case example, this thesis therefore underlines a core scaling trade-off: breadth-scaling (which may increase volume sales) may lower unit costs, but without depth-scaling (culture, skills, routines, autonomy) it can amplify inefficiencies and mission drift rather than build local autonomy. Finally, *workforce composition* limits the translation of hybridness into autonomy: strong role specialization, weak cross-functional understanding of the value chain, and low mutual trust reduce productivity and reinforce Tsara Tsiky top-down decision flows. Volunteers and expat trustees remain crucial for knowledge transfer, but cross-training must become a daily, embedded practice led by stable local reference figures with both social and commercial competencies. The local coordinator is pivotal, yet must ensure transparent and impartial recruitment and role allocation to avoid legitimacy loss and perceptions of favoritism.

- **Change-oriented capabilities**

Bricolage is essential for day-to-day survival in Nosy Be's volatility, but the evidence does not show that it meaningfully reduces institutional voids or builds a growth-oriented business; it can also generate long-run fragilities (limited standardization, inconsistent quality) that constrain growth. *Social innovation* is the capability most directly linked to void mitigation: Tsara Tsiky is characterized as incremental (better products at affordable prices), institutional (reconfiguring local value chains and women's market participation), and potentially disruptive (challenging gendered hierarchies by making women visible entrepreneurs). However, while innovation is co-produced with the local team, it is operationalized through strong H4O external strategic guidance and financial backing, so its ability to make an "entrepreneurial mindset" endogenous remains uncertain. *Proactiveness* is strongest at the organizational level (largely via

H4O), while intrapreneurial initiative within the local team is constrained by low agency, fear of failure, and legitimacy dependence; strategic decisions remain centralized to safeguard continuity and mission. Training increases confidence and idea generation, but centralized validation slows experimentation and learning. The condition for sustainable autonomy is therefore clear: capacity-building must be paired with gradual decentralization and the emergence of a competent local managerial figure who can accelerate decisions and legitimize bottom-up initiative through recognition, incentives, and feedback routines. *Uncertainty tolerance* is shaped structurally by island constraints, unreliable infrastructure, data scarcity, seasonality, and funding volatility. The social mission supports resilience by framing failure as learning, but it also creates path-dependency risks: "temporary fixes" can harden into permanent routines, letting improvisation substitute for planning and delaying structural improvements. At team level, fear of minor mistakes and low psychological safety are linked to external perceived ownership, while privileging external expertise over local knowledge can reinforce dependence. The practical implication is to rebalance improvisation with selective formalization: build psychological safety, standardize where it reduces fragility, and legitimate local decision-making.

- **Networking engagement**

Local engagement functions as both an operational enabler and a source of legitimacy. Community-focused growth—proximate channels, repeated interactions, and reciprocity-based ties reduces transaction costs, accelerates word-of-mouth diffusion, and enables rapid learning loops. The thesis argues these mechanisms can generate ecosystem spillovers that reduce formal and informal voids, making the Culture–Growth co-evolution paradox less likely. Yet embeddedness also produces predictable fragilities: volatile local supply and inconsistent quality, dependence on a few intermediaries, pricing drift and mission–market misalignment across channels, and fairness risks when recruitment and decisions are overly informal and network-based. The thesis therefore, highlights the need for minimum governance safeguards: non-negotiable quality/sourcing standards, redundancy in critical roles and

relationships, clear governance over channels and pricing, and transparent basic workers management to protect legitimacy and prevent capture by short-term incentives. *Non-target stakeholder engagement* (NGOs, academia, public authorities, partners) is foundational for survival and future scaling, as it unlocks funding unavailable locally, transfers technical and managerial know-how, supports organizational structuring, and builds long-term strategic vision and legitimacy. Coordinated collaboration is presented as a route to cumulative synergies that consolidate local capabilities, market infrastructures, and social norms over time. Finally, Tsara Tsiky's *customer and beneficiary engagement* is explicitly co-creative and co-productive and was implemented bottom-up with H4O support. Market-building is operationalized through the 4As model, with reported spillovers at multiple levels: economic (local income circulation and micro-activities), social/health (improved hygiene practices), and cultural/institutional (legitimization of female entrepreneurship and diffusion of new work models).

7 Conclusion

The thesis concludes that, in weak entrepreneurial ecosystems marked by severe institutional voids, social enterprises can act as a plausible, but not automatic or costless, “exit mechanism” from the co-evolution trap between weak entrepreneurial culture and the absence of growth-oriented firms. By combining a systematic literature review with an ethnographic case study of Tsara Tsiky in Nosy Be, it identifies and analyzes distinctive enabling factors that support survival and scaling and can also reduce formal and informal institutional voids through spillovers that shape entrepreneurial culture beyond the firm. Crucially, these ecosystem-level effects are conditional: the same mechanisms can generate tensions and trade-offs that slow growth or undermine impact, and meaningful paradox-weakening requires community-embedded engagement to be paired with minimal, explicit governance safeguards and a deliberate transition toward local decision-making and leadership.

Overall, the findings are transferable to all the social-impact-oriented organizations seeking to navigate fragile contexts, strengthen their role in

mitigating institutional voids, and enhance the social impact they pursue.

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