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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

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Abstract

Social enterprises are framed in this thesis as a possible solution to the “Co-Evolution Paradox between Entrepreneurial Culture and Growth-Oriented Firms”, which arises in countries marked by severe institutional voids, where the prevalence of less productive forms of entrepreneurial activity reinforces barriers to economic development. Indeed, social enterprises tend to emerge where institutional voids are more severe, as they treat them as opportunity spaces for intervention. However, the same conditions that foster their emergence also constrain their long-term development. As a result, institutional voids simultaneously create the space for SE action and reduce the likelihood of their survival and growth.

For this reason, this thesis aims to study (R1) *which distinctive enabling factors allow social enterprises to survive and scale in such contexts*, and (R2) *which of these factors, and through which mechanisms, help reduce institutional voids and thereby weaken the paradox over time*.

Through a Systematic Literature Review, R1 is answered by clustering the distinctive social enterprises’ enabling factors into (I) hybridness-related characteristics, (II) change-oriented capabilities, and (III) networking engagement effects.

This thesis addresses R2 through a two-month Ethnographic Study conducted at Tsara Tsiky, a Malagasy social enterprise operating on the island of Nosy Be. The analysis is based on participant observation, semi-structured interviews, and document analysis and provides empirical insights for scholars and practitioners on how each enabling factor can help reduce formal and informal institutional voids, while also highlighting the tensions and trade-offs that may arise in the process.

Key-words: Social enterprises; Institutional voids; Entrepreneurial culture; Growth-oriented firms; Culture-Growth Co-evolution Paradox; Weak entrepreneurial ecosystems.

Abstract in italiano

Le imprese sociali sono interpretate in questa tesi come una possibile risposta al “Co-Evolution Paradox between Entrepreneurial Culture and Growth-Oriented Firms”, che si manifesta nei paesi segnati da gravi vuoti istituzionali, dove la prevalenza di forme meno produttive di attività imprenditoriale rafforza le barriere allo sviluppo economico. In tali contesti, le imprese sociali tendono a emergere dove i vuoti istituzionali sono più gravi, poiché li considerano spazi di opportunità per l'intervento. Tuttavia, le stesse condizioni che ne favoriscono l'emergere ne limitano anche lo sviluppo nel lungo periodo. Di conseguenza, i vuoti istituzionali creano simultaneamente lo spazio per l'azione delle imprese sociali e riducono la probabilità della loro sopravvivenza e crescita.

Per questa ragione, la tesi si propone di studiare (R1) *quali fattori abilitanti distintivi consentano alle imprese sociali di sopravvivere e scalare in tali contesti* e (R2) *quali di questi fattori, e attraverso quali meccanismi, contribuiscano a ridurre i vuoti istituzionali e quindi a indebolire il paradosso nel tempo*.

Attraverso una revisione sistematica della letteratura, la tesi risponde a R1 raggruppando i fattori abilitanti distintivi delle imprese sociali in (I) caratteristiche legate all'ibridità, (II) capacità orientate al cambiamento e (III) effetti di coinvolgimento in reti sociali.

La tesi affronta R2 attraverso uno studio etnografico di due mesi condotto presso Tsara Tsiky, un'impresa sociale malgascia attiva sull'isola di Nosy Be. L'analisi si basa su osservazione partecipante, interviste semi-strutturate e analisi documentale e fornisce evidenze empiriche utili a studiosi e operatori del settore su come ciascun fattore abilitante possa contribuire a ridurre i vuoti istituzionali formali e informali, evidenziando al contempo le tensioni e i trade-off che possono emergere nel processo.

Parole chiave: Imprese sociali; Vuoti istituzionali; Cultura imprenditoriale; Imprese orientate alla crescita; Paradosso della coevoluzione tra cultura e crescita; Ecosistemi imprenditoriali deboli.

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Introduction

Entrepreneurship has long been recognized as a key driver of economic growth, innovation, and societal transformation. Despite its centrality, however, the concept remains characterized by considerable theoretical and definitional heterogeneity. In response to this ambiguity, recent scholarship has increasingly called for interpretive frameworks that are better able to capture the processual, dynamic, and context-dependent nature of entrepreneurial action. Consistent with this view, the present thesis adopts a behavioral and process-oriented perspective, conceptualizing entrepreneurship not as a static set of individual traits, nor as a phenomenon confined to new venture creation, but as a set of actions directed toward the identification, development, and validation of opportunities [3] under conditions of uncertainty [2], [3], regardless of the resources currently controlled [6], and deeply shaped by the surrounding socio-economic environment [2], [6].

This broader perspective also incorporates intrapreneurship, acknowledging that entrepreneurial action may emerge within established organizations as well as through new ventures. Entrepreneurship is therefore understood as a learnable, practice-based process that varies across time and context and depends strongly on environmental conditions. A central implication of this approach is that *“without an environment that fosters the detection of opportunities, no entrepreneurship will emerge”* [6].

Entrepreneurial action is shaped not only by internal organizational environment but also by the broader external environment in which organizations operate. Building on the *“environment as motivator”* insight, the thesis adopts the entrepreneurial ecosystem lens and extends the unit of analysis beyond the boundaries of the firm. From this perspective, entrepreneurship, and the specific forms it takes, can be understood as embedded in, and continuously interacting with, a wider configuration of institutional, social, cultural, and economic conditions. This analytical lens makes it possible to examine how these factors jointly enable or constrain productive entrepreneurship and, more broadly, shape entrepreneurial and developmental outcomes.

Building on Isenberg’s definition [13], entrepreneurial ecosystems are conceptualized in this thesis as dynamic, evolutionary, and potentially self-organizing configurations in which entrepreneurship arises from the interaction of multiple interdependent actors and factors, and by self-reinforcing mechanisms. Such mechanisms may

generate entrepreneurial recycling and cumulative feedback loops, whereby successful entrepreneurial activity strengthens the ecosystem and, in turn, increases the likelihood of further entrepreneurial activity, consistent with the well-established logic that “*success breeds success*” [15].

At the same time, this interdependence gives rise to a theoretical tension. If each ecosystem element develops through the presence and maturity of the others, weak elements or dysfunctional interactions may also reinforce one another negatively, thereby producing and stabilizing weak entrepreneurial ecosystems. Building on this tension, the thesis first examines what occurs when, in developing countries, entrepreneurial ecosystems remain weak and fail to generate productive or growth-oriented entrepreneurship. It then explores the structural implications of this condition in terms of the types of firms and entrepreneurial forms that are more likely to arise under such circumstances.

Developing countries, especially those marked by severe formal and informal institutional voids, frequently exhibit lower levels of industrialization, lower standards of living, slower rates of economic growth, and lower GDP per capita [29], [30], [31]. In such contexts, entrepreneurial activity is often not growth-oriented. Rather, it tends to be predominantly informal and necessity-driven, often developing in response to heavy regulation and taxation in the formal sector [39]. As a result, entrepreneurship commonly takes the form of small, labor-intensive, self-financed micro-enterprises, in which the label “*entrepreneur*” often refers to survival-oriented self-employment rather than to scalable ventures [36]. The literature generally indicates that these forms of informal entrepreneurship are less productive than formal entrepreneurship and may, in some cases, even be unproductive [39].

For this reason, the thesis argues that entrepreneurship should not be differentiated primarily by firm size, but rather by the willingness and intent to grow. It therefore adopts the distinction between opportunity-driven and necessity-driven entrepreneurship [76]. Opportunity-driven entrepreneurship is based on the identification and pursuit of value-creating opportunities and is conceptualized here as growth-oriented entrepreneurship. Necessity-driven entrepreneurship, by contrast, arises primarily from the absence of viable alternatives for income generation or employment. This distinction is analytically central because opportunity-driven entrepreneurship is positively associated with economic growth and with the strengthening of entrepreneurial ecosystems.

Briefly, the severity of formal and informal institutional voids thus shapes both the forms of entrepreneurship that arise and the objectives these ventures pursue [38]. However, drawing on the study by Cheng et al. [49], when formal and informal institutions are misaligned, informal institutions exert a stronger influence on

entrepreneurial activity and entrepreneurial behavior. This influence extends beyond market entry and also affects venture survival and growth. In particular, when formal rules are not supported by shared cultural norms, social expectations, and common understandings, firms rely more heavily on informal institutions, which are often more robust in terms of local enforcement capacity [49].

This argument places particular emphasis on the socio-cultural embeddedness of entrepreneurship. Accordingly, the thesis focuses on entrepreneurial culture as a core component of entrepreneurial ecosystems, also responding to a recurrent critique in the entrepreneurial ecosystem literature: namely, that it remains unclear which institutions matter most, particularly in contexts characterized by severe institutional voids [22], [25]. Building on the entrepreneurial culture literature, the thesis defines entrepreneurial culture as *“the collectively shared set of values, norms, beliefs, and attitudes toward entrepreneurship embedded in a place, which shapes and guides behavior toward recognizing and pursuing opportunities to create new value for society”*.

Entrepreneurial culture is especially influential because cultural patterns are reproduced through socialization [60] and tend to change only gradually over time [65]. In settings where societal attitudes toward entrepreneurship are hostile and entrepreneurial ecosystems are weak, entrepreneurs face not only the conventional challenges of venture creation but also poorly coordinated institutions, limited access to support mechanisms, and a lack of shared platforms for guidance and finance aid. Under these conditions, collective resistance to entrepreneurship tends to push entrepreneurial activity toward necessity-driven forms, which typically generate limited employment and exhibit high rates of early failure [52]. Even when formal institutional reforms are introduced, deeply embedded social beliefs may continue to discourage entrepreneurial initiative. In this sense, culture may become a stronger barrier than many formal constraints, as it undermines perceived feasibility, legitimacy, and motivation [52]. If entrepreneurship is understood as a set of behaviors, then cultural practices, that is, socially shared ways of thinking and acting, become a key determinant of whether and how entrepreneurial action develops.

As an outcome of the literature review on entrepreneurial conducive culture, the thesis groups the factors most frequently identified as fostering or inhibiting such a culture into five categories: (I) *social norms and attitudes toward risk and failure*; (II) *social perceptions and the legitimacy of entrepreneurship, including status, recognition, and the desirability of entrepreneurial careers*; (III) *local narratives, role models, and success stories*; (IV) *social capital and close relational support*; and (V) *gender and inclusivity in entrepreneurship*. Across the literature, many of the conditions associated with a conducive entrepreneurial culture are closely linked to the presence of visible local examples of growth-oriented entrepreneurship.

Building on this literature, the thesis identifies a mutually reinforcing relationship between entrepreneurial culture and growth-oriented firms. On the one hand, a socio-cultural environment legitimizes growth-oriented entrepreneurship and facilitates the emergence of such firms. On the other hand, the presence of growth-oriented firms contributes to shaping and reinforcing a more conducive entrepreneurial culture. From this perspective, the thesis conceptualizes the *“Co-Evolution Paradox between Entrepreneurial Culture and Growth-Oriented Firms”*: *without an entrepreneurial culture, growth-oriented firms are unlikely to emerge; yet without growth-oriented firms, entrepreneurial culture may struggle to develop in the first place*. Entrepreneurial ecosystems may therefore become trapped in a self-reinforcing loop in which weak institutions, especially weak entrepreneurial culture, limit the emergence of growth-oriented entrepreneurship, while the absence of growth-oriented entrepreneurship prevents the development of a more supportive entrepreneurial culture.

When institutions fail to provide the minimum conditions required for market functioning and social protection, space opens for actors beyond the state and conventional firms to experiment with socially oriented solutions. In such settings, social enterprises (SEs) represent a particularly relevant organizational form. SEs are hybrid organizations that pursue a social mission while generating social value through business models designed to ensure economic sustainability. They can contribute to both social and economic development because they operate across the institutional boundaries and logics of the private, public, and non-profit sectors, engaging multiple domains and stakeholders. This hybrid nature is especially relevant in weak entrepreneurial ecosystems and developing countries, where SEs are often recognized for adopting creative and innovative approaches to complex social problems and for generating both social and economic effects.

In contexts marked by institutional voids, social entrepreneurs often interpret resource constraints not only as limitations but also as opportunity spaces. In line with Altuntas et al. [115], social entrepreneurship is more likely to arise where socio-economic, cultural, or environmental problems are severe, and government activism is limited. Under such conditions, institutional voids increase unmet needs while also creating room for social innovation through the recombination of available resources and the development of innovative business models. Although both social and commercial entrepreneurs face uncertainty and commit resources during venture creation, social entrepreneurs operating in constrained environments tend to rely more heavily on bootstrapping, bricolage, and informal relationship-based exchanges [110]. At the same time, because they are embedded in social-welfare, commercial, and public-sector logics, SEs may contribute to institutional reconfiguration by reducing formal and informal institutional voids and strengthening supportive institutions [115].

From this perspective, SEs can be interpreted as a possible organizational response to the Co-Evolution Paradox between Entrepreneurial Culture and Growth-Oriented

Firms. A core assumption of the thesis is that the change generated by SEs is gradual, bottom-up, and often not immediately visible in the short term. SEs may therefore represent an underestimated source of incremental transformation through mechanisms such as empowerment, inclusion, and co-creation [85], [95], [100], [121].

However, the same institutional voids that create space for SE action also constrain their long-term viability and capacity to scale [109], [113], [117], [118]. Operating in weak entrepreneurial ecosystems exposes SEs to structural barriers that largely overlap with those faced by conventional firms, including difficulties in launch, limited access to resources, high enforcement and transaction costs, weak services enforcement, and persistent operational frictions. As a result, while these environments create “*open opportunities*”, they also reduce the likelihood of sustained organizational development. This helps explain why SEs, overall, emerge, survive, and especially scale less frequently in contexts where institutional voids are severe. In the absence of a robust and enabling support ecosystem, only the most resilient and adaptive organizations tend to endure, while others stagnate or exit the market. Yet the empirical evidence examined in this thesis indicates that a subset of SEs can survive and scale despite these constraints, producing social and economic benefits and potentially generating broader ecosystem effects.

This makes it necessary to identify which enabling factors are most decisive in allowing SEs to survive and scale in such contexts, and which of these factors may also contribute to weakening or breaking the Co-Evolution Paradox under conditions of structural and institutional constraint. As Uhlaner et al. [118] note, greater attention to entrepreneurial approaches in constrained environments may also generate insights for mainstream innovation and entrepreneurship research. In this direction, the thesis seeks to clarify which organizational and strategic levers enable SEs not only to survive and scale, but also to produce systemic effects on entrepreneurial ecosystem conditions. More specifically, it investigates practices and capabilities that may be transferable or adaptable to other organizational forms, thereby contributing to the reduction of institutional voids and, in turn, to a lower likelihood that the paradox is reproduced over time.

To address these issues, the study is organized into two research phases corresponding to two research questions.

The first phase is theoretical and is based on a Systematic Literature Review. It addresses the first research question (R1), which asks “*which factors enable some SEs to operate, survive, and scale in weak entrepreneurial ecosystems characterized by severe institutional voids, where the Co-Evolution Paradox is likely to arise*”. This phase leads to the development of a theoretical framework that organizes the distinctive enabling factors of SEs into three clusters: (I) *hybridness-related characteristics*, including dual

value proposition, finance, and workforce composition; (II) *change-oriented capabilities*, including bricolage mindset, social innovation, proactiveness, and uncertainty tolerance; and (III) *networking engagement*, including engagement with local actors, non-target stakeholders, and customers/beneficiaries. These factors are identified and organized through three complementary levels of analysis. First, they reflect the structural properties of hybrid organizations, which enable SEs to mobilize multiple institutional logics, resources, and sources of legitimacy. Second, they include change-oriented capabilities, namely the operational and adaptive approaches through which SEs cope with resource scarcity and uncertainty. Third, they capture the relational dimension, namely the networks and forms of engagement that SEs establish with local actors, non-target stakeholders, and beneficiaries/customers in order to address the deficits of trust and legitimacy that commonly characterize contexts marked by institutional voids. Each enabling factor is then examined in depth by unpacking its underlying components.

The second phase is empirical and is based on ethnographic research conducted within the real-life case of Tsara Tsiky, an SE operating in Nosy Be, Madagascar. This phase addresses the second research question (R2): *“Which of the enabling factors identified in the theoretical framework allow SEs to reduce formal and informal institutional voids and, in doing so, weaken (or break) the Co-Evolution Paradox by strengthening the entrepreneurial ecosystem toward a more robust configuration”*. The empirical analysis draws on participant observation, semi-structured interviews, and document analysis.

Before addressing R2 directly, the thesis provides an in-depth contextual analysis of Madagascar and Nosy Be. Drawing primarily on World Bank data [124] and the Global Entrepreneurship Monitor [76], the study shows that the Co-Evolution Paradox is observable both at the national level and, more specifically, within the island ecosystem of Nosy Be. This makes the Tsara Tsiky case particularly suitable for examining how SE action, may contribute to reducing institutional voids and, in turn, mitigating the effects of the Co-Evolution Paradox while strengthening the local entrepreneurial ecosystem.

The empirical phase is structured around a detailed analysis of the distinctive enabling factors, with key findings and implications for scholars and practitioners identified for each dimension. Using Tsara Tsiky as the empirical setting, the analysis shows that these factors may strengthen not only the organization itself but also entrepreneurial culture and the economy beyond the organization, through spillover effects within the entrepreneurial ecosystem of Nosy Be. These effects, however, are conditional. They depend on how the enabling factors are operationalized and on whether the tensions they generate are actively managed rather than allowed to accumulate. In other words, the same mechanisms that support impact, survival, and scaling may also generate

trade-offs that slow growth, constrain organizational learning, or limit spillover effects.

To conclude, the thesis argues that *“SEs can help weaken the Co-Evolution Paradox by reducing institutional voids and building localized capabilities, but only when engagement mechanisms are supported by minimal and explicit governance safeguards, and by a deliberate transition toward local decision-making and leadership”*. The results discussion highlights key tensions that may arise when SEs attempt to reduce institutional voids that must be taken into account by both researchers and practitioners when studying or designing social-impact models in fragile contexts.

The study makes a first theoretical contribution by conceptualizing the Co-Evolution Paradox between Entrepreneurial Culture and Growth-Oriented Firms, a relationship that has not been explicitly theorized in prior literature. It then examines SEs as a potential organizational response in such contexts, and provides a structured contextual analysis of Madagascar and Nosy Be, supported by field observations and secondary data, showing that the paradox is observable at both national and local levels. Finally, identifies a set of Distinctive Social Enterprise Enabling Factors associated with SEs’ ability to survive and scale where the paradox is present. Moreover, based on a two-month field study, the thesis analyzes the Tsara Tsiky case to assess how these enabling factors contribute to reducing institutional voids and weakening the paradox, while also identifying the tensions and trade-offs that can limit their effectiveness. The findings provide grounded evidence on how SEs operate in fragile contexts and offer practical implications for the design and management of social-impact models. The thesis concludes with limitations and directions for future research.

1 Systematic Literature Review

1.1. Entrepreneurship Within and Beyond the Firm

The origin of the word entrepreneurship is derived from the French word "*entreprendre*", which means "*to undertake*", as in undertaking a particular activity. Scholars trace the business use of the term "*entrepreneur*" to the eighteenth-century French economist Richard Cantillon, who in his *Essai "sur la nature du commerce en général"* described entrepreneurs as "*undertakers who engage in market exchange at their own risk in pursuit of profit*" [1].

Entrepreneurship has been examined through multiple disciplinary lenses, economics, management, psychology, and sociology, each grounded in distinct ontological assumptions, resulting in varied conceptualisations. This plurality is amplified by the phenomenon's heterogeneity and historical contingency: entrepreneurial activity takes many forms, generating a proliferation of sub-categories, and what counts as "*entrepreneurship*" today does not necessarily align with earlier meanings. Consequently, the literature has produced numerous facet-specific definitions, blurring conceptual boundaries and complicating theory-building, empirical research, and the comparability of findings. In general, to move beyond single theoretical lenses, the literature highlights two main approaches: (I) developing amalgamated definitions that combine core elements from multiple perspectives (e.g., uncertainty, opportunity recognition, innovation), which often become complex, or (II) retaining established perspectives while organizing them within multi-dimensional frameworks that provide coherence through themes [2].

Table 1 represents clustering influential entrepreneurship's definitions into five recurring themes: *uncertainty, business creation, innovation, opportunity, and value creation*. [3]. More modern definitions across the literature converge around three core dimensions of entrepreneurship: *risk-taking, innovation, and the identification and exploitation of opportunities* [4], [5].

Despite the various definitions given by the literature, entrepreneurship is widely associated with economic growth. Entrepreneurship is conceptualized at the root of economic improvement; thus, the implication that we "*need more of it*" follows naturally [6], and research must understand the conditions that enable entrepreneurial action. Indeed, it is analytically useful to frame it across levels of analysis: at the *micro*

level, it manifests within organizations through intrapreneurial behaviours and processes, while at the *macro level* it emerges from entrepreneurial ecosystems, where institutional, social, and economic conditions shape entrepreneurial activity beyond firm boundaries.

Table 1: Prominent Definitions of Entrepreneurship by Definitional Theme, [3], page 33

Definitional Theme	Definition	Author(s)	Year
Uncertainty	<i>To bear risk in the reselling of agricultural and manufactured produce</i>	Cantillon	1734
	<i>Organization and management of a business undertaking and assuming the risk for the sake of profit</i>	Hull, Bosley and Udell	1980
	<i>The attempt to predict and act upon change within markets</i>	Knight	1921
	<i>Activities necessary to create or carry on an enterprise where not all markets are well established or clearly defined and/or which relevant parts of the production function are not completely known</i>	Leibenstein	1968
	<i>The process by which individuals, either on their own or inside organizations, pursue opportunities without regard to the resources they currently control</i>	Stevenson and Jarillo	1990
Business Creation	<i>Major ownership and management of a business venture without employment elsewhere</i>	Brockhaus	1980
	<i>The creation of new enterprise</i>	Low and MacMillan	1988
	<i>The creation of new organizations</i>	Gartner	1988
	<i>New entry</i>	Lumpkin and Dess	1996
Innovation	<i>Innovative change within markets through the carrying out of new combinations</i>	Schumpeter	1934
Opportunity	<i>Recognizing and acting upon market opportunities</i>	Kirzner	1979
	<i>The discovery, evaluation, and exploitation of opportunities</i>	Shane and Venkataraman	2000
Value Creation	<i>A dialogic between individual and new value creation, within an ongoing process and within an environment that has specific characteristics</i>	Bruyat and Julian	2001
	<i>Creating shared value for others</i>	Lundqvist and Middleton	2016

1.1.1. Entrepreneurship Within the Firm: Understanding Intrapreneurship Through a Behavioral Process Lens

Behavioural school conceptualizes entrepreneurship as a process of *opportunity pursuit* and, accordingly, as a spectrum of activities that can unfold across the stages of an organization's emergence, growth, and transformation, as well as across an

individual's working life. In this view, entrepreneurship is expressed through recognizing and seizing opportunities, innovating, and acting under risk, for instance, by entering untapped markets or developing new products [4]. A key implication is that entrepreneurs need not be business owners: entrepreneurial action may also occur within established organizations through *intrapreneurship*. As discussed by Gedeon [7], definitions that restrict entrepreneurship to venture founding and ownership capture only one entrepreneurial act.

This thesis, therefore, adopts a broader perimeter that *includes intrapreneurship and corporate entrepreneurship* as entrepreneurial phenomena. Within ongoing firms, intrapreneurs act as opportunistic innovators who introduce new products, services, processes, or distribution methods, often through team-based creative problem solving, thereby supporting organizational renewal. Importantly, intrapreneurship is treated here as a *specific organizational manifestation* of entrepreneurship, not as a substitute for the broader concept. In this light, the traits school is not adopted as a defining approach to entrepreneurship. Although it conceptualizes entrepreneurship through relatively stable individual characteristics (e.g., need for achievement, locus of control, leadership, and risk-taking), it has been widely criticized because entrepreneurs are highly heterogeneous and no universal trait set reliably characterizes successful entrepreneurs [4], [7]. Accordingly, traits are treated here as contextual influences: for example, founders' characteristics and goals, together with their socio-cultural environment, may shape organizational features, performance, and strategic priorities.

To delineate the scope of this research, this thesis adopts *a behavioral definition of entrepreneurship* and builds its conceptual framework around *three key papers* rooted in the behavioral school. This choice reflects a growing consensus that conceptualizing entrepreneurship as behavior is both a fruitful and necessary direction for research.

1)“*Entrepreneurship refers primarily to an economic function that is carried out by individuals, entrepreneurs, acting independently or within organizations, to perceive and create new opportunities and to introduce their ideas into the market, under uncertainty, by making decisions about location, product design, resource use, institutions, and reward systems. The entrepreneurial activity and the entrepreneurial ventures are influenced by the socioeconomic environment and result ultimately in economic growth and human welfare*”[2].

This definition spans multiple dimensions and supports analysis across several levels, from individuals and teams to ventures and firms, up to the macroeconomic level. Entrepreneurial activity at each level is shaped by the *socio-economic environment*, including institutions, norms and culture, access to finance, knowledge creation, public policy, industry clusters, and geography, factors that this thesis addresses through *the entrepreneurial ecosystem lens*. Accordingly, entrepreneurship research can

be viewed as a system embedded in, and interacting with, the wider economic system, combining attention to opportunity exploration (discovery/creation and related behaviours) and exploitation (venture formation and its economic impacts). Moreover, this definition is consistent with the evolution of the dynamic theory of profit: it treats *value creation* not only as *economic growth* but also as *human welfare*. In this tradition, profit is interpreted as the monetary expression of value created under conditions of change (innovation, speculation, or opportunity recognition), while later scholarship shifts from profit as the defining criterion to value creation as the core mechanism of entrepreneurship, thereby extending entrepreneurial action across organizational forms (including non-profits, universities, and governments) and paving the way for “*social entrepreneurship*”[7].

2) entrepreneurship as: “*the act of generating and developing an idea for validation*” [3].

Prince et al., [3] propose a deliberately parsimonious definition of entrepreneurship by isolating what is shared across all entrepreneurial acts and define entrepreneurship as *the behavioural act*, which shifts the focus away from outcomes (e.g., growth, profitability) or trait-based checklists and toward participation in the core activity itself.

First, *idea generation* refers to the entrepreneurial entity creating its own cognitive, non-material idea, closely related to opportunity, whether that opportunity is discovered (pre-existing in the environment) or constructed (created through the entity’s action). Crucially, because the entity originates the idea, it also bears the *uncertainty* associated with the idea’s suitability and potential failure (not merely the execution risk of implementing someone else’s instructions).

Second, *idea development* is the active process of shaping that idea into potential solutions and/or a plan; this development can unfold through *effectuation* (working within available means), *causation* (acquiring means to reach a predefined end), or a combination, and it is inherently dynamic because the entity, the idea, and the environment co-evolve through interaction. Within this change process, *learning* is embedded throughout (across cognitive, behavioural, and sociological dimensions) and is influenced by the entity’s prior experiences and skills. Prince et al. [3] also emphasise that *emotions* are integral to initiation, persistence, team dynamics, and sensemaking during development.

Third, *validation* grounds entrepreneurship in contemporary views of value creation for others: it is the realisation of an idea’s worth through market uptake, i.e., idea-market fit, specifically when the “*pioneering early majority*” adopts the artefact that manifests the idea. Importantly, validation is the organising lens that guides decisions during generation and development, yet the definition is intentionally agnostic to performance: actions may be taken in pursuit of validation without implying success

or optimality. Finally, the conceptual model draws a sharp boundary: once validation is achieved, entrepreneurship ends and the subsequent activity becomes management, because scaling and mass-market adoption require a different repertoire focused on optimising means–end relationships rather than creating and validating them.

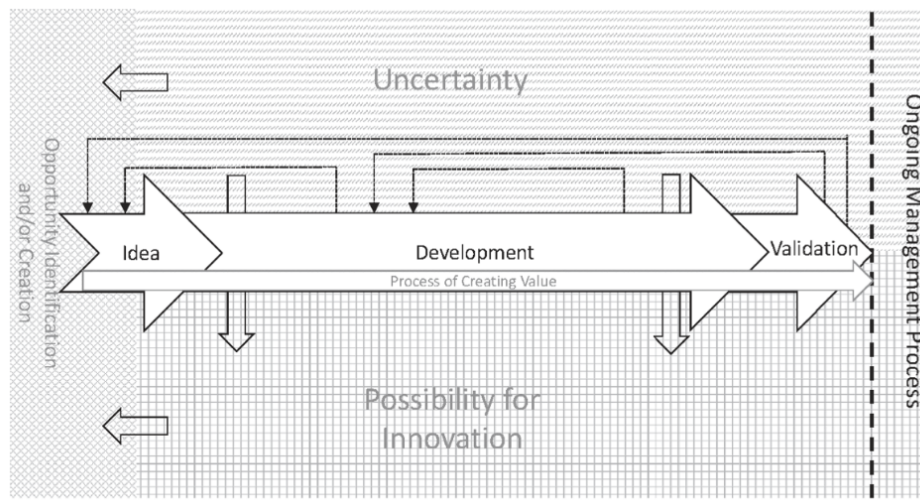


Figure 1: The Entrepreneurial Act: from “Idea” to “Development” to “Validation”, [3], page 38

In this conceptualisation, *entrepreneurship inherently involves innovation*, but without any requirement that it be ‘*high-impact*’: novelty may lie in the idea, in the development process, or in both, without stipulating the quality or the quantity of innovation involved [3]. Entrepreneurship as “*opportunity identification*” should not be equated solely with “*profitable opportunities*” in the narrow financial sense; while many opportunities involve economic returns, others are oriented toward *social or environmental value*, and making profit-seeking a necessary criterion would therefore exclude relevant forms of entrepreneurship. The entrepreneurial act unfolds under pervasive *uncertainty*, distinct from calculable risk, because validation is never guaranteed and no universally optimal path can ensure it. *Value creation* is treated as the potential by-product of this process, materialising to the extent that the idea’s artefact achieves validation (i.e., acceptance), across one or many economic and non-economic value domains (economic, social, etc.).

In Figure 1, there is the visual conceptualization of the model: the solid arrows are not intended to imply a linear, deterministic sequence; rather, entrepreneurship is represented as *dynamic and iterative*, with dashed arrows indicating that the entrepreneurial entity may loop back to earlier stages as circumstances or strategic choices require. Figure 1 also makes explicit that *value creation is an inseparable by-product of the process, materialising upon the validation of the idea*. Finally, the model visually foregrounds two pervasive conditions: *uncertainty*, which permeates not only the entrepreneurial process but also the surrounding opportunity space, and the

continuous possibility for innovation, which remains present throughout all stages rather than being confined to any single phase [3].

- 3) *“Entrepreneurship is a process by which individuals, either on their own or inside an organization, pursue opportunities without regard to the resources they currently control”* [6].

Stevenson and Jarillo [6], organised entrepreneurship into three complementary research streams: *what happens*, *why it happens*, and *how it happens*, each highlighting a different unit of analysis and set of theoretical concerns.

The *“what happens when entrepreneurs act”* stream focuses on the results of entrepreneurial action, rather than on the entrepreneur as an individual or on the action itself. It therefore abstracts from the person to analyse the process through which entrepreneurial activities affect the economic environment and recognises the entrepreneurial function as a driver of economic improvement. In doing so, it frames entrepreneurship as extending beyond small business creation and helps legitimate the notion of corporate entrepreneurship [6].

The *“why entrepreneurs act”* stream focuses on the individual entrepreneur as its primary unit of analysis, exploring how their backgrounds, goals, values, and motivations are shaped by interactions with environmental characteristics and, in turn, shape entrepreneurial behavior [6]. Research ranges from psychological studies, such as Brockhaus [8] work on locus of control and risk propensity, to sociological explanations, such as McClelland’s [9] theory that periods of high economic and social growth reflect a widespread *“need for achievement”*. This *“environment as motivator”* perspective has been influential in generating detailed explanations of how contextual conditions shape entrepreneurial motivation and informing public policy debates. At the same time, it has been criticized for the difficulty in establishing causal links between sociological traits and complex entrepreneurial outcomes, and is treated as a correlate or antecedent [10]. Overall, the stream underscores that entrepreneurship is enacted by individuals whose characteristics matter (personality, background, skills, etc.), and that environmental conditions vary in how conducive they are to opportunity exploitation, including the pursuit of market inefficiencies and new venture success.

Third, the *“how entrepreneurs act”* stream focuses on entrepreneurial management, examining the practices entrepreneurs use to achieve their goals. It adopts a practical, normative approach to identify predictors of new venture performance, linking outcomes to the entrepreneur’s background, strategic choices, and environmental conditions [6]. This research is particularly relevant for business schools, as it aims to improve entrepreneurial practice, which is out of the scope of the thesis, which will focus on *“what happens if entrepreneurs act”* and *“why entrepreneurs act”*.

“*Opportunity*” is defined as a future situation perceived as both desirable and feasible. It varies across individuals and over time, as desires change with one's position and future expectations, while perceived capabilities, shaped by skills, training, and the competitive context, are subjective [6]. Entrepreneurship is framed behaviorally as the willingness to pursue opportunities that require resources beyond those currently controlled; in other words, entrepreneurs “*find a way*”. This behavioral, situational definition aligns with the common experience that the level of entrepreneurship often varies across an individual's life or different activities at a given time. It treats entrepreneurship as a process that can fluctuate within the same person across contexts, emphasizing learnable, experience-based problem-solving skills rather than fixed traits, focusing on practice.

This definition offers insights into a crucial issue: *how to foster entrepreneurship by learning the nature of the entrepreneurial process*. In this perspective, Stevenson and Jarillo [6] derived six propositions that specify how corporate entrepreneurship (or intrapreneurship) emerges and can be fostered within established firms, by modifying their definition as “*an entrepreneurial organization is that which pursues opportunity, regardless of resources currently controlled*” (*Proposition 1*). Within established firms, the authors [6] argue that entrepreneurial behavior cannot be generated simply by aligning organizational direction with top managers' preferences. Because an opportunity is, by definition, “*beyond the firm's current activities*”, it is difficult for senior leaders to “*force*” its pursuit through conventional planning and control systems, or through typical managerial mechanisms such as pre-specifying task goals. As a result, initiative must emerge from below. Consequently, the level of entrepreneurship in a firm depends critically on the attitudes of employees beneath top management (*Proposition 2*), whose perceptions of “*personal*” opportunities may diverge from what counts as opportunity for the firm. Entrepreneurial behavior is therefore expected to increase when organizations design roles that enable opportunity detection, develop employees' ability to recognize opportunities (e.g., by cultivating generalists), and reward such behavior (*Proposition 3*). Motivation is central: individuals will not pursue opportunities they do not want to pursue, and acting without adequate resources is exceptional and hard to mandate. For this reason, firms may be more effective at reducing deterrents than at trying to intensify inducements. In particular, firms that make a conscious effort to lessen the negative consequences of failure when opportunity is pursued will exhibit a higher degree of entrepreneurial behavior. Provided that entrepreneurs enjoy an acceptable status within the firm, the treatment of failure appears to be a critical component of the motivation required to pursue opportunities (*Proposition 4*). Beyond detection and willingness, the process also depends on employees' subjective confidence that opportunities can be successfully exploited. Thus, not only success rates but also the overall volume of entrepreneurial behavior (i.e., how many initiatives are actually launched) should vary with perceived ability to exploit opportunities, underlining the importance of investing in managerial and technical capability from the beginning (*Proposition 5*). Finally, firms can further

enable corporate entrepreneurship by facilitating informal internal and external networks and by allowing the gradual allocation and sharing of resources (*Proposition 6*).

Stevenson and Jarillo [6], conclude with: *“Without an environment that fosters the detection of opportunities, no entrepreneurship will emerge. Equally, the motivation to pursue opportunity, and its facilitation, influence the final outcome... Detection of the opportunity, willingness to pursue it, and confidence and the possibilities of succeeding are key components in the process and reinforce each other ... this points out the need for an entrepreneurial culture...”*

To summarize and to delineate the scope of this research, this thesis adopts a *behavioral definition* of entrepreneurship and builds its conceptual framework around three key papers rooted in the behavioral school. Together, they converge on entrepreneurship as *opportunity-oriented action under uncertainty*, carried out by individuals *either independently or within established organizations*, and shaped by the *socio-economic environment*, with *value creation understood in a broad sense that can extend beyond profit to welfare* [2]. This view is refined by defining the entrepreneurial act as *“generating and developing an idea for validation”*, emphasizing iteration, learning, and market uptake as the boundary between entrepreneurship and subsequent managerial scaling [3], and by framing entrepreneurship as *“pursuing opportunities regardless of resources currently controlled”*, which highlights the roles of motivation, confidence, and organizational conditions in enabling intrapreneurial initiative [6]. Accordingly, entrepreneurship is not reduced to venture creation or stable personal traits, but treated as a learnable, practice-based process that varies across contexts and over time. While corporate entrepreneurship research shows that *intrapreneurship* can be fostered through roles, incentives, learning mechanisms, informal networks, and tolerance for failure, since initiative must largely emerge from below, its central implication is contextual: *“Without an environment that fosters the detection of opportunities, no entrepreneurship will emerge”* [6]. Crucially, this environment is both *internal* and *external* to the firm; therefore, the thesis adopts the *entrepreneurial ecosystem lens* to examine how institutions, culture, networks, and resource endowments shape which opportunities are visible, legitimate, and feasible, motivating the focus on *entrepreneurial culture* as a key unit of analysis.

1.1.2. Entrepreneurship beyond the firm: the Entrepreneurial Ecosystem

Defining Entrepreneurial Ecosystem through Local Embeddedness

As discussed in the previous paragraph, this thesis adopts a behavioral process perspective on entrepreneurship and argues that it is shaped not only by the *internal corporate environment* but also by the *external context* in which firms operate, here framed through the entrepreneurial ecosystem.

An *Entrepreneurial Ecosystem (EE)* can be defined as “a set of interdependent actors and factors coordinated in such a way that they enable productive entrepreneurship within a particular territory” [11] or by removing the qualifier “productive” and giving more a mechanism-oriented definition, as “set of interconnected entrepreneurial actors, entrepreneurial organizations, institutions and entrepreneurial processes which formally and informally coalesce to connect, mediate and govern the performance within the local entrepreneurial environment” [12]. Clearly, the dynamic and systemic nature of the concept encompasses multiple actors, institutions, and processes.

Isenberg [13], one of the most influential authors in the Entrepreneurial Ecosystem theory, frames entrepreneurship (as ambitious, high-growth venturing), as the *outcome of a holistic configuration of mutually reinforcing elements*. He argues that ecosystem components interact in complex, context-specific ways, generating unique local configurations. Individual elements may be helpful in isolation, but are typically insufficient to sustain entrepreneurship on their own. Consistent with this systemic view, the ecosystem perspective frames entrepreneurship as emerging from the interaction of multiple interdependent *factors* (conducive culture, enabling policies and leadership, access to finance, human capital, and supportive institutions, as shown in Figure 2) and *actors* (Figure 3). The emphasis is on local and regional conditions that generate and sustain ambitious entrepreneurship, and on the idea that each territory requires its own ecosystem because elements combine and function differently across contexts [13].

Isenberg [13] articulates the ecosystem domains primarily as a practitioner and policy-oriented framework, illustrating them through examples and prescriptive principles (summarised in Appendix A.1). He also highlights common policy “*mistakes*”, arguing that many initiatives fail because they intervene in only one or two elements rather than addressing the system as a whole. Among these principles, Isenberg emphasises the importance of *local conditions*. Indeed, a region should cultivate its own entrepreneurial ecosystem by building on its existing assets and constraints and by fostering forms of entrepreneurial growth that are credible and sustainable within its specific context, instead of attempting to replicate a historically exceptional case such as Silicon Valley. Entrepreneurial ecosystem strategies should be shaped around local resources, geography, and culture, fostering homegrown pathways to entrepreneurship rather than importing one-size-fits-all models, especially because entrepreneurial drive often emerges precisely from scarcity, which forces people to invent solutions [13].

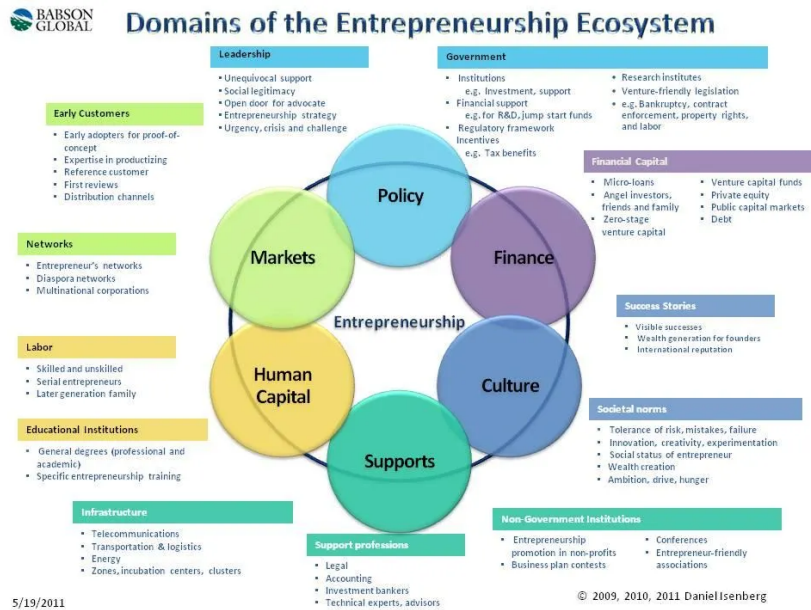


Figure 2: Factor of the Entrepreneurship Ecosystem, [14], page 62

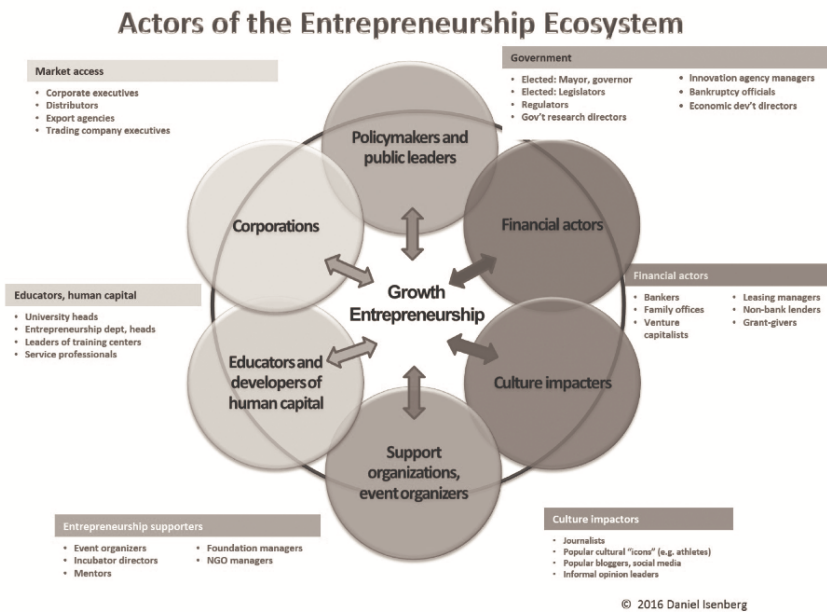


Figure 3: Actors of the Entrepreneurship Ecosystem, [14], page 63

Building on this premise, this thesis adopts the *entrepreneurial ecosystem lens* to analyze how place-based conditions foster or hinder entrepreneurship, with a particular focus on the cultural element.

To summarize, the process is *inherently place-based*, requiring *sustained time, effort, and resources*, along with *iterative experimentation and learning*, until a *viable, context-specific configuration of elements gradually emerges* [13]. Each ecosystem is *unique*, shaped by *distinctive characteristics* within its place, relationships, and social context, and consists

of a *diverse set of actors* and an *evolving network of flows and relationships* that *change over time*.

Isenberg, later on, also warns against a common misuse of the ecosystem metaphor, the “*creation mistake*”, arguing that ecosystems are not simply built or centrally designed. Rather, they are *self-organizing* and potentially *self-sustaining systems* that can be influenced, facilitated, or in some cases restored, but not straightforwardly “*created*” unless they are expected to evolve beyond external intention and control [15].

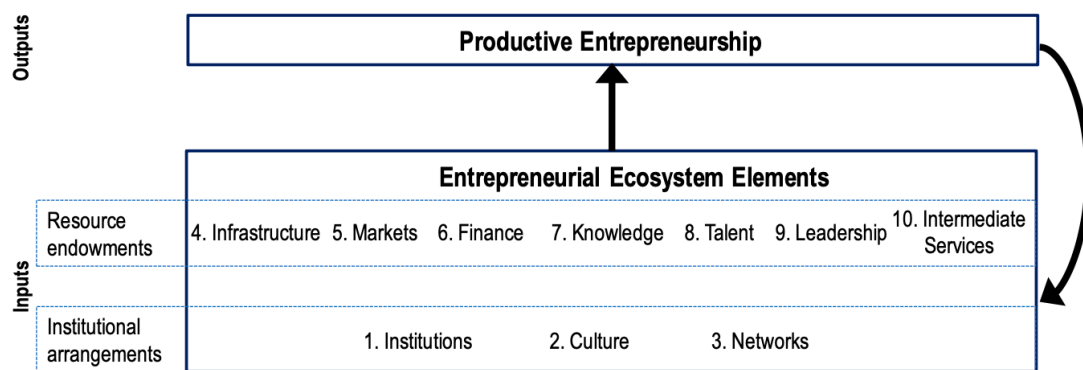
Since Isenberg lacks a detailed description of each domain, this thesis turns to the *OECD’s entrepreneurial ecosystem framework* [16]. Developed by the OECD, an international organization that supports policy analysis through comparable data across countries and regions, this approach is diagnostic, grounded in standardized definitions and indicators, and enhances cross-country comparability, transparency, and replicability.

Essential Components of the Entrepreneurial Ecosystem: An OECD Perspective

The *OECD’s Entrepreneurial Ecosystem Diagnostics* [16] provides a robust framework based on the premise that entrepreneurship arises from configurations of interdependent elements and outputs that can either reinforce or constrain overall performance, conceptualized as *productive entrepreneurship*. The framework treats the ecosystem as a territory-specific system, with the selection and definition of interdependent elements (described as inputs and shown in Figure 4), grounded in empirical research, supported by evidence on individual input-output relationships. Those elements are linked to productive entrepreneurship (output) and measured through specific indicators.

Positioned as a descriptive diagnostic (not causal) tool, the framework assembles comparable data for deeper analysis of interdependencies over time in ecosystems that differ across places. It helps identify local enablers and constraints, guiding the development of policy recommendations and action plans. By highlighting bottlenecks (weak links that can limit entrepreneurial outcomes) that may constrain other elements, it directly or indirectly reduces the risk of focusing on a single lever and expecting ecosystem-wide change. Designed for comparability across member countries, it combines structured indicators and qualitative evidence, explicitly linking analysis to prioritized recommendations and action plans tailored to local conditions.

Conceptual visualisation of the elements and interactions driving entrepreneurship in an entrepreneurial ecosystem



Source: Adapted from (Stam and van de Ven, 2021^[4])

Figure 4: The OECD Entrepreneurial Ecosystem Conceptual Framework, [16], page 16

The OECD [16] defines “*productive entrepreneurship*” as an *entrepreneurial activity that contributes to innovation, productivity growth, or employment growth, ranging from high-growth scale-ups to employer enterprise start-ups*. Although primarily applied to innovation-driven start-up and scale-up ecosystems, it is used in this thesis as a systemic typology to describe the *external conditions elements that enable or constrain entrepreneurship*.

The model identifies two types of ecosystem elements influencing productive entrepreneurship:

- *Institutional arrangements*, which are broad, cross-cutting enabling conditions affecting how actors are motivated by entrepreneurship and how stakeholders interact.
- *Resource endowments*, which are specific assets and services determining ecosystem success.

Below is the description of each element of the OECD [16] entrepreneurial ecosystem framework, used in this thesis to define the most common elements of the entrepreneurial ecosystem

- *Institutions*: This element captures the formal institutional environment, business regulation, administrative system, regulatory structure, and taxation levels that shape how easy it is to start, operate, and grow a business. It reduces uncertainty for long-term investment and sets the incentives that influence whether entrepreneurial effort is channelled into productive activities or not. In the OECD diagnostic, institutions are measured through four indicators: control of corruption, rule of law (justice system effectiveness, crime, property rights), product market regulation

(red tape and the extent to which policies promote or hinder competition), and taxation rates.

- *Culture.* Entrepreneurial culture is an informal institution that reflects how entrepreneurship is perceived in society. A cultural context that values entrepreneurs influences the aspirations of people and their willingness to try to become entrepreneurs. Trust is a critical component of “social capital” and matters for measurable economic performance. Societies where people trust others tend to have greater economic interactions and investments, hence favouring productive entrepreneurship. The culture element measures the extent to which people in the country tend to have a propensity to entrepreneurship and the extent to which a country’s social norms, values, and customs reward entrepreneurial efforts. These cultural and value systems can play an important role in boosting or holding back entrepreneurship. In the OECD diagnostic, culture element is measured through three indicators: the share of adults who consider entrepreneurship as a desirable career choice, the share of adults who believe that successful entrepreneurs attain a high social status, and the share of adults who believe that most people can be trusted.
- *Networks.* Networks facilitate the circulation of information and labour, enabling firms to access talent, finance, and knowledge. This element captures the extent to which organisations can use collaborations with other firms and stakeholders to obtain information, technology, support and funding, build partnerships, and reach customers and/or suppliers. In the OECD diagnostic, the network element is measured through two indicators: the extent to which SMEs (*Small and Medium-sized Enterprises*) collaborate with each other on innovation, and the extent to which firms collaborate with universities on R&D.
- *Infrastructure.* Digital and physical connectivity are essential for entrepreneurs to reach markets, exchange information, trade, and interact with other organisations. This element captures how effectively transport and telecommunications enable people to connect, supporting the diffusion of ideas and technologies and the delivery of goods and services. In the OECD diagnostic, the infrastructure element is measured through three indicators: fixed telecommunications usage (subscriptions), mobile data consumption (kilobytes per subscription per month), and the overall quality of transport infrastructure.
- *Markets.* Access to competitive markets and strong domestic and international consumer and business demand increases the likelihood that organisations can expand their business; moreover, in expanding economies, firm entry rates tend to increase. In the OECD diagnostic, the

market element is measured through two indicators: Total GDP (expressed in purchasing power parity terms) captures the size of the domestic market in terms of both consumer demand and business-to-business demand, while the Trade Facilitation Index measures access to foreign markets.

- *Finance.* Capital constraints can limit investment in the creation and growth of start-ups and scale-ups, making access to credit and venture capital particularly important. Finance is widely cited as a major challenge for entrepreneurs because newly created firms often lack collateral, credibility, and a track record to obtain bank lending or equity funding, especially at the pre-seed stage. Constraints may also persist later, when scaling requires substantial investment that cannot be covered with available funds. In the OECD diagnostic, the finance element is measured through four indicators: seed-stage venture capital investments per capita, later-stage venture capital investments per capita, SME loans stock per capita, and factoring contract value per capita.
- *Knowledge.* This element refers to the availability of a substantial knowledge base that entrepreneurs can leverage through start-ups and scale-ups to translate ideas and research outcomes into innovative commercial products and services. Deep technological know-how enables the possibility of recombination of existing knowledge in novel ways, while scientific discoveries, often generated in universities and corporations, create new business opportunities through their commercialisation potential. In the OECD diagnostic, the knowledge elements is measured through four indicators: R&D expenditure (as a share of GDP), patents (per capita), and GitHub software uploads (per thousand people).
- *Talent.* Human capital and talent provide the knowledge, know-how, and capabilities needed to create and develop start-ups and scale-ups. This includes talented and mobile entrepreneurs, as well as skilled workers with competencies that support growth (entrepreneurial skills and technical skills) available in the domestic labour market and accessible to scaling firms. In the OECD diagnostic, the talent element is measured through four indicators: a measure of perceived entrepreneurial capabilities (the percentage of adults who believe they have the skills necessary to start a business), two measures of average person education level and quality (mean years of schooling, and OECD PISA scores) and one proxy measure of digital skills (internet users as a share of total population).
- *Leadership:* Leadership refers to the presence of actors who can provide ecosystem-level leadership by building a shared vision among public, private, and non-profit stakeholders on how to develop the ecosystem. It also encompasses the role of public-private partnerships and collective

action organisations in catalysing entrepreneurial ecosystem development. Ecosystem leadership may be driven by highly visible and influential serial entrepreneurs. Founders of start-ups and scale-ups can benefit from engaging with former entrepreneurs who help refine business ideas and facilitate connections to key stakeholders, including investors. These experts can often take on the role of mentors, and their leadership is highly regarded by entrepreneurs. They can also be a source of inspiration for aspiring entrepreneurs, and the presence of these leaders can sometimes make the difference between successful and unsuccessful ventures. In the OECD diagnostic, the leadership element is measured through one indicator: the number of serial entrepreneurs active in a country expressed in total count. This number does not need to increase linearly with the total population for a country to have a sufficient leadership base. Also, it can be argued that countries where a critical mass of leaders is present may be better positioned to foster inspirational leadership

- *Intermediate Services.* The availability of intermediate business services (such as legal support, accountancy, and consultancy) can reduce barriers to entry for entrepreneurs by helping them focus their efforts and strengthening capabilities such as marketing, pitching, network building, and connections with investors and customers, thereby supporting new projects and innovative ideas. In the OECD diagnostic, the intermediate services element is measured through three indicators: the number of active incubators and accelerators (per million population), the absolute number of available coaches or mentors (which does not need to increase linearly with population), and the share of technical employees in total employment, used as a proxy for the availability of technical-domain experts.

Entrepreneurship as a Self-Reinforcing Process: Spillover Feedback Loops and Entrepreneurial Recycling

Overall, the Entrepreneurial Ecosystem's main outcome of researchers' interest is *productive entrepreneurship*, meaning forms of venturing and innovation with greater potential to create value, whose effects can extend to broader economic and welfare outcomes at the territorial level [11], [17].

Crucially, the ecosystem perspective is not just a checklist of elements and actors; it focuses on how they are connected and configured, and on the governance and coordination mechanisms through which resources flow, information spreads, legitimacy is established, and opportunities become visible and actionable [13], [18]. Connected to this, a positive effects of productive entrepreneurship is the so-called *entrepreneurial recycling*, which will be further elaborated upon below. Entrepreneurial

ecosystems are *inherently dynamic* and *evolutionary*: they develop through *feedback loops* and *path dependence*, potentially generating “*self-reinforcing virtuous cycles*” or persistent “*weak ecosystem*” equilibria over time [17], [18].

Spillovers are positive feedback effects (as shown in Figure 5) that can reach a tipping point, making entrepreneurship relatively *self-generating* and *self-sustaining*, particularly when it concentrates in geographic or sectoral clusters that create knowledge spillovers and when multiple stakeholders are able to capture value [19].

An important note is that, although Entrepreneurial Ecosystems (EEs) and clusters share several features and are closely related, they are not the same concept; they entail distinct conceptual differences, which are outlined in Appendix A.2 through evidence drawn from three academic papers. As entrepreneurship gains visibility, it becomes more socially legitimate, specialized support organizations and institutions emerge (e.g., investors, accelerators, professional services), and public authorities increasingly recognize its economic and social value. In some cases, governments respond by engaging with entrepreneurs and initiating reforms. This dynamic strengthens the ecosystem, which in turn facilitates the creation of additional ventures, illustrating the cumulative logic that “*success breeds success*”. Consequently, when *public resources are scarce, prioritizing support for high-aspiration, high-potential entrepreneurship may produce broader benefits for the local economy*, with small businesses and related activity emerging as downstream spillovers [19].

A major driver of spillovers comes from the actions of successful entrepreneurs in what is called *entrepreneurial recycling*. Those who have exited by selling their firms, as well as those who have stepped back from daily operations, often look to reinvest the proceeds of their success in new high-potential ventures, backing young companies and offering practical, hands-on guidance [20]. Many continue to engage in venture creation and ecosystem building even after achieving financial security, motivated by challenge, status, and intrinsic satisfaction. As a result, they often reinvest time, expertise, and capital as angel investors, mentors, business advisors, venture capitalists, and board members, delamakers, and non-executive directors, thereby recycling knowledge and resources back into the system [19]. *Serial entrepreneurs* in particular play a pivotal role within economies as venturing tends to confer positive spillovers from one venture into subsequent ones, even when their initial ventures perform poorly [21].

Successful entrepreneurs contribute to ecosystem legitimacy by acting as public advocates, role models, and educators, and by lobbying for institutional reform. At a sufficient scale, these activities can shape a region’s long-term entrepreneurial trajectory [21]. This dynamic is largely local: when ventures succeed, they often reinvest capital in the local economy, creating a reinforcing cycle in which success fuels further venturing through cumulative entrepreneurship and the transfer of

entrepreneurial learning within the ecosystem [21]. Interactions among entrepreneurs not only provide inspiration and role models for the next generation, but also translate into direct support through prosocial behaviour and formal mentoring.

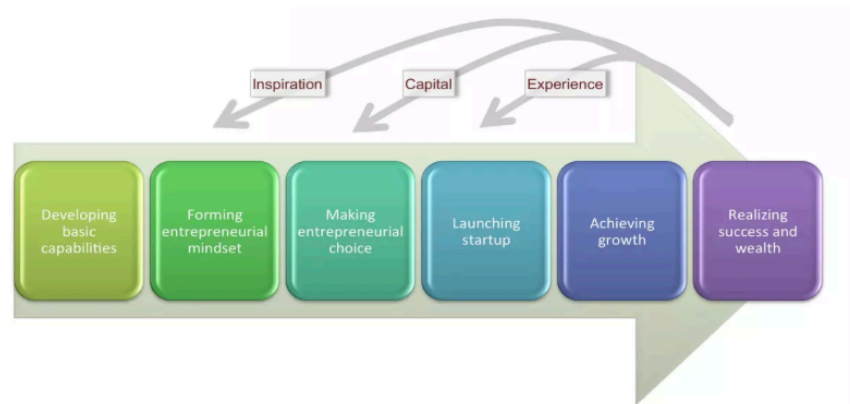


Figure 5: Entrepreneurship as a Self-Reinforcing Process: Stages and Spillover Feedback Loops [19], page 4

Successful entrepreneurship can therefore strengthen multiple ecosystem domains: it upgrades human capital through experiential learning, normalizes risk-taking and tolerance for failure, and generates credible success stories that attract new entrants. It can also stimulate the development of formal capital markets, support improved regulation and governance, and foster clusters that enhance regional competitiveness. In some cases, the cumulative effects of entrepreneurship extend further, influencing broader political-economic arrangements. Finally, spillovers may include improvements in quality of life, social innovation, and increased philanthropy, as high-wealth entrepreneurs allocate resources to charitable initiatives and social enterprises. One purpose of creating demonstration effects is to increase the likelihood that stakeholders will spontaneously and increasingly make growth-enhancing investments, and encourage others to invest in ways that strengthen regional entrepreneurship, without relying on centrally coordinated or imposed efforts [12], [19].

Isenberg [13] argues that entrepreneurship policy in emerging economies should actively enable entrepreneurial recycling, as mentioned before, by concentrating scarce public resources on *high-potential, growth-oriented* ventures rather than dispersing support across many micro ventures, because high-potential firms generate stronger spillovers, wealth creation, capability upgrading, and regional reputation effects. He also stresses the importance of creating and amplifying an early, highly *visible success* to reduce perceived risk, inspire imitation, and help catalyze institutional reforms. Finally, he maintains that governments and media should tackle *cultural change* directly by reducing stigma around failure and elevating entrepreneurs as respected role models, making entrepreneurship socially desirable and widely discussed. Isenberg's reasoning is further detailed in Appendix A.1.

Briefly, in this section, it has been shown that entrepreneurship can become a *cumulative, self-perpetuating dynamic over time, reinforced by entrepreneurial recycling* as a catalyst for further entrepreneurial activity. These *spillover effects* can shape the broader *entrepreneurship ecosystem*, potentially producing *self-reinforcing virtuous cycles* or, conversely, *persistent weak ecosystem equilibria over time*.

Major Criticisms on the Conceptualisation of Entrepreneurial Ecosystems (EE)

The concept of the entrepreneurial ecosystem is used *inconsistently* and *still lacks a shared, precise definition*, while research provides only *limited* and *insufficiently rigorous explanations of how ecosystems emerge, evolve, and become successful*.

Part of the ambiguity concerns *scope*: ecosystems are sometimes framed geographically, as place-based phenomena, and other times non-geographically, as innovation networks organized around platforms or technologies.

Although the approach promises a systemic interpretation of *growth-oriented entrepreneurship*, its rapid uptake has often overlooked *ecosystem heterogeneity, generating definitional ambiguity, theoretical limitations, and measurement challenges*. In particular, many studies rely on data-driven proxies and composite indices that privilege inputs over outcomes (e.g., high-growth firms and growth ambition), thereby reinforcing a start-up bias. Indeed, both research and policy frequently default to a “*start-up monoculture*” focused on entry, high-tech ventures, and university spin-offs, even though high start-up rates do not necessarily translate into dynamic economies. Yet entrepreneurial ecosystems also include incumbents, universities, the public sector, financial markets, and other supporting actors; overlooking incumbents, in particular, ignores their role in producing spillovers and feedback loops that enable scaling. This heterogeneity makes “*one-size-fits-all policies*” inappropriate and instead calls for *context-specific interventions* that strengthen scale-up capacity and systemic capabilities [12]. EEs’ research primarily focuses on *high-quality, growth-oriented entrepreneurship* rather than *entrepreneurship in general*, while also acknowledging *intrapreneurship* within established firms as part of the ecosystem dynamics [11].

Alvedalen and Boschma [22] conceptualize some limitations that are summarized below.

- 1) *Lack of a clear causal framework (causes vs. effects) and Weak Network Operationalization*

Literature has primarily produced long lists of factors that enhance entrepreneurship. The problem is that these elements are often framed as interdependent within a “*complex ecosystem*”, implicitly suggesting that “*everything influences everything*”, which

makes it nearly impossible to distinguish and identify the causes from effects. Moreover, the EE framework is frequently described as “*systemic*” or “*network-based, which consists of many interacting elements with highly complex relationships*”, paying limited attention to how they are actually connected and which ties matter most by treating all elements as equally important. What is missing is a *network lens* that explains why some ecosystems develop vital connections while others do not, by examining how networks connect and overlap, what different overlap levels imply for performance, and which actors function as boundary spanners. Recent research suggests ecosystems perform best with an *intermediate level of proximity*: enough for coordination and trust, but not so dense that redundant ties create lock-in and reduce novelty [22]. Evidence also points to *hybrid structures*, such as a cohesive core with a loose periphery [23] and a balance between open-specialized and closed-diverse ties [24] as particularly effective for knowledge circulation and new venture success.

2) *Too many single-case studies and too little comparison/multi-scalarity*

Many studies are place-based, but they lack a *multi-scalar perspective* that focuses on the relative importance of non-local versus local linkages: how much do local versus global (e.g., by analyzing the role of multinational corporations) linkages matter? What role do connections between ecosystems play?

3) *Unclear which institutions matter the most and at what scale*

The literature does not clearly specify *which types of institutions* (formal vs. informal) *shape entrepreneurial ecosystems*, or how their *influence varies across spatial scales* (local, regional, national, global). Research, therefore, calls for greater clarity on who drives institutional change and why outcomes differ across regions, specifically, which conditions enable legitimacy-building and collective action for radical entrepreneurship, and how power and vested interests can block change [25]. Overall, there is still a lack of a solid understanding of whether some places offer better opportunities than others to overcome institutional resistance and develop into dynamic sustainability transitions, a theme further discussed in this thesis throughout the analysis of institutional voids.

4) *Often a static perspective, with limited attention to evolution over time*

Many studies still take a “*snapshot*” view of entrepreneurial ecosystems, implicitly treating them as *static* and *homogeneous*. Yet EEs are *dynamic*: over time, elements shift in importance, and the structure and strength of connections evolve. This static framing also overlooks that ecosystems often include *multiple entrepreneurship communities* with distinct practices, histories, needs, and constraints. As a result, policymakers may default to one-size-fits-all interventions within the same geographic area, whereas effective policy requires a finer-grained understanding of these

communities, their interactions, and how to extract actionable insights from complex ecosystem data [26]

From an evolutionary standpoint, scholars discuss *life-cycle dynamics* (birth–growth–sustainment–decline) and mechanisms such as *spin-offs* and *entrepreneurial recycling*, but a key gap remains: even when evolution is discussed, an *explicit network dimension is often underdeveloped*, raising the question of *which elements and connections matter at each stage* and what *drives transitions between stages* [27]; [11].

In answering this criticism, Mack and Mayer [27] offer an initial, stylized evolutionary model of EE dynamics over time, consistent with the “*spillover feedback loops*” mentioned in the previous paragraph. In their model, the *birth phase* features few visible entrepreneurs, a risk-averse culture, little financial capital, and the emergence of support organizations. In the *growth phase*, key elements develop toward entrepreneurship: markets expand nationally and globally, networks become denser, visible entrepreneurs act as role models and strengthen culture, and support becomes more specialized. The *sustainment phase* follows, marked by a sharp decline in serial entrepreneurs (who shift toward employment), more difficult access to venture capital, and a reduced entrepreneurial focus in education and support elements. The final *decline phase* sees markets, networks, financial capital, and support organizations shrink or disappear; the EE either ends or restarts a new cycle. They also highlight how the role of policy changes across these stages.

Mason and Brown [12] propose a different evolutionary model in which the process begins with a *region’s attractiveness*, due to assets such as a strong technological knowledge base (large firms, education, and research organizations), that draw government research funding. These organizations generate and attract human capital and entrepreneurs. Venture capital is not an initial condition; it tends to follow once successful entrepreneurial activity emerges. Next, EE growth depends on *spin-offs*, where existing firms generate new waves of ventures, creating a self-sustaining critical mass of firms; only then support organizations and venture capital develop and become attracted to the region. At this point, *entrepreneurial recycling* occurs as successful entrepreneurs found more firms and act as financiers and mentors, while failed firms release resources that can be reallocated. In this framework, even well-functioning EEs may be disrupted by exogenous or endogenous shocks. Overall, the model offers clues about how subsequent phases unfold, but it still lacks an explicit network dimension.

As highlighted by this critical review, the entrepreneurial ecosystem (EE) literature still struggles to explain *how ecosystems emerge in the first place*, creating a classic “*chicken-and-egg*” problem. Indeed, Isenberg [13] argues that ecosystems are not “*created*” from scratch; rather, they develop over time through the growing interconnection of existing elements. While frameworks often describe EEs as

“systemic”, they frequently lack a clear causal logic and a rigorous account of how elements connect and reinforce one another.

Building on this, the thesis advances a core puzzle: *if ecosystems are supposed to “develop” through interconnected elements, why do some places generate stronger growth dynamics than others, even when they appear to start from broadly similar baseline conditions?*

The thesis draws on McClelland’s [9] psychological, cultural argument that long-term economic development cannot be explained only through *economic variables* (capital, resources, policies). Instead, it depends crucially on *socially shared motives and values*, especially the *achievement motive*, i.e., the drive to perform well, improve, and take personal responsibility. This perspective suggests that *cultural and psychological values* may be *foundational in triggering and sustaining the very elements that later appear as an “ecosystem”*.

As mentioned before, what most EE studies ultimately treat as the main output of these interconnections is growth-oriented entrepreneurship. *But what happens if the interconnections among elements are weak to promote entrepreneurship?* At the same time, the literature remains unclear about which institutions matter most, at what spatial scale, and who drives institutional change, especially in contexts characterized by *institutional voids*. In line with the argument that EEs research often treats ecosystem components as equally important, in this thesis, the focus is on the *entrepreneurial conducive culture* as a key ecosystem element to explain institutional change and regional differences in legitimacy-building and collective action for radical entrepreneurship under conditions of institutional weakness.

Before addressing these mechanisms directly, the thesis first examines *what happens when ecosystems are weak and do not generate growth-oriented entrepreneurship* (which this thesis defines as *opportunity-driven* as opposed to *necessity-driven*), and what this *implies structurally in terms of which types of firms and entrepreneurial forms are more likely to emerge*.

1.2. Weak Ecosystems and Institutional Voids: The Role of Informal Institutions in Developing Countries

The concept of entrepreneurial ecosystems has gained considerable attention over the past decade among practitioners, policymakers, and researchers. However, to date, research on entrepreneurial ecosystems has been largely atheoretical and static, and it has focused mostly on *advanced economies*, such as Europe and North America [28]. In contrast, in this section, we explore the entrepreneurial ecosystem (EE) concept in the context of *developing countries*.

1.2.1. Overview of Entrepreneurship in Developing Countries

Developing countries are generally defined as nations with *lower levels of industrialization, lower standards of living, slower economic growth* (including business trade and nascent capital markets), and *lower GDP/per capita* compared to advanced economies. Many developing economies depend on a narrow range of primary-commodity or agricultural exports, which increases vulnerability to global price swings, constrains diversification, and can contribute to a “*resource curse*” dynamic. They typically face weak technical and social infrastructure, a lower Human Development Index, and often rely more on agriculture and natural resources than on diversified industry and commerce. Common challenges include poverty, unemployment and underemployment, population growth, limited access to services such as health care and education, and varying degrees of political and institutional stability, which contribute to a reduced quality of life [29], [30], [31].

Other commonly used terms to describe this group include *Least-Developed Countries, Third World Countries, or Nonindustrialized Countries*, to categorize countries with low levels of economic growth and inadequate technical and social infrastructure

Least Developed Countries (LDCs) are identified by the United Nations Department of Economic and Social Affairs Committee for Development Policy (CDP) using three official criteria: *GNI per capita*, the *Human Assets Index (HAI)*, and the *Economic and Environmental Vulnerability Index (EVI)* [32]. In the 2024 triennial review, the graduation thresholds are GNI per capita \geq USD 1,306, HAI \geq 66, and EVI \leq 32, to flag countries whose structural constraints to development have eased [32].

From Colonial Legacies to Industrialization Strategies

Post-independence development policies in many developing countries did not emerge in an institutional vacuum, but were strongly shaped by *colonial legacies*: colonial economies were organized around resource extraction and primary production for export, governed through extensive administrative control and mercantilist instruments, regulations, monopolies, taxation, and licensing systems that restricted competition and limited local private initiative [33].

Many of these structures persisted after independence due to institutional inertia and political incentives, leaving behind “*heavy*” states and weakly competitive markets. In this context, *import substitution industrialization (ISI)* became a core strategy, aiming to replace manufactured imports with domestic production through the protection of “*infant industries*” through massive public intervention. In this context, ISI relied on a dense set of state controls (tariffs, quantitative restrictions, import licensing, and

foreign-exchange rationing) often combined with overvalued exchange rates. These distortions weakened price signals and competitive pressure, allowing inefficient firms to survive behind protection. Because access to imports, foreign currency, and production permits was allocated through the state, ISI also expanded bureaucratic discretion, generating delays and bottlenecks and creating fertile ground for corruption and rent-seeking [33].

As the limits of ISI became evident, many countries shifted toward *export promotion* and *outward orientation*. Greater openness is generally associated with faster growth, but only when supported by coherent, complementary policies and adequate domestic capabilities. Indeed, in practice, outcomes were often constrained by factors such as protectionism by the developed-country markets, high transport costs, political instability, and gaps in skills and productive capacity [33].

This is why *foreign firms* and *FDI* are often presented as part of the solution of the export-oriented strategy: they can help relax domestic constraints by bringing capital, technology, access to markets, and managerial know-how. However, these benefits materialize only when local actors can absorb and adapt them. The focus, therefore, shifts to *human capital* and *capability building*, since sustained growth depends not just on exporting more, but on upgrading and diversifying into a wider and more complex set of goods through continuous learning, innovation, or imitation [33].

Entrepreneurship in developing countries

Gutterman [33] argues that, in developing countries, it is essential to clarify what “*entrepreneurship*” means. In particular, entrepreneurship is often treated as synonymous with *small and medium enterprises (SMEs)*; Fafchamps [34] notes that market intermediation in Africa involves many very “*petty capitalists*”, small businesses with few employees that rely heavily on the owner’s and family labor, which can include a wide spectrum of entrepreneurs, underscoring the importance of the *informal sector as a source of economic activity*. By contrast, in developed economies, scholars propose a distinct concept of entrepreneurship: although small business and entrepreneurship overlap, they are not the same, *since entrepreneurial firms can start at any size but consistently focus on growth*, and entrepreneurs pursue profit through innovative combinations of resources [35]. However, in low- and middle-income countries, *micro-entrepreneurship is a quantitatively massive phenomenon*: a large share of workers are self-employed, typically running firms with no employees or fewer than five, where “*entrepreneur*” often refers not to scalable start-ups but to broad, *necessity-driven self-employment* [36]. For this reason, SMEs and entrepreneurship matter, but the small business sector includes both Schumpeterian innovators and people who simply run a business to make a living, echoing the classic distinction between *opportunity and survival/necessity entrepreneurs* [33].

However, since most firms in developing countries are small, informal, and family-based, this paper argues that entrepreneurship is better distinguished not by *firm size*, but by the *willingness and intent to grow*.

Formal and Informal entrepreneurship in developing economies

Firms from developed economies, where the legal system and business governance practices are stable and advanced, face a very different institutional context when operating in developing economies, where *formal institutions* are *weak* or *underdeveloped*.

Many developing economies show high levels of entrepreneurial activity but still lag in development. While the quantity of entrepreneurship may remain stable, the key issue for development is how a *society's institutional context shapes the productivity of these activities*. One way to differentiate productive entrepreneurial activities is by how legal and legitimate they are, meaning whether they align with both *formal* and *informal societal norms* [37].

Formal entrepreneurship refers to activities that adhere to legal and regulatory standards, creating value through job creation and improving the quality of life, depending on the relative productivity achieved by its activity. These entrepreneurs comply with various regulations (tax, environmental, and labor laws) and contribute to economic development by generating revenues with fewer negative externalities.

In contrast, *informal entrepreneurship* involves activities that are illegal but still widely accepted within society. These businesses may involve legal products or services but operate outside formal regulations, such as avoiding taxes, licenses, or labor laws, as well as workers who do not receive legally mandated benefits or are paid below the minimum wage [38]. In this sense, informal activity can be understood as a “*process of income generation*” that is “*unregulated by the institutions of society, in a legal and social environment in which similar activities are regulated*” [39].

A defining feature of developing economies is that *informal entrepreneurship accounts for a significant portion of GDP and employment*, often driven by *heavy regulation and taxation* in the formal sector [39].

While informality may represent a rational response to heavy regulation and taxation, it can *erode the tax base, delay investment in infrastructure and education, and reduce allocative efficiency*, particularly where formal contract enforcement is weak. As a result, *formal and informal firms operate under markedly different constraints*. Formal firms bear regulatory costs (notably profit and payroll taxes, often high because governments rely on a narrow tax base) but gain access to public goods such as enforceable contracts and credible legal status, which allow access to resources, operating more openly, securing

a broader choice of contracts, using property rights enforcement, accessing formal capital and labor markets. *Informal firms*, by contrast, can avoid many taxes and regulations, yet their lack of legal identity, reliable accounts, and clear asset titles makes contracting and collateralization difficult, severely limiting external finance: bank lending is negligible, and informal credit is typically small, short-term, and expensive [40].

As a result, *informal production is typically more labor-intensive, self-financed, and carried out at a much smaller scale than formal production*; the link between scale and formality is so strong that many studies treat *small size* as a *proxy for informality*, despite the simplification. For this reason, informality is closely associated with *lower levels of development* and *weaker institutions*. This pattern helps explain why small firms represent a disproportionately large share of employment in developing countries, as a response to the heavier regulatory and tax burden borne by larger, formal firms [39].

Governments, therefore, mix enforcement with incentives, such as subsidies or tax breaks for registration and compliant accounting. Yet these interventions frequently achieve only limited outcomes. Modern models suggest that policies centered solely on expanding formal employment, prioritizing the improvement of formal institutions, are unlikely to generate large welfare gains, whereas poverty reduction depends more on *human-capital investment* and *broad pro-growth strategies* that raise outcomes across the workforce, making *informality* modeled directly relevant for policy design in developing economies [39].

Informal firms are small, and small firms are often capital-constrained. For instance, in Indonesia, MSMEs are a backbone of the economy but remain financially constrained due to complex procedures, transaction costs, information gaps, and banks' view of them as "*unbankable*", which makes microfinance a potential tool to reduce financial exclusion and support competitiveness [41]. However In Bangladesh, development actors found that many microfinance programs systematically missed the "*ultra-poor*", especially women. Rigid loan designs (tight repayment schedules and compulsory savings) and group-based screening discouraged or excluded those seen as too risky, while extreme asset poverty, poor health, low skills, and social marginalization, reinforced by patron–client power relations and restrictive gender norms, kept them outside market participation. As a result, microfinance was not the "*most powerful tool*" for the poorest of the poor, but often bypassed them altogether [42]. Indeed, Randomized Controlled Trial (RCT) evidence shows that microcredit and grants (cash or in-kind) are not a universal "*miracle*": take-up is often low and average impacts on profits are limited, with benefits concentrated among a subset of higher-performing enterprises [36].

Thus, in areas with high levels of *informal work*, people may be *pushed toward less productive entrepreneurship*. This happens when they perceive reasonable gains from

informal activities and believe they can avoid legal risks. People choose occupations based on real or perceived *gains* and *losses*, balancing financial and social trade-offs. While some prefer the autonomy and flexibility of entrepreneurship, others seek stability in formal jobs. However, many areas lack sufficient formal employment options or opportunities for formal entrepreneurship [38].

Moreover, *employee characteristics differ sharply across the formal and informal sectors*: formal workers are typically more educated, older, and earn more than informal workers, and higher formal-sector wages are therefore partly consistent with differences in experience and education [39].

To summarize, *informal entrepreneurship includes activities that are arguably less productive and even unproductive in some cases, with respect to formal entrepreneurship, given their countervailing effects on society*. However, proponents of the informal economy highlight its potential to benefit individuals excluded from formal jobs by providing access to economic opportunities and products to markets underserved by the formal sector. Despite their lower productivity, *informal economy activities create a buffer that engages individuals otherwise excluded from the formal economy* [38].

1.2.2. Formal and Informal Institutional Voids: the Role of Culture

The entrepreneurial ecosystem consists of interconnected factors that influence how easily startups and businesses can be created, grow, and thrive. Lawrence [43] argues that in developing markets, this ecosystem and entrepreneurial expansion are often *hindered by barriers* (shown in Table 2) such as financial constraints, regulatory bottlenecks, bureaucratic inefficiencies (often worsened by corruption), talent shortages, brain drain, and economic instability, all of which hinder business sustainability and scalability.

Table 2: Challenges and Barriers to Entrepreneurial Growth in Developing Countries

Developed by the author of this thesis, drawing on Lawrence's work [43]

Roles	Key Areas	Challenges in Emerging Markets	Policy Recommendations
<i>Government Policies and Regulations:</i> Encourage business creation, reduce bureaucratic barriers, and provide financial and infrastructural support.	<i>Ease of Doing Business</i> (registration, licensing, and taxation), <i>Legal Frameworks and Intellectual Property Protection</i> (contract enforcement, legal protections); <i>Tax Policies and Incentives</i> (lower corporate taxes, tax holidays, and R&D incentives), <i>Public-Private Partnerships and Funding Programs</i> (grants, incubators, and accelerators, Collaboration with banks, universities, and VC).	<i>Bureaucratic Hurdles and Regulatory Barriers: Bureaucratic inefficiencies</i> (Lengthy business registration and complex tax); Corruption and political instability (create uncertainty for entrepreneurs); <i>Weak enforcement of contracts</i> (Restrictive Labor and Trade Policies).	<i>Simplify regulations and beurocracy</i> , improve transparency by strenghtening anti-corruption measure, and create incentives for startup through <i>business-friendly policies</i> , adopting e-government solutions.

<p><i>Access to Finance and Venture Capital:</i> Crucial for entrepreneurs to start, grow, and scale</p>	<p><i>Traditional Banking and Microfinance</i> (credit and loans), <i>Venture Capital and Angel Investment</i>, <i>Crowdfunding and Alternative Financing</i>, <i>Government and Developmental Support</i></p>	<p><i>Limited access to funding and Financial Constraints:</i> Lack of investor confidence (High failure rates, currency instability, inflation and political risks deter private investment.); <i>Limited financial literacy</i> (Entrepreneurs often lack knowledge of funding options.)</p>	<p>Governments should develop VC-friendly regulations, encourage angel investment, funds, grants, and expand alternative financing models such as <i>microfinance</i> and <i>alternative lending options</i> (peer-to-peer lending, crowdfunding).</p>
<p><i>Digital Transformation and Technology Adoption:</i> enhances productivity, reduces costs, and democratizes business opportunities.</p>	<p><i>E-commerce and Digital Marketplaces</i> (sell products beyond their local markets), <i>intech and Digital Payments</i>, <i>AI and Automation</i> (data driven decisions, reduce costs), <i>Remote Work and Digital Skills</i> (freelancing and online entrepreneurship.)</p>	<p><i>Limited digital adoption:</i> Limited internet access (increase costs hinder technology adoption.); <i>Cybersecurity concerns</i> (exposes businesses to fraud and hacking); <i>Regulatory uncertainty</i> (difficult to keep up with fast-evolving tech trends.)</p>	<p>Policymakers should invest in digital infrastructure, promote e-commerce, and support tech-based startups.</p>
<p><i>Human Capital and Entrepreneurial Education:</i> Improve technical skills, business acumen, leadership, and creativity.</p>	<p><i>Formal Education and Business Schools</i> (University), <i>Vocational Training and Skill Development</i> (market relative skills), <i>Mentorship and Business Incubators</i>, <i>Youth and Women Entrepreneurship Initiatives</i> (reduce unemployment and inequality)</p>	<p><i>Lack of Skilled Workforce and Talent Retention:</i> Skill Gaps and Inadequate Education Systems; <i>Limited funding for research and innovation</i>; <i>Brain drain</i> (Skilled professionals migrate to developed countries for better opportunities); <i>High Employee Turnover</i>; <i>Little practical business training and mentorship.</i></p>	<p>Governments should prioritize entrepreneurial education, mentorship, and lifelong learning initiatives such as trainings. aligned with industry needs. Create incentives to retain local talent (competitive wages, clear career growth); Establish entrepreneurship development programs and incubators.</p>
<p>Economic stability and Market Volatility</p>	<p><i>Predictable economic environments</i> characterized by <i>currency fluctuations</i>, <i>inflation</i>, and <i>political stability.</i></p>	<p><i>Unpredictable economic environments:</i> <i>Inflation and Currency Devaluation</i> (increase operational costs, making imported materials and international expansion more expensive); <i>Fluctuating Consumer Demand</i> (economic downturns lead to reduced consumer spending); <i>Political and Policy Uncertainty</i> (create business uncertainty with risk of abrupt regulatory changes); <i>Access to Infrastructure and Supply Chain Disruptions</i> (increases business costs and delays operations, impact product availability)</p>	<p><i>Strengthening economic policies</i> that support business stability and investor confidence; <i>Developing infrastructure projects</i> to improve connectivity and supply chains; <i>Encouraging economic diversification</i> to reduce reliance on volatile industries.</p>

A weak entrepreneurial system in emerging markets can be explained through the *Institutional Theory* [44], which argues that entrepreneurship is shaped by the “rules of the game” in a given context, including both *formal institutions* (laws, regulations) and *informal institutions* (norms, values). In many developing economies, these constraints are amplified by *institutional voids (IVs)*, weak or missing institutions that generate corruption, bureaucracy, and limited access to finance, creating barriers to firm creation and growth. However, IVs sometimes push entrepreneurs toward *alternative solutions* such as microfinance, crowdfunding, or informal lending networks (friends,

family, community groups) due to limited access to traditional financial institutions [45].

“Formal institutions are the codified laws, rules, and regulatory systems that prescribe what is socially acceptable. They shape behavior by creating explicit incentives and constraints, and they provide structure through supporting mechanisms such as regulatory bodies, capital and labor markets, and core infrastructure (e.g., communications, utilities, and transportation)” [38].

“Informal institutions, by contrast, consist of a society’s norms, values, and shared beliefs that determine what is considered legitimate” [38].

Compared with formal institutions, informal institutions operate as more tacit constraints embedded in *“codes of conduct, norms of behavior, and conventions”*. By influencing behavioral expectations, informal institutions increase predictability in social interactions and, in turn, shape the choices and actions of individuals and organizations. In economic exchange, informal institutions serve to govern transactions among individuals within society, and they can manifest in supporting apparatuses (i.e., monitoring and enforcement groups, informal lending and insurance providers, resource-sharing arrangements) that both incentivize and constrain specific behaviors [44], [46].

Well-established market-supporting institutions are essential for businesses to thrive, while underdeveloped institutions create *“institutional voids”* that hinder firms' success. To conceptualize informal and formal institutional voids, this thesis adopts the framework proposed by *Webb et al.* [38] as it directly aligns with and precisely captures the analytical focus guiding this study (shown in Table 3).

Formal Institutional Voids

Doh et al. [46] define *formal institutional voids* as *“the absence or inefficiency of market-supporting institutions needed to facilitate transactions, or the poor functioning of specialists required to connect buyers and sellers”*.

Formal institutional voids occur when a government's political, economic, and legal systems fail to provide basic governance, property rights protection, infrastructure, or rule of law. When formal institutions are unable to provide these systems, transactional and operational costs increase, inhibiting market creation and effective functioning. These underdeveloped institutions, which cause economic inefficiency, influence firms' resource commitments in foreign markets. Moreover, Institutional voids are not only a constraint for businesses but also drive highly skilled human capital towards better institutional contexts, creating opportunities and competitive

advantages for firms and economies in foreign markets [47]. These voids highlight the levels of institutional support necessary for societal development.

In summary, when core *formal institutions are fragile*, inconsistently enforced, or missing altogether, they *impede efficient exchange and day-to-day operations, thereby generating formal institutional voids*. By contrast, stable and effective formal institutions are more capable of enabling and sustaining entrepreneurial activity. In less developed localities, such voids can stem from ambiguous property rights, inadequate infrastructure, restrictive bankruptcy frameworks, and limited capital-market access, conditions that constrain entrepreneurs' ability to capture value, weaken incentives to invest, and increase operating costs [38]. While formal institutions are frequently assessed at the national level, their quality often varies markedly *within the same country* due to uneven enforcement capacity and regional infrastructure gaps. Moreover, although typically discussed in relation to developing settings, formal institutional voids may also be present in *advanced economies*, for instance, in geographically isolated rural areas [38]. Since both formal and informal institutions can be analyzed at localized levels, the combined and interactive effects of institutional voids influence the nature of entrepreneurial activity in those areas [48].

Informal Institutional Voids

Webb et al. [38], define *informal institutional voids* as “*the inability of norms, values, and beliefs and their localized representations to facilitate stable, efficient, and effective transactions and enterprise processes that contribute to the development of productive markets.*”

Importantly, this definition does not imply that societies lack norms, values, or beliefs in general; rather, it points to contexts in which the specific informal institutions needed to support effective market transactions are absent, suppressed, or only weakly expressed, insufficient to foster development.

Informal institutional voids arise when relational mechanisms, access to factor and product markets, and avenues for securing investment are unfairly restricted, distorted, or denied to certain individuals, thereby preventing transactions from being stable, efficient, and effective. Because informal institutions are locally embedded, they can vary substantially across places: long-standing isolation and limited formal institutional presence can produce distinct local norms and beliefs, and even when formal institutions improve, informal conventions often persist over time.

A related concept, *institutional deficiencies*, suggests that when rule-based markets fail due to institutional weaknesses, informal, relationship-based activities fill the gap. Scholars often describe informal institutions as “*safety nets*” that can substitute for formal institutional voids. However, the concept of informal institutional voids helps

us understand situations where informal institutions cannot effectively substitute for formal voids [38].

Table 3: Definitions and Representative Types of Formal and Informal Institutional Voids, [38], page 510

	Formal institutional voids	Informal institutional voids
DEINSTITUTIONS	<p>A lack of or a failure of formal institutions (i.e., laws, regulations, infrastructures, and supporting apparatuses) to support efficient and effective market transactions</p> <p>Access to water and electricity that is either unreliable or absent</p> <p>Limited or absent financial market institutions, undermining individuals' and firms' efforts to access capital</p>	<p>A lack of or a failure of informal institutions (i.e., norms, values, beliefs, and corresponding localized supporting apparatuses) to support efficient and effective market transactions</p> <p>Norms, values, and beliefs underpinning caste-based, apartheid-based, or patriarchal systems that exclude certain groups of individuals from participating in economic transactions or place these individuals at severe market disadvantages</p> <p>Beliefs that allow elites (e.g., chiefs, traditional elites, clan leaders) to leverage their recognized power to misallocate resources that satisfy their own personal utilities rather than supporting efforts that further community development</p>
REPRESENTATIVE	<p>Limited educational institutions that lead to labor markets with unskilled and ill-prepared employees</p> <p>Ambiguous and/or poorly monitored and enforced laws and regulations that facilitate opportunistic behaviors</p> <p>Undeveloped transportation and communication infrastructures that limit the ability to operate across geographic regions</p>	<p>Norms, values, and beliefs born from family, religion, tradition, and other social considerations that overly constrain the productive use of resources</p> <p>A general lack of trust in society that limits individuals' willingness to take relational and investment risks</p> <p>Coordinative mechanisms that fail to support efficient market transactions due to (I) restrictive social obligations placed upon individuals, and (2) the limited capacity of these mechanisms due to being highly localized, deeply embedded and, hence, un-diversified</p>

The framework proposed by Webb et al. [38] identifies five recurring forms: (I) *social exclusion/marginalization* (e.g., gender, caste, ethnicity) that restricts access to property, credit, networks, and education; (II) *social legitimized believes* which allows elite capture of resources, diverts resources toward private interests rather than local development; (III) *resistant norms* and *cultural logics* (religion, family, tradition) that hinder innovation or encourage inefficient uses of resources; (IV) *relational barriers* and *distrust in society* (also fueled by opportunism/corruption/violence) that increase safeguarding costs and reduce cooperation, social cohesion and investment; (V) *ineffective informal coordination mechanisms* that fail to support efficient market transactions (informal lending/insurance, community enforcement, resource-sharing) that can (a) tie people

to obligations toward the local community and prevent them from seizing opportunities outside the territory; or (b) break down when shocks hit everyone at once (wars, epidemics, disasters) because they cannot withstand the pressure. In both cases (a or b), entrepreneurs and communities remain more exposed and vulnerable.

Institutional Voids and Entrepreneurship Objectives

Webb et al. [38] argue that the potential for economic development is shaped by the *severity* of both formal and informal institutional voids, which create different institutional scenarios: *mutualistic* (e.g., low severity in both formal and informal voids), *substituting* (e.g., when one of the voids is severe but not the other), or *exacerbating* (e.g., when both formal and informal voids are severe).

In regions with strong formal institutions (such as monitoring and enforcement mechanisms, capital markets, and property rights), businesses experience enhanced operational and transactional efficiency, leading to consistent expectations across different localities. This consistency boosts entrepreneurs' confidence in the availability of opportunities and a clear path for growth-oriented ventures. On the other hand, areas with formal institutional voids face operational inefficiencies and greater uncertainty, placing the burden of creating the necessary infrastructure on individual entrepreneurs. The high costs associated with privately developing such infrastructure, especially beyond local boundaries, discourage growth-focused entrepreneurs and reduce their investment willingness. In environments with *severe formal institutional voids*, the increased risk and uncertainty make it harder for entrepreneurs to pursue *growth objectives*, often shifting their focus to *subsistence or lifestyle entrepreneurship* [38].

Formal institutional voids can also create *opportunities*: they may leave unoccupied niches that new ventures can target, and incumbents can yield high returns where formal institutions are weak for entry. However, these opportunities rarely spread evenly; firms with stronger networks and reputations tend to benefit more [49]. In practice, formal voids may open doors, but without supportive informal institutions that legitimize and enable entrepreneurial action, those doors often lead nowhere.

The severity of informal institutional voids greatly influences entrepreneurs' goals. In regions with strong informal institutions, entrepreneurship flourishes as local mechanisms throughout informal lending, insurance, and communal property rights provide access to resources for small, localized ventures. However, these mechanisms are *less effective at supporting growth-focused activities*. As informal institutional voids become more pronounced, entrepreneurs tend to shift from lifestyle-focused to *subsistence-based objectives* due to increased uncertainty and transaction inefficiencies caused by factors such as violence, power imbalances, and a lack of trust, which hinder access to

resources and markets. In these environments, entrepreneurs often face higher labor intensity, decreased investment in productive assets, and unpredictable transactions, prompting them to pursue low-risk, minimal-return activities to avoid potential losses. The *fear of falling into chronic poverty*, pushes them towards *basic ventures* rather than *higher-risk, growth-oriented opportunities*. Furthermore, *discriminatory practices*, such as gender bias, worsen these challenges by restricting access to resources and pushing marginalized groups, like women, into subsistence entrepreneurship. These institutional voids also prevent individuals from engaging in efficient transactions, even hindering the pursuit of lifestyle goals [38].

In summarizing their findings, Webb et al., [38] propose the following: “*Formal and informal institutional voids interact such that: (i) the proportion of entrepreneurship with growth objectives is higher in contexts of robust formal and informal institutions; (ii) the proportion of entrepreneurship with lifestyle objectives is higher in contexts of robust formal institutions but with informal institutional voids; (iii) the proportion of entrepreneurship with lifestyle objectives is higher in contexts of formal institutional voids but with robust informal institutions; (iv) the proportion of entrepreneurship with subsistence objectives is higher in contexts having both severe formal and informal institutional voids.*”

Indeed, *no society has perfectly robust institutions*, and even well-developed economies face some institutional voids, especially in rural areas. Entrepreneurs strategically navigate these institutional contexts, leveraging formal or informal institutions based on their needs. In contexts with *minimal institutional voids*, entrepreneurs rely more on *formal institutions*, as they offer equity, efficiency, and protection. In contrast, in settings with *more voids*, *informal institutions can compensate* by providing access to resources and supporting entrepreneurial activities. When *both formal and informal voids exist*, entrepreneurs face greater challenges, with increased exposure to exploitation and limited options, which can lead to more *destructive forms of entrepreneurship* shifting toward *necessity-driven entrepreneurship*. Therefore, the *severity of formal and informal institutional voids shapes which forms of productive entrepreneurship emerge in a society and the objectives those ventures pursue* [38].

The Importance of Culture as an Informal Institution

The Previous paragraphs showed how Literature has explored how formal and informal institutions influence both the quantity and the type of entrepreneurial activity. However, a key critique emerging from this research is that these studies often focus on analyzing “*one institutional lever at a time*”, overlooking the reality that actors operate in polycontextual environments, where multiple institutions, both formal and informal, coexist and sometimes conflict. In practice, laws and policies do not function in isolation but interact with local social norms, beliefs, and values, creating contexts that are not always coherent. The article by Eesley [49] addresses this dynamic by suggesting that *when formal and informal institutions are in conflict, businesses, especially*

new and vulnerable ones, tend to conform first to informal norms rather than formal rules (as shown in Figure 6).

This tendency is explained through three main mechanisms. First, with “*normative misalignment*” and “*decoupling*”: when formal rules are not supported by widespread cultural norms or understandings, organizations may deem compliance with the law as either unfeasible or not worthwhile, leading them to adopt symbolic behaviors that appear compliant but are not genuinely aligned with the formal rules. Second, *social sanctions* for violating local norms are often more immediate, certain, and geographically proximate compared to formal sanctions, which require lengthy bureaucratic processes. This proximity makes it more likely that an entrepreneur will adhere to local social expectations rather than formal laws, as the consequences of noncompliance are more tangible and immediate. Finally, *when formal law enforcement is weak or inconsistent, incentives to follow the law diminish*. In these cases, businesses rely more heavily on informal norms, which are typically more robust in terms of local enforcement [49].

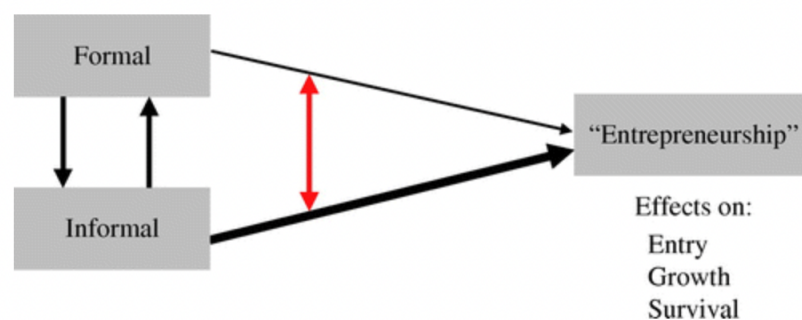


Figure 6: Institutional Misalignment and the Dominance of Informal Enforcement in Entrepreneurial Behavior, [49], page 397

The interaction between these two dimensions, formal and informal, leads to the conclusion that *when formal and informal institutions are misaligned, the informal will have a greater influence on entrepreneurial activity, thus exerting a greater influence on entrepreneurial behavior*. This influence is not limited to the *entry stage* but also affects *survival* and *growth*. New businesses must navigate the expectations of both formal institutions and informal norms, and their choice of which set of institutions to conform to can have significant consequences for their access to resources, market support, and business strategies [49].

Companies operating in environments where formal and informal institutions are aligned tend to benefit from greater coherence in policies and social norms, facilitating both market entry and growth. In contrast, when there is misalignment between formal and informal institutions, businesses must choose which set of institutions to conform to, negatively impacting their ability to attract resources and sustain healthy

expansion. This mechanism is essential for understanding the challenges faced by businesses in contexts where laws are not fully supported by social and cultural norms and where resources for compliance with the law are limited or inconsistent.

Misalignment between these two dimensions can lead to unexpected outcomes, where *informality* not only *dominates individual and organizational behaviors* but also *shapes the nature of entrepreneurship in a given economic context*.

Thus, through this analysis, we expect that in the case of institutional voids, particularly informal institutional voids, *a society's norms, values, and belief systems define the codes for socially acceptable behaviors, which have a primary influence on entrepreneurial activity within a community or region*. Of course, simply implementing and cultivating an entrepreneurial culture is not a sufficient condition for higher entrepreneurial activities in entrepreneurial ecosystems, but it is treated as a major contributing factor [28].

1.3. Entrepreneurial Conductive Culture

As it has been shown in the previous paragraphs, well-functioning ecosystems are characterized by dense networks among entrepreneurs, investors, advisors, and other key actors, grounded in long-term trust and supported by a local culture that encourages networking and connection-building [50].

Whereas new firm formation has traditionally been examined through a resource-based lens, more recent research has redirected attention to the behavioural, social, and cultural foundations of entrepreneurship [11]. Sankaran Venkataraman [51] argues that the one dimension still *underemphasized* in the entrepreneurial ecosystem (EE) literature is *the central role of social and cultural factors in shaping entrepreneurial activity*. Also, Morales et al. [52] argue that regional culture as a barrier to entrepreneurship remains undercovered.

While prior research has examined how regions support the emergence of entrepreneurs and innovative firms and has emphasized the role of business, education, and government in building entrepreneurial ecosystems, these authors contend that the perception and absence of an entrepreneurial culture within specific territories as an entrepreneurial barrier has received insufficient attention. They suggest that this cultural gap can weaken the impact of institutional efforts in favor of entrepreneurship: *without changing collective thinking and norms around entrepreneurship, it is difficult to create ventures that can truly stimulate the local economy*. However, it is necessary to keep in mind that the industry, family, political will, and other elements studied are part of the regional culture in which entrepreneurs develop.

Entrepreneurship unfolds within locally rooted “*sociocultural structures*” that are strongly path-dependent, where social and organizational ties are deeply intertwined. Early conceptualizations of EEs are therefore often *under-socialised*: they tend to lack a temporal dimension and do not fully capture the socio-spatial complexity through which entrepreneurship is mediated. This limitation mirrors a broader tendency in entrepreneurship research to focus on individuals and firms while overlooking how context regulates behaviour, choices, and performance [12].

Sociocultural factors refer to the combined influence of society and culture, large-scale forces that shape individuals’ thoughts, feelings, and behavior [53]. The broader socio-cultural environment consists of intangible, human-made elements that affect people’s relationships, perceptions, way of life, and decision-making. It includes shared and learned beliefs, values, attitudes, habits, behavioral patterns, and lifestyles, shaped by cultural, religious, educational, and social conditioning and transmitted across generations [54]. In the context of entrepreneurship, this environment comprises all social and cultural elements that can positively or negatively influence entrepreneurial emergence, orientation, behavior, and performance, beyond purely psychological or economic drivers, through factors such as religion, ethnicity, family, socioeconomic status, and education [55].

In this regard, *culture*, particularly supportive societal norms and attitudes toward entrepreneurship, has been identified as a *core component of entrepreneurial ecosystems* [19]. Brad Feld’s [56] highlights how an inclusive and supportive entrepreneurial culture can underpin ecosystem success in Boulder (Colorado), notably through frequent connecting events that strengthen ties between start-ups and established firms [12].

In summary, entrepreneurship is embedded in a *broader environment* in which norms, values, and community expectations can either *enable business creation* through trust-based networks and mutual support or *constrain it* by increasing uncertainty and costs. These *cultural dynamics are intertwined with practical barriers*, such as weak infrastructure, inconsistent policies, and an institutional context that fosters bureaucratic bottlenecks and opportunistic behavior, *ultimately undermining firms’ competitiveness and willingness to invest*. Fostering entrepreneurship, therefore, requires interventions that go beyond finance and regulation, including efforts to *strengthen the legitimacy of entrepreneurial activity and cultivate more supportive social conditions around it* [53].

1.3.1. Culture

The concept of “*culture*” is complex and used in multiple ways. Culture can be described as “*the total shared and learnt behaviour of a society or subgroup*” [57].

Under a pragmatic definition, any group of people whose ways of thinking and acting differ from those of other groups can be said to have a “culture”. Hofstede similarly highlights the link between culture and group affiliation, defining culture as the “*collective programming of the mind*” which distinguishes the members of one group or category of people from another, and consists of patterns of ideas and especially their attached values, which are conserved and passed down from generation to generation [58].

According to Fukuyama [59], culture encompasses the *values, norms, interpretations, and modes of behavior that characterize societies or other social groups*.

The various definitions consistently indicate that culture is always a *collective phenomenon*, at least to some extent, rooted in people living within the same social environment or belonging to the same group. Accordingly, each individual belongs to multiple social groups and therefore carries different layers of “*mental programming*”. Culture is learned both *consciously* and *unconsciously*. It should thus be distinguished from human nature on the one hand, and from individual personality on the other. Cultural features are transmitted through *socialization processes* [60]. Culture shapes the development of *different personalities* and *motivates individuals* in a society to *engage in behaviors that others do not have* [61], [62].

Cultural norms are *passed on from family and friends* and also reinforced by the way the *media* portrays the group in question. It can influence how individuals perceive *risk* or *react to potential opportunities*. Culture can either *inhibit entrepreneurship* or *significantly empower it*. Yet *culture is not deterministic*, and entrepreneurs can achieve success despite strong cultural barriers. *Neither is culture stable over time*, but it can *adapt* when significant demographic, economic, and other changes happen.[57].

The definitions highlighted above suggest that culture evolves through *human behavior, social dynamics, and individual personality characteristics*, but it does not shift quickly; meaningful cultural change typically requires a long time, often driven by new generations adapting norms to ongoing changes in modern life [63]. Since cultural features are passed on in socialization processes, culture cannot be changed in the short term: *it has a long-term character* [58]. Political programmes are therefore likely to influence cultural features only partially and mainly in the long run. Cultural characteristics and personality traits are relatively stable, whereas attitudes toward starting a business are more malleable: they depend on environmental conditions and can change over time, for instance, with shifts in education level or employment status [64].

To highlight the long-term nature of culture, *Williamson’s layered model* [65] of institutions is adopted, illustrated in Figure 7. This framework is conceptually close to other multi-level institutional models discussed in related works [66]. Its value lies in

analytically distinguishing among institutional levels and in making explicit that these levels evolve at different speeds. This is precisely why the figure is included: it visually shows that *embeddedness* and *culture* (L1) change much more slowly over time than the other layers.

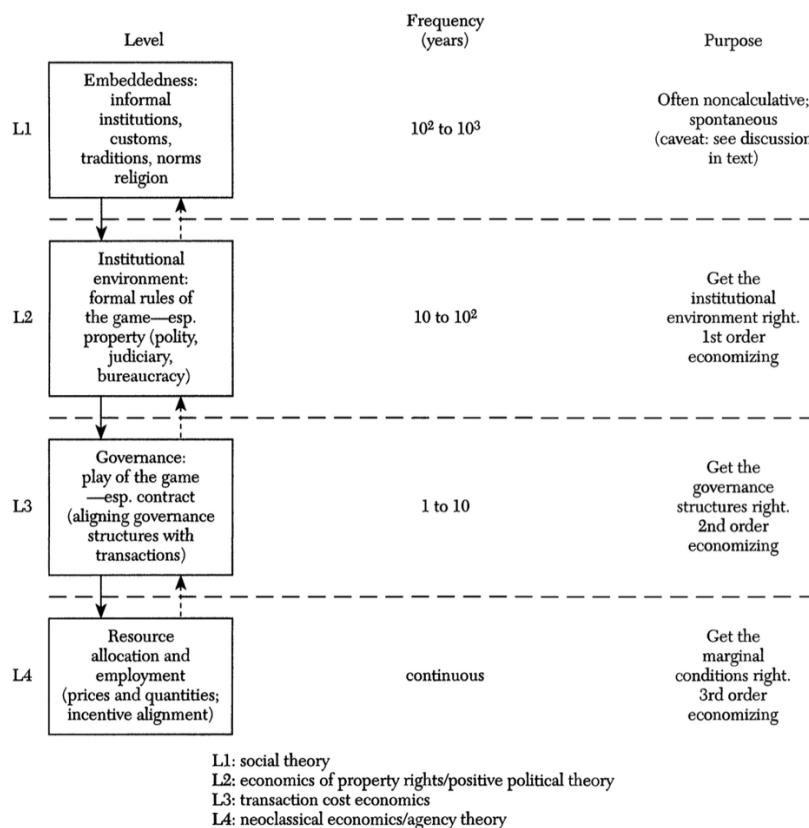


Figure 1. Economics of Institutions

Figure 7: Institutional Change over Time: Culture as the Slow-Moving Layer, [65], page 597

In Williamson’s scheme [65], L1, *embeddedness*, covers norms, values, and culture and is often “*non-calculative*”, meaning people follow it due to habit and shared meanings rather than explicit cost–benefit calculations. L2 refers to the formal rules of the game, i.e., state-enforced rules such as laws, courts, and property rights. L3, *governance*, concerns how exchange is organized in practice, through markets (between independent parties), hierarchies (within a single organization), or hybrid (intermediate arrangements like franchising or joint ventures). L4 is day-to-day standard resource allocation via prices and incentives. Williamson [65] uses this structure to clarify that New Institutional Economics, i.e. an economic approach that examines how institutional rules and organizational forms shape economic behaviour, primarily focuses on L2 and L3, whereas L1 is typically treated as a background constraint (but constitutes the main focus of this thesis), and L4 is addressed through standard allocative analysis.

Hofstede's work [67] distinguishes national cultures along several dimensions. *Power distance* captures the degree to which people accept and expect unequal power distribution in institutions and organizations. *Uncertainty avoidance* reflects how comfortable a society is with ambiguity and the unknown future as a preference for predictability. *Individualism–collectivism* describes whether people are expected to act primarily as independent individuals or as members of tightly knit groups. *Long-versus short-term orientation* concerns how societies relate to time and change, adapting a long/short-term view of life [68]. The authors Cisneros et al. [68] argue that a country's stage of development shapes the relationship between culture and entrepreneurial activity. The study reports *higher entrepreneurial activity in collectivist societies*, and notes that low- and middle-income countries are generally more collectivist than high-income ones, as collectivism offers social support and a "safety net" that reduces the perceived uncertainty of starting a business. It also finds *lower entrepreneurial activity where uncertainty avoidance is stronger*, a pattern more common in less wealthy countries. *Business survival tends to be higher in low power-distance cultures*, where decision-making is more participatory. Finally, the *perceived opportunity to start a business* within a country is positively associated with both *entrepreneurial activity and the prevalence of established firms*.

Individual factors alone do not explain why some people become self-employed while others prefer paid employment. Etzioni [64]. argues that the *values and norms prevailing in an individual's social environment can shape their propensity to start a business*, for example, certain communities cultivate a strong entrepreneurial culture (e.g. Silicon Valley).

1.3.2. Foundational Theories and Conceptualizations of Entrepreneurial Culture

"Entrepreneurial culture can be described as an environment that motivates individuals to innovate, create, and take risks. In a business, an entrepreneurial culture means that employees are encouraged to brainstorm new ideas or products. When work time is dedicated to these activities, it is called entrepreneurship" [60].

"Entrepreneurial culture refers to a societal and organizational mindset that promotes entrepreneurship by fostering innovation, risk-taking, proactiveness, and resilience" [43].

"A culture of entrepreneurship can be understood as an informal institution that comprises norms, values, and codes of conduct that promote social acceptance and approval of entrepreneurial activities, and that persist over time....the culture of the region directly affects the development of new ventures and the economic development" [69].

Overall, these definitions converge on the idea that entrepreneurial culture is an informal institution, a persistent set of shared norms, values, and codes of conduct,

reinforced by organizational practices, that legitimizes entrepreneurship and encourages innovation, proactiveness, risk-taking, and resilience, thereby supporting the creation and growth of new ventures and, ultimately, regional economic development.

As we have shown before through the analysis of informal institutions, if entrepreneurship is understood as a set of behaviors initiated by entrepreneurs, then cultural practices (i.e., common ways of doing things in a society) are likely to influence those entrepreneurial behaviors [70]. Indeed, that is why Van Weele et al. [71] argue that ecosystem literature primarily points to the ecosystem's regulation and culture as the two most important institutions that influence business creation.

Numerous authors in analyzing the entrepreneurial ecosystem or entrepreneurship in general have positioned *entrepreneurial culture* as a *separate market domain* and described the *most relevant factors in shaping entrepreneurial culture*.

For instance, Erik Stam and Ben Spigel [11] propose a new entrepreneurial ecosystem model to move beyond “*descriptive checklists*” of factors by adding causal depth through four ontological layers: *framework conditions*, *systemic conditions*, *outputs*, and *outcomes*. In his work, *Framework conditions* represent the fundamental enablers or constraints of human interaction and include social conditions, informal and formal institutions (culture and rules), as well as physical conditions, together with access to a more or less exogenous demand for new goods and services, which often depends on an ecosystem's relative position rather than its internal features. These framework conditions are presented as foundational drivers of value creation that operate through *systemic conditions*, which form the core of the ecosystem: networks of entrepreneurs, leadership, finance, talent, knowledge, and support services/intermediaries. The presence of these elements, and especially their interaction, drives *entrepreneurial activity (outputs)* and, ultimately, *new value creation* and *broader economic outcomes*. The model also highlights *upward causation* (how framework conditions operate via intermediate mechanisms), *downward causation* (how outputs and outcomes feed back into system conditions over time), and *intra-layer causal relations* among ecosystem elements. This analysis highlights *formal and informal conditions as framework conditions, which in turn affect all the other elements of the ecosystem*. But as we have seen before, in the case of institutional misalignment, informal institutions are more influential.

Spigel [18] defines entrepreneurial ecosystems as regional combinations of social, political, economic, and cultural elements that support the creation and growth of innovative, high-risk startups. He identifies 10 ecosystem attributes and groups them into three interdependent categories: *cultural* (a supportive culture and a history of entrepreneurship), *social* (talent, capital, networks, mentors, and role models), and *material* (policy and governance, universities, support services, physical infrastructure, and open markets), which are shown in Figure 8. Focusing on the *supportive culture*

attribute, he defines it as “the underlying beliefs and outlooks about entrepreneurship within a region” and argues that regional cultures influence entrepreneurial activity “by shaping acceptable practices and norms”. Cultural beliefs can frame entrepreneurship either as a *standard career path* or as an *option pursued only when alternatives are limited*, thereby creating a milieu that supports firm creation and encourages others to back risky ventures. *Histories of entrepreneurial success* also matter since they can inspire younger entrepreneurs, and policymakers can mobilise these narratives in broader entrepreneurship campaigns. *Local role models* provide a focal point for communicating the benefits and feasibility of entrepreneurship, signalling to students that it is a *legitimate career option*, sustaining the supply of new entrepreneurs, and reinforcing the *cultural legitimacy of risk-taking*. In brief, *social attributes* are described in the Spiegel framework as network-based resources within a region that channel knowledge about opportunities and technologies, facilitate access to finance, and shape entrepreneurial skills and mindsets. New ventures can benefit from these networks only when there are *pre-existing ties among entrepreneurs, investors, and other actors*, supported by sufficient *trust* to enable the sharing of scarce resources. *Material attributes* are the ecosystem’s tangible local assets and formal arrangements, such as universities, support organizations, infrastructure, and codified rules, including entrepreneurial policies and well-regulated markets.

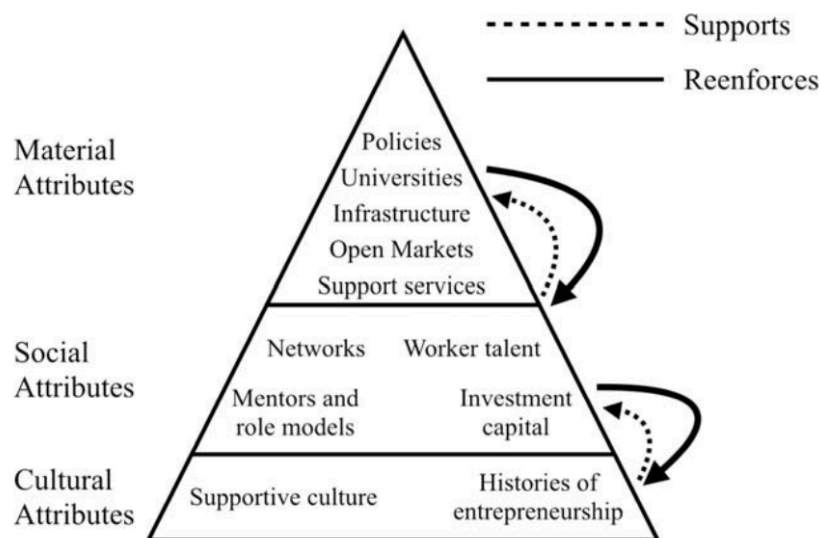


Figure 8: Relationships between Attributes within the Entrepreneurial Ecosystem, [18], page 9

Importantly, these categories of attributes are not isolated or hierarchical or from one another but are *created* and *reproduced through their interrelationships*. For instance, culture can legitimize support and help dense networks emerge, which sustain policies and programs that will be ineffective without existing social and cultural foundations. At the same time, successful material initiatives can strengthen networks and, over time, reinforce cultural beliefs. This mutual reinforcement implies that ecosystems can

take multiple configurations since ecosystems' attributes are sustained and reproduced through their relationships with other attributes [18]. In weaker ecosystems, a single strong element (e.g., a large local market) may catalyze the development of other attributes.

By highlighting the importance of a conducive culture, Van Weele et al. [71] argue that the ecosystem's culture should encourage entrepreneurship as *a career path*; it should ensure that entrepreneurs think in terms of the market where they want to sell their products; it should *make risk-taking socially accepted*; and it should *celebrate successful local start-ups*. For example, an incubator's community creates a culture of support and encouragement (which may compensate for the absence of such a culture in the entrepreneurial ecosystem). Moreover, the authors aimed to identify, through qualitative interviews, the main systemic barriers that prevent Western European start-ups from scaling, with particular emphasis on the ecosystem's "*institutional*" constraints, both cultural and regulatory. In their work, interviewees argued that Western European culture tends to discourage entrepreneurship, as it is perceived as a *high-risk career choice* that is met with *skepticism from the social environment toward aspirations to start a business*. Indeed, *business failure* is not socially accepted and is reinforced by strict bankruptcy laws. Together, these formal and informal institutions increase fear of failure, limit entrepreneurial initiatives, and dampen entrepreneurial ambitions. Investors and incubators observed that many existing start-ups show modest growth aspirations, often driven more by the desire for independence (described as the desire to be their own boss) rather than aspiring to create a large company. To counter this, the analysis suggests that incubators can actively cultivate a more ambitious entrepreneurial culture, especially where universities lack it, by organizing start-up tours, building supportive communities, creating healthy competition among start-ups, and promoting successful *role models* through broader public events that influence cultural perceptions of risk-taking, ambition, and the status of entrepreneurs.

The study of Davidsson [72] considers that culture can influence entrepreneurship in two ways. First, a national culture of support leads to *social legitimacy*, making the *entrepreneurial career more valued and socially recognized*, rendering a favorable environment. Second, a culture that shares more individual entrepreneurial values and patterns of thinking would lead more *individuals to exhibit psychological traits and attitudes* consistent with the entrepreneurial spirit.

Isenberg [19], as shown in Figure 2, identifies cultural factors within entrepreneurial ecosystems, emphasizing "*success stories*" (e.g., *visible success, wealth generation by founders, and international reputation*) and "*societal norms*" (e.g., *tolerance for risk, innovation and creativity, the social status of entrepreneurs, wealth creation, and ambition/drive*).

In a similar vein, the OECD [16] entrepreneurial ecosystem framework (Figure 4) highlights cultural elements such as *people's aspirations* and *willingness to attempt entrepreneurship*, *trust*, and the extent to which *a country's norms, values, and customs reward entrepreneurial effort (legitimacy and status)*. These are operationalized through indicators including the share of adults who view *entrepreneurship as a desirable career choice*, the share who believe successful entrepreneurs have *high social status*, and the share who believe that most people can *be trusted*.

In "*The Achieving Society*", McClelland [9] asks why some countries grow faster than others and argues that purely economic explanations (capital, resources, policies) are insufficient. Long-run development also depends on a society's motivational and cultural climate, above all, the *need for achievement* (*n Achievement*). He defines achievement as a "*desire to do well and improve against standards of excellence, characterized by personal responsibility, self-set goals, and persistence even without external rewards*". Alongside achievement, he introduces other-directedness, the tendency to be guided by peers and public opinion (often mediated by mass communication) rather than by traditional authority. In his account, *mass media and organized public opinion* become a new "*voice of authority*" that can replace tradition as the reference point for norms and sanction deviant behavior through "*trials by public opinion*", which makes social rules more adaptable to changing conditions. By contrast, traditions tend to change slowly and may persist even when they become inefficient. He draws practical implications: because cultural change is slow, development efforts should also focus on identifying and placing high-achievement individuals in key roles and strengthening social and communication mechanisms that help norms adapt more quickly. People high in *n Achievement* tend to seek situations where they can gain "*achievement satisfaction*", set their own performance standards rather than relying on extrinsic incentives, and work harder to reach the standards they choose. Moreover, McClelland [9] claims that higher levels of achievement-oriented themes in a culture are associated with stronger subsequent economic growth and development, which he interprets as evidence of a causal role. He further links "*n Achievement*" to entrepreneurship, suggesting that high-achievement individuals behave more like entrepreneurs, especially through innovation and a preference for moderate risk, thus contributing to "*genuine*" development rather than mere economic expansion.

In the paper "*Culture as an obstacle for entrepreneurship*" [52], the aim is to understand why, in Ibagué (Tolima, Colombia), many people come to formulate ideas and participate in startup initiatives but then fail to transform these intentions into businesses, proposing that the main cause is a local culture unfavorable to entrepreneurship. In the paper, cultural factors under analysis are: *the support of the household and close people, institutional support (public or private), the consumption habits of the internal market, and the tradition of starting a business*. In particular, they identify as factors that weaken entrepreneurial culture: *a historically agricultural economic tradition that has not fostered an entrepreneurial mindset, a still fragile ecosystem due to poor*

coordination between the public, private, and academic sectors (lack of an effective “Triple Helix”), perceived insufficient or uncertain family support, and weak information/communication channels that reduce awareness of support opportunities and tools. This set of conditions pushes entrepreneurship to be seen more as a choice of necessity/survival than as an intentional, growth-oriented path, thus limiting its innovation and employment impact. The paper also outlines practical implications for policy and education. It argues that strengthening the regional entrepreneurial ecosystem requires a stronger Triple Helix, combined with long-term cultural interventions that normalize entrepreneurship beyond “*survival*” self-employment. The authors therefore recommend entrepreneurship education from early school stages and across university programs (not only in business courses), greater involvement of families given the importance of family support, and consistent public policies aimed at a sustained cultural shift.

Amolo and Migiro [20], argue that, beyond education and training, culture is the critical ecosystem component for entrepreneurial flair: *if failure is stigmatized and the education system implicitly penalizes those who do not succeed*, individuals are less likely to tolerate ambiguity and risk, conditions that are inherent not only to venture creation but also to innovation inside established firms.

Makina [55] identifying the key socio-cultural barriers to youth entrepreneurship in the Democratic Republic of the Congo (DRC), the paper focuses on barriers commonly discussed in African contexts: *weak or absent entrepreneurial culture, negative cultural/social attitudes toward youth entrepreneurship, low societal valuation of entrepreneurship, lack of support from family or friends, and witchcraft / magico-religious beliefs and practices*. Based on the Kinshasa survey results, the study concludes that these factors, especially low valuation of entrepreneurship, weak entrepreneurial culture, and witchcraft/magico-religious practices, constitute the most salient socio-cultural barriers shaping young graduates’ entrepreneurial efforts in the DRC.

Brown et al. [12] explain that entrepreneurial aspirations will be inhibited in societies where the *societal contribution of entrepreneurs is not valued, where the social status of entrepreneurs is low, where their financial success is resented and where failure is viewed negatively*.

Building on these insights, the next paragraph outlines how the element of entrepreneurial culture is conceptualized in this thesis.

1.3.3. Entrepreneurial Culture Conceptual Framework

GIZ [73] proposed a guide to provide a practical method for mapping entrepreneurial ecosystems, to identify gaps and constraints, and to inform interventions that improve

the entrepreneurial environment, particularly in development cooperation contexts supporting entrepreneurs and MSMEs.



Figure 9: Entrepreneurial Culture as a Cross-Cutting Force Shaping the Business Environment and Investment Climate, [73], page 16

In the GIZ guide, an entrepreneurial ecosystem is defined as the product of three tightly connected elements, shown in Figure 9:

- (1) *The surrounding environment*, specifically the business environment and the broader investment climate (e.g., regulation, rule of law, finance, skills, infrastructure, and political and economic predictability).

The business environment is defined as “a complex of policy, legal, institutional and regulatory conditions that govern business activity. It [...] includes the administration and enforcement mechanism established to implement government policy, as well as the institutional arrangements that influence the way key actors operate”. The business environment is a subset of the investment climate, which takes a broader view of a country’s competitiveness (e.g., financial markets, rule of law, human resources and skills, economic predictability, infrastructure, political situation, and labour markets).

- (2) *Interacting actors*

It includes individuals, organisations, and institutions described in a sociological sense as “long-standing and stable patterns of behaviour that guide human collaboration”. Collaboration among these groups depends on various factors, including expected benefits, manageable transaction costs, and synergy.

- (3) *Evolving culture and attitudes*

continuously shape how actors behave and how the framework is interpreted in practice.

These components are *mutually dependent*: legal, administrative, and regulatory frameworks shape how actors interact, while actors also reshape those frameworks over time; culture permeates both, creating overlaps that become visible when the ecosystem is mapped.

In line with the approach proposed by GIZ, and the previous analysis, this thesis reinterprets the EE scheme and reframes it through the following analytical outlook.

(1) *The outer ring is represented by formal institutions*

Formal institutions are conceptualized in line with Spiegel's [18] "*material attributes*". They encompass tangible local assets and formal arrangements, such as universities, support organizations, and infrastructure, as well as codified rules, including entrepreneurial policies and well-regulated markets.

They shape how easy it is to start, operate, and grow a business. It reduces uncertainty for long-term investment and sets the incentives that influence whether entrepreneurial effort is channelled into productive activities or not [16].

(2) *The middle ring represents the Networks*

Networks are community systems of actors that channel knowledge about opportunities and technologies, enable spillovers, and circulate information and labour by connecting the actors with to develop the business environment, yet they deliver value only when pre-existing ties and sufficient trust allow scarce resources to be shared.

Local networks are important because they create an "*information and communication ecology*" that emerges from direct contact, co-presence, and the physical proximity of people and firms within the same territory. Within this environment, *buzz* develops: *a continuous flow of specific information and updates, alongside learning processes that are both intentional and accidental, occurring through organized events as well as spontaneous encounters, influenced by both the formal and informal sectors* [12]. This buzz enables something more substantial than simple word-of-mouth. It supports mutual understanding as new knowledge and technologies emerge, since it fosters a shared language and a common set of references. Moreover, within a given technological field, shared cultural traditions and habits make it easier to establish conventions, informal rules, and even institutional arrangements that coordinate actors' behavior. Crucially, this is not merely a matter of "*being close*". While buzz is grounded in geography, it also depends on the structure of local social relations and the history of interactions over time, such as trust, reputation, and established routines of

collaboration. In short, physical proximity can accelerate exchange and learning, but it becomes truly effective when it is embedded in a pre-existing social fabric that makes information credible and actionable [12]. However, a supportive culture is not sufficient to sustain long-term entrepreneurial development. Entrepreneurs also need access to resources such as risk capital, skilled workers, and mentorship from experienced entrepreneurs to start and scale new ventures [74]. These resources can be termed “social” because they are primarily accessed through social networks and, in this thesis, are conceptualized as emerging from the interaction between formal and informal institutions.

(3) *The inner ring represents the informal institutions*

Informal institutions foster or hinder entrepreneurial culture: the core that shapes the desirability of entrepreneurship

Based on the definition of Stuetzer et al. [75], Spigel [18], and Ioannidou [60] in this thesis, entrepreneurial culture is defined as

“the collectively shared set of values, norms, beliefs, and attitudes toward entrepreneurship embedded in a place that shapes and guides behavior toward recognizing and pursuing opportunities to create new value for society”.

In this thesis, *growth-oriented entrepreneurship is defined as opportunity-motivated entrepreneurship (OME), in contrast to necessity-motivated entrepreneurship (NME), drawing from the GEM distinction [76], explained in Appendix A.3 and in section 1.1.4. In this thesis, OME (pull) means identifying an opportunity to create value and choosing to pursue it, whereas NME (push) means starting a business because of the result of no alternative source of income or employment. Opportunity-driven entrepreneurship has a positive relationship with economic growth and the strengthening of the entrepreneurial ecosystem.*

As an outcome of the literature reviewed in the previous paragraph, the factors most frequently cited as fostering or inhibiting entrepreneurial culture can be clustered into five groups:

1) *Social norms and attitudes toward risk and failure*

This cluster captures the shared social expectations that determine whether taking entrepreneurial risks and potentially failing is viewed as a legitimate, normal choice or as a deviant and socially sanctionable behavior. Experienced entrepreneurs can reinforce the cultural legitimacy of risk-taking by improving business decision-making and by framing failure as a learning experience. When failure is normalized as part of the learning process, the ecosystem becomes more resilient; conversely, an

underdeveloped “*second-chance*” culture sustains stigma and discourages re-entry after failure [43].

- *Cultural legitimacy of risk-taking*: Taking entrepreneurial risks is seen as normal and acceptable, rather than reckless or irresponsible.
- *High-risk career choice*: Entrepreneurship is perceived as a career with high uncertainty and a meaningful probability of financial or social loss.
- *Skepticism from the social environment toward aspirations to start a business*: Family, peers, or the wider community doubt the feasibility or appropriateness of starting a business, discouraging entrepreneurial intent.
- *Business failure (stigma / social consequences)*: Failure is socially penalized (loss of status, shame, damaged reputation), which increases fear of trying and reduces second-chance entrepreneurship.

2) *Social Perceptions and legitimacy of Entrepreneurship: Status, recognition, and desirability of an entrepreneurial career*

This cluster concerns the social status attached to entrepreneurship, whether being an entrepreneur is perceived as a respected and desirable career (with recognition and prestige) and a legitimate “*standard*” pathway, rather than a marginal or last-resort option. When entrepreneurship is not valued by the surrounding environment, it is unlikely to be perceived as a desirable career path, and entrepreneurs tend to lack social status, while stable, lifelong salaried employment, especially in large organizations, is more highly esteemed. In such contexts, entrepreneurship is often framed as a fallback option rather than a legitimate and aspirational trajectory [55].

- *Entrepreneur Status*: Entrepreneurship is socially rewarded with prestige, respect, and visible recognition, making it an attractive and reputable career option.
- *Social legitimacy*: Entrepreneurship is perceived as appropriate and acceptable within the community’s norms and moral expectations, something one “*can*” and “*should*” do without needing to justify it.
- *Standard career path*: Starting a business is viewed as a normal, legitimate career trajectory (alongside employment in established organizations), rather than an unconventional or socially deviant choice.

3) *Local narratives, role models, and success stories.*

This cluster captures the symbolic and narrative resources that make entrepreneurship imaginable and attractive: shared success stories, visible local exemplars, and celebrated role models that provide proof of feasibility, confer status, and create templates others can emulate. Role models, in particular, can play a supportive role by fostering entrepreneurial confidence and providing inspiration and motivation for subsequent entrepreneurs, and can generate entrepreneurial recycling. However,

young people are shaped by families, teachers, and society, who are often poorly informed about entrepreneurship, so entrepreneurial activity is rarely encouraged and may even be viewed negatively, creating a discouraging environment for entrepreneurship [55].

- *Celebrate successful local business*: The community publicly acknowledges and rewards local entrepreneurial achievements (e.g., media coverage, awards, events), signaling that success is admired and worth pursuing.
- *“Success stories”*: Widely shared narratives of entrepreneurs who “made it”, which shape collective beliefs about what is possible and desirable.
- *Local role models*: Visible entrepreneurs within the community who serve as relatable examples and provide behavioral templates and inspiration for others.

4) *Social capital and close relational support*

This cluster focuses on micro-level legitimacy rooted in close social ties, whether trust, encouragement, and practical backing from family and immediate networks enable entrepreneurial action, or whether skepticism and lack of support undermine it. Close networks open up access to other social networks and can be mobilized to achieve entrepreneurial projects. They offer the entrepreneur financial, material, and above all, psychological support, through advice and even participation in running the business, especially before the project emerges, helping to ease tasks perceived as difficult. When this support is absent, difficulties increase, particularly in many African contexts where families are a key source of start-up financing [55]. A general willingness to trust others and engage in reciprocity facilitates cooperation, reduces coordination frictions, and sustains collaboration over time. This matters because entrepreneurs rarely operate in isolation: they depend on relationships, networks, mentorship, and partnerships to access resources, knowledge, and market opportunities. Trust, therefore, functions as a foundational condition for repeated social interaction and for the formation and strengthening of entrepreneurial networks [43].

- *Trust*: The expectation that others will act reliably and fairly, reducing perceived risk in collaborations, exchanges, and informal agreements.
- *Support from family or friends*: Emotional, financial, and practical assistance from family and close ties that make entrepreneurship feasible and socially acceptable.

5) *Gender and Inclusivity in Entrepreneurship*: Cultural norms and gender stereotypes shape who is seen as a “legitimate” entrepreneur, influencing entrepreneurial intentions, confidence, and access to networks and resources.

Crucially, any cluster-based analysis should account for the place’s historical trajectory and the degree of embeddedness within the local community.

As discussed in the previous sections, the broader entrepreneurial ecosystem is shaped not only by cultural dynamics but also by the quality of formal institutions and by the resources they enable or fail to provide. In this respect, elements such as the availability of finance, talent, knowledge, leadership, support services, intermediaries, and the presence of pre-existing entrepreneurial networks play a decisive role. These factors are further influenced by contextual conditions, including the degree of public or private institutional support, local consumption habits, the effectiveness of coordination across public, private, and academic actors (i.e., the strength of the “Triple Helix”), the robustness of information and communication channels, and historically rooted economic traditions (e.g., predominantly agricultural trajectories). Taken together, these components can be understood as *ecosystem-level enablers* that emerge from and are reinforced by the interaction between functioning or weak formal and informal institutions, thereby supporting (or constraining) the ecosystem’s capacity to grow and reproduce itself over time.

At the same time, the literature also highlights *individual-level cultural-cognitive drivers*, such as personal aspirations and the willingness to pursue entrepreneurship. These factors are conceptually distinct from “legitimacy” in a strict sociological sense because they do not constitute shared social norms; rather, they relate to the individual mindset and agency, for example, a need for achievement, personal responsibility, self-set goals, persistence in the absence of external rewards, and an internal locus of control. While these personal dispositions matter, the focus here is on identifying the more widely shared and place-based determinants that can be leveraged to strengthen entrepreneurial culture within a given context.

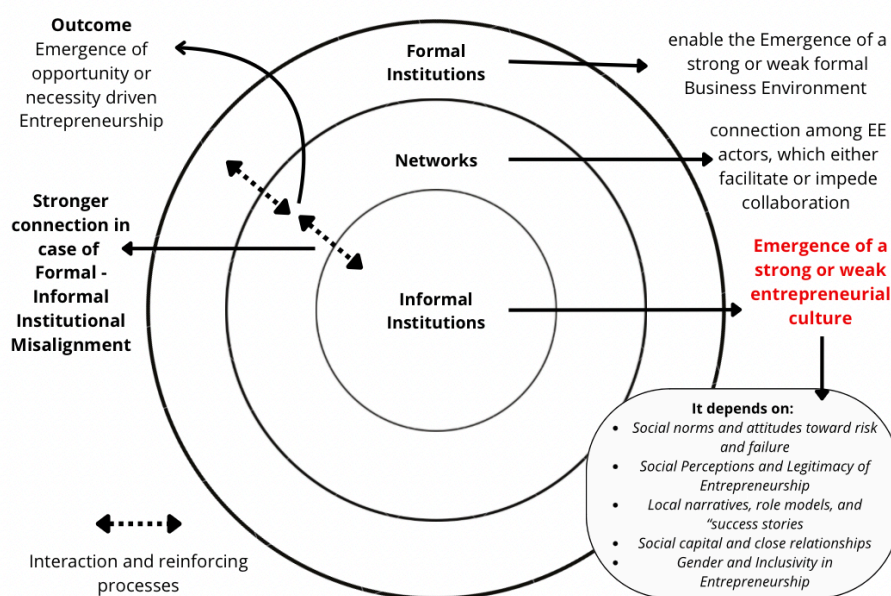


Figure 10: Conceptual Model of Entrepreneurial Culture Emergence in Entrepreneurial Ecosystems

Figure 10 synthesizes the literature reviewed and the reasoning presented in this thesis by showing how the *interplay between formal and informal institutions, mediated by networks*, shapes the *emergence of a stronger or weaker entrepreneurial culture* and, ultimately, the *type of entrepreneurship that prevails*.

1.4. Conceptualization Of The Co-Evolution Paradox Between Entrepreneurial Culture And Growth-Oriented Firms

1.4.1. Critical Discussion of the Literature Review

In Section 1.1, it was shown how entrepreneurship can be fostered both within and beyond the firm: within the firm through a *behavioural process lens*, and beyond the firm through the *entrepreneurial ecosystem perspective*. The statement that “*without an environment that fosters the detection of opportunities, no entrepreneurship will emerge*” was critical for understanding how entrepreneurship can arise inside the firm. However, since enterprises are embedded in a broader environment, the analysis then shifted to the external environment dimension of the firm through the study of entrepreneurial ecosystems.

Importantly, drawing on Isenberg [15], entrepreneurial ecosystems are not “*created from scratch*”; rather, they are developed, influenced, and facilitated. Through the analysis of “*entrepreneurship as a reinforcing process*”, it was also shown that ecosystems are inherently dynamic and evolutionary, developing through feedback loops and path dependence that can generate self-reinforcing virtuous cycles or persistent “*weak ecosystem*” equilibria over time. In the context of entrepreneurial ecosystems, the key outcome is *productive or growth-oriented entrepreneurship*, which represents a primary vehicle for economic development.

Indeed, Boudreaux [77] observes that the literature frequently portrays entrepreneurship as a key driver of economic growth and development and further notes that entrepreneurship is often treated as a taken-for-granted force underpinning economic development. But it is not always true. Indeed, the paper “*Institutions and Entrepreneurship Quality*” [78] investigates cross-country differences in both the quantity and the quality of entrepreneurial activity across developed and developing economies. It contends that equating higher entrepreneurial rates with stronger economic growth is analytically insufficient, given that a sizable proportion of entrepreneurship is *necessity- or subsistence-driven* and thus often associated with

limited productivity gains. This theoretical synthesis demonstrates that the role of some institutions (debt and VC availability, bankruptcy law, and government programs to support entrepreneurship) have become critical to the quality of entrepreneurship, in particular for developing countries.

The concept of *necessity- and opportunity-driven entrepreneurship* originates from the Global Entrepreneurship Monitor (GEM) [76] (better explained in Appendix A.3). GEM studies the links between entrepreneurship and economic growth and distinguishes two main entrepreneurial motivations: *opportunity-motivated entrepreneurship (OME)* and *necessity-motivated entrepreneurship (NME)*. Specifically, OME represents the percentage of individuals who start a business to pursue a perceived business opportunity. Opportunity entrepreneurs reflect the voluntary nature of participation and typically expect either to earn more money or to gain greater independence, rather than simply maintaining income [79]. These entrepreneurs often enter new ventures with a stronger foundation and in areas where they have relevant expertise and can identify opportunities. Such conditions are associated with higher survival rates and greater growth potential, thereby contributing more strongly to economic development [80]. By contrast, NME represents the percentage of individuals who start a business out of necessity because they have “*no better choices for work*”, founded in response to unemployment and a lack of sufficient alternative income sources.

The study provided by Boudreaux et al. [77], gathering entrepreneurship data from (GEM), indicates that the impact of entrepreneurship on economic growth depends on a country’s level of economic development. *In low-income (developing) countries, NME is negatively associated with economic growth*, implying that entrepreneurship has limited, or even adverse, growth effects in these contexts. *In middle-, upper-middle-, and high-income countries, by contrast, OME is positively associated with economic growth*. The authors argue that, in developing countries, policymakers should reduce reliance on necessity-motivated entrepreneurship and encourage a shift toward opportunity-driven activity.

Opportunity/growth-oriented entrepreneurship is often framed as a practical way to reduce poverty, unemployment, and underemployment, while also supporting well-being, empowerment, and sustainable development through social inclusion [55]. More broadly, it can generate multiple benefits for countries and communities, including the diffusion of innovation, job creation, economic growth and socio-economic development, improved living standards, stronger cross-border economic cooperation, the emergence of new markets and opportunities, higher competitiveness and economic diversification, increased foreign direct investment (FDI), and technological advancement and digital transformation.

To summarize, *less-developed countries tend to exhibit high levels of entrepreneurial activity, largely driven by necessity, which is negatively associated with economic growth, alongside comparatively lower rates of opportunity-motivated entrepreneurship.*

Moreover, given that the entrepreneur lives in a given society at a specific time, entrepreneurial action and decision-making are shaped by *prevailing social and cultural norms* that can either reinforce or constrain entrepreneurial dynamism and can influence both the direction and the mode of economic and entrepreneurial development [43], [55].

This last point emerged in this thesis through a deeper analysis of the link between necessity-driven entrepreneurship and the interaction between formal and informal institutional voids in developing countries, leading to the same conclusion and giving a further insight: *even if the overall quantity of entrepreneurship remains relatively stable, the key issue for development is how a society's institutional context shapes the productivity of entrepreneurial activities*, as analysed in Section 1.2.

Indeed, through the analysis of formal and informal institutions, it was shown that they operate under markedly different constraints. A defining feature of many developing economies is that *informal entrepreneurship* accounts for a *substantial share of GDP* and employment, often emerging in response to heavy regulation and taxation in the formal sector. This configuration generates both potential benefits, such as livelihood creation and flexibility, and major drawbacks, such as limited scale, low productivity, and weak worker protection.

Consistent with this, informal production is typically more *labor-intensive, self-financed*, and conducted on a *much smaller scale* than formal production. Individuals tend to choose informality when they perceive *meaningful gains* from informal activities and believe they can avoid, mitigate, or manage legal risks. The relative costs and benefits of operating formally versus informally are strongly shaped by the presence of *formal and informal institutional voids*.

Depending on the *severity* of these voids, entrepreneurs strategically navigate their institutional environment, leveraging either formal or informal institutions based on what is available and credible. Where *institutional voids are limited*, entrepreneurs are more likely to rely on *formal entrepreneurship*, which offers greater efficiency, equity, and legal protection. By contrast, in contexts where *voids are more pronounced*, *informal institutions* may partially *compensate* by enabling access to resources, supporting trust-based exchange, and sustaining entrepreneurial activity.

When *both formal and informal institutional voids coexist*, entrepreneurs face greater constraints and uncertainty, increased exposure to exploitation, and limited strategic options, conditions that can foster more *destructive or low-productivity forms of entrepreneurship*, pushing activity toward *necessity-driven entrepreneurship*. This

highlights how formal and informal institutions work together, with the effectiveness of one critically depending on the presence and strength of the other. Through this analysis, we demonstrate *why necessity-driven entrepreneurship is more prevalent in developing countries*, using an institutional logic lens to deepen the understanding of the idea that *"economic growth depends on a country's level of economic development."*

A key point is that *institutional dissonance*, when formal and informal institutions conflict, further intensifies this dynamic. When rules and enforcement mechanisms are misaligned with dominant social norms, businesses, especially new and vulnerable ones, tend to conform first to informal norms rather than formal rules. Thus, in developing countries, while formal institutions are important, the strength of contrasting informal institutions and their misalignment with formal structures can lead to unexpected outcomes: *informality becomes the dominant logic guiding individual and organizational behavior, shaping not only whether entrepreneurship occurs but also the type of entrepreneurship that emerges.*

Indeed, Boudreaux et al. [77] contend that strengthening pro-market formal institutions, often beneficial in developed economies, may have a limited impact on growth in developing countries because formal rules can be undermined by fragile informal institutional foundations, such as corruption. This highlights the *importance of socio-cultural behavior in shaping a culture conducive to entrepreneurship.*

In Section 1.3, in line with recent research, attention is redirected to the *behavioral, social, and cultural foundations of entrepreneurship*. It has been shown that entrepreneurial culture encompasses the values, beliefs, and behaviors shared within a group of members, all focused on identifying and creating value-making opportunities.

In contexts where the culture is hostile to entrepreneurship and a functioning ecosystem is missing, entrepreneurs face not only the typical challenges of new business projects, but also poorly coordinated institutions, limited interaction with public support programs, and a lack of shared platforms for guidance and financing. This collective resistance to new venture creation tends to push initiatives toward *"necessity entrepreneurship"*, which usually has minimal impact on employment generation and high early failure rates; moreover, even when significant institutional efforts are made, deeply rooted social paradigms about *"how hard entrepreneurship is"* still discourage potential entrepreneurs. In that sense, the *"social psyche"* can become an even stronger barrier than the obstacles normally discussed in the literature, because it undermines perceived feasibility, legitimacy, and motivation. The problem is compounded by the fact that many entrepreneurs are unaware of government programs and, when they do engage, they often submit poorly formulated projects that fail to meet required standards, largely due to weak and sporadic interaction with institutions [52].

Young people's perception of entrepreneurship is primarily shaped by their background, position in the labor market, and the reputation, acceptance, and credibility of their field of activity [81]. When the surrounding environment, such as family, ethnic group, peers, and educational or professional context, does not value entrepreneurship, individuals are likely to view it negatively. In such environments, entrepreneurship is *not considered a desirable career choice*, and entrepreneurs often *lack social status and prestige*. As a result, young people are neither motivated nor encouraged to pursue entrepreneurship. In some communities, white-collar jobs are seen as superior to entrepreneurship. In the DRC and Congo (Brazzaville), salaried employment, particularly in large companies, is highly valued, with a life-long career in such positions being the ideal since it has been perceived as more secure. Many entrepreneurs are driven more by necessity than by a desire to start a business, with entrepreneurship viewed as a last-resort livelihood. The lack of a strong entrepreneurial culture has contributed to many failures in business creation across Africa. In many French-speaking African countries, entrepreneurship is often viewed as a secondary activity, pursued alongside a primary job [55].

This theoretical review emphasizes *the strong relationship between culture and entrepreneurship*. In a given environment, *the prevailing entrepreneurial culture is one of the key factors influencing an individual's propensity to start a growth-oriented (opportunity-driven) business*. Consequently, *the absence or weakness of entrepreneurial culture serves as a barrier to the creation of growth-oriented businesses*.

The importance of a socio-cultural perspective that legitimizes entrepreneurship is highlighted in *Proposition 1*, which serves as a summary of the first part of the critical discussion.

Proposition 1: *“Without an entrepreneurial culture that overcomes informal institutional voids, growth-oriented firms are unlikely to emerge”.*

We have seen that *culture changes slowly and tends to persist over time*. It significantly influences how an environment evolves, as well as how entrepreneurship is legitimized, practiced, and replicated. Moreover, the positive effects of growth-oriented entrepreneurship often align with the idea that *“success breeds success”* through feedback spillovers. New businesses create jobs and foster innovation, while established businesses provide stable employment and capitalize on accumulated knowledge and social capital [68].

As Isenberg [13] and other authors, such as Audretsch and Belitski [82], have noted, special attention should be given to high-growth businesses, those with significant development potential. Public interventions must be designed to better support businesses in advanced growth stages and to facilitate the emergence of the spillover-

feedback loop. Furthermore, a single visible entrepreneurial success can trigger the “*law of small numbers*”, where even one success can spark a larger economic impact.

These points highlight *how growth-oriented enterprises and visible successes can drive economic dynamism and shift the cultural perception of entrepreneurship*. Indeed, the literature review has identified key characteristics of entrepreneurial culture (summarized in section 1.3.3), emphasizing that *many factors associated with fostering this culture are linked to visible examples of local, growth-oriented entrepreneurship*. Experienced entrepreneurs can reinforce the cultural legitimacy of risk-taking, while examples of second-chance businesses help normalize failure in entrepreneurship. When entrepreneurship is socially recognized and perceived as legitimate, starting a business becomes a standard career path. Local narratives of successful businesses, stories of entrepreneurs who “*made it*”, and local role models all contribute to shaping this perception. Additionally, tangible markers of achievement, such as publicly observable outcomes, wealth creation by founders, and the growth of growth-oriented firms, play an important role. Examples of social capital and close relationships further support entrepreneurship, as does inclusivity in business.

Together, these factors illustrate *how empirical examples of growth-oriented entrepreneurship can shift the culture toward greater acceptance of it*. As we have seen, *entrepreneurial recycling* is essential for fostering both entrepreneurship and an entrepreneurial culture.

The importance of the presence of growth-oriented firms that influence an entrepreneurial conducive culture, embedded in a given place or community, is highlighted in *Proposition 2*, which serves as a summary of the second part of the critical discussion.

Proposition 2: *Growth-oriented firms foster the emergence of an entrepreneurial culture.*

1.4.2. Conceptualization of the Culture–Growth Co-Evolution Paradox

Through the critical review, two propositions have emerged, formalized as follows:

Proposition 1: *“Without an entrepreneurial culture that overcomes informal institutional voids, growth-oriented firms are unlikely to emerge”.*

Proposition 2: *“Growth-oriented firms foster the emergence of an entrepreneurial culture”.*

Proposition 3: *From this perspective, a paradox emerges:*

- *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.*

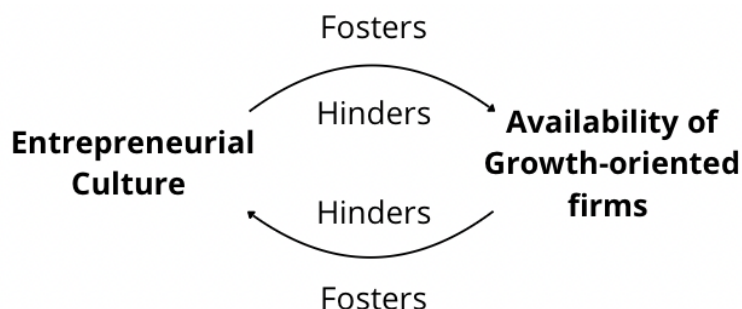


Figure 11: The Co-evolution Paradox between Entrepreneurial Culture and Growth-Oriented Firms

In other words, the ecosystem can become trapped in a self-reinforcing loop (as shown in Figure 11), where weak institutions, and in particular a weak entrepreneurial culture, hinder the emergence of growth-oriented entrepreneurship, while the absence of such entrepreneurship prevents the development of a conducive entrepreneurial culture.

Similarly, the article “*Investigation of Oman's Entrepreneurial Culture and its Potential Impact*” [63] argues that “*entrepreneurial culture is perceived as the foundation for the existence of entrepreneurial activity. At the same time, entrepreneurial activities themselves serve as indicators of the presence of an entrepreneurial culture*”. However, this thesis does not focus on entrepreneurship activities in general, but on *opportunity- and growth-oriented entrepreneurship*.

Beugelsdijk [83] argues that entrepreneurial culture helps explain differences in economic performance: regions that display a *stronger entrepreneurial culture* tend to be more *innovative* and *grow faster*. For this reason, fostering an entrepreneurial culture can support economic development, especially by enabling growth-oriented, opportunity-driven entrepreneurship. At the same time, *successful growth-oriented ventures also reinforce that culture* by legitimizing entrepreneurship, spreading know-how, and shaping aspirations and norms. In other words, *entrepreneurial culture and growth-oriented firms mutually reinforce each other, and together they can strengthen (or, if missing, weaken) the entrepreneurial ecosystem of a place*.

This paradox is closely tied to *local context, historical legacies, and community dynamics*. It can generate *positive effects where formal and informal institutions are strong and aligned, but it can be highly detrimental in settings characterized by institutional voids*. As shown above, informal institutional voids often hinder reforms that focus primarily on formal institutions, making meaningful change extremely difficult.

As economies develop, the rate of new business start-ups tends to decline as more people find stable employment. However, start-up rates often increase again in highly developed economies, where necessity-driven entrepreneurship is relatively low and opportunity-driven entrepreneurship is relatively high [68]. In this sense, *necessity-driven entrepreneurship* is typically associated with a *less developed entrepreneurial ecosystem*, whereas *opportunity-driven entrepreneurship* is more common in *stronger and more mature ecosystems*.

The conceptualization of strong and weak ecosystem networks is summarized by Spigel [74] and is represented in Figure 12.

Strong ecosystems are characterized by dense and durable connections among entrepreneurs, high-growth ventures, investors, advisors, mentors, and other key actors. These ties act as channels through which entrepreneurial resources can circulate efficiently across the community. The network structure is typically grounded in long-term trust and a localized culture that encourages networking, collaboration, and repeated interaction. Over time, entrepreneurial success strengthens the ecosystem by creating and attracting new resources. Firm growth and exits generate financial capital and reinvestment capacity, while successful ventures contribute to the up-skilling of the workforce and the diffusion of entrepreneurial knowledge. In parallel, ecosystems often attract resources from outside the region through immigration and inbound investment, which further expands the local pool of skilled workers, entrepreneurs, and experienced mentors. As connectivity and trust deepen, the ecosystem becomes more resilient: it can withstand disruptions such as the loss of a role model, an economic shock, or a major technological change [74].

Weak ecosystems can be understood as nascent ecosystems that fail to develop, or as ecosystems that have deteriorated after prolonged internal or external shocks. In these settings, there are few strong bonds between entrepreneurs and high-growth ventures, meaning that there are limited connections through which resources can flow. This reflects both a limited stock of entrepreneurial resources (e.g., financing, entrepreneurial knowledge, skilled workers), and the absence of a culture that supports intensive interaction, networking, and mutual reinforcement among actors. Weak ecosystems may remain underdeveloped because resources are scarce from the start, because too few successful entrepreneurial cycles have built or attracted new resources, because resources have flowed out after prolonged shocks (e.g., talent out-migration and capital withdrawal), and/or because institutional voids persist. Functionally, weak ecosystems are marked by low connectivity and often by low trust, which prevents entrepreneurs from accessing resources beyond their immediate circle of family and friends. Networks between entrepreneurs, investors, advisors, and mentors tend to be thin or fragmented, so critical inputs, such as entrepreneurial know-how, market intelligence, or growth financing, are harder to reach. As a

consequence, firms in weak ecosystems generally face greater difficulty surviving and scaling than comparable firms located in stronger ecosystems [74].

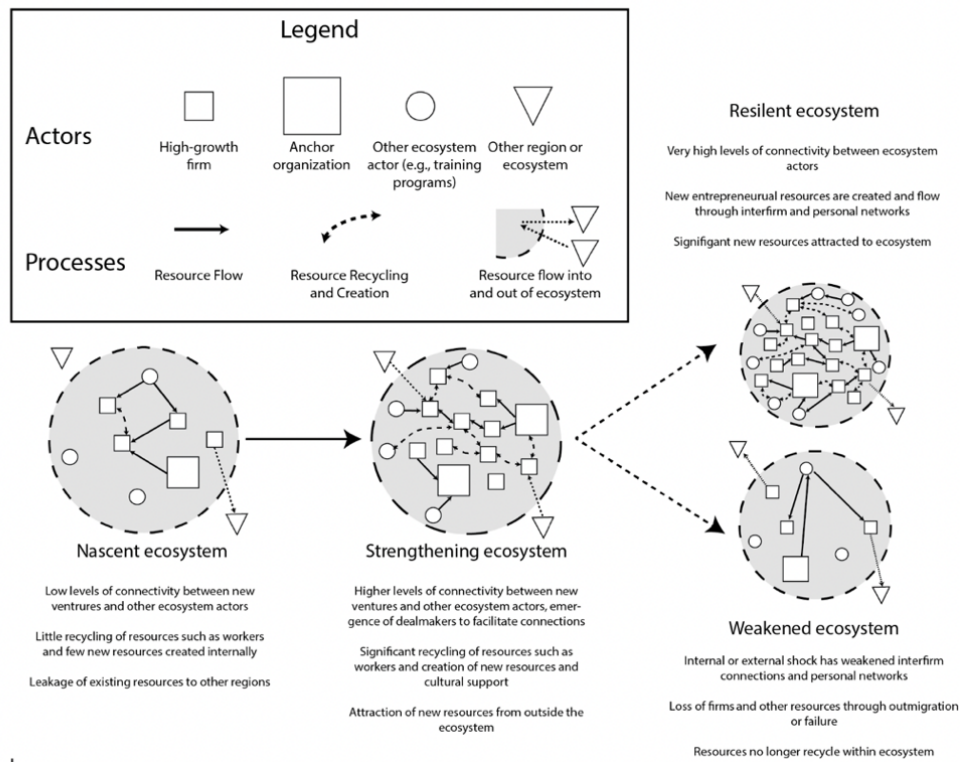


Figure 12: Transformation of Entrepreneurial Ecosystem, [74], page 32

By synthesizing the ideas discussed above, Figure 13 presents a conceptualization of the paradox linked to strong and weak ecosystems, institutional voids, and networking among actors.

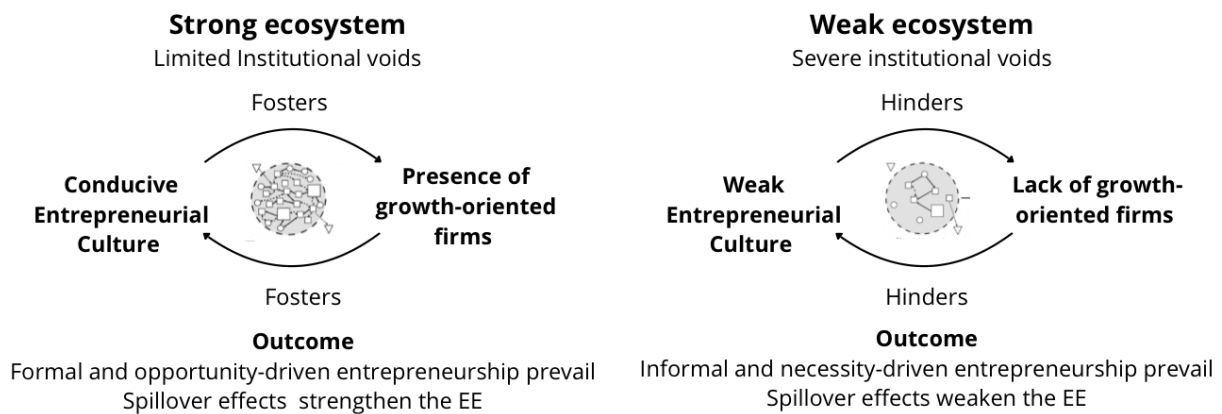


Figure 13: Institutional Voids and the Culture–Growth Co-evolution Paradox

Albatran et al. [84] have argued that, in fragile contexts, the entrepreneurial ecosystem does not directly generate action; rather, it operates mainly indirectly by boosting self-

efficacy and improving perceptions of the environment. However, even when motivation and confidence are high, entrepreneurial action remains constrained if entrepreneurs do not perceive access to resources and support. In this sense, the gap between intention and action is primarily a *feasibility problem, not merely a motivation problem*.

That said, claiming that institutional weakness and frequent policy changes in developing countries make it impossible to translate future orientation into high-growth ventures can sound overly deterministic. *Motivation still matters. "Opportunity"* is often understood as a future situation perceived as both desirable and feasible, yet entrepreneurship also entails acting before full feasibility is guaranteed. Adopting a *behavioral definition*, as discussed in the first paragraph, entrepreneurship can be framed as the process by which individuals *"either independently or within organizations pursue opportunities without regard to the resources they currently control"*. In this view, entrepreneurship is not simply *"having an idea"*, but *generating and developing an idea for validation*: making it concrete, testing it against evidence, iterating accordingly, and accepting the possibility of failure. That is the main point of developing a culture that is conducive to entrepreneurship.

Overall, entrepreneurship can be conceptualized as *opportunity-oriented action under uncertainty*: the entrepreneurial act unfolds in conditions of pervasive uncertainty, where commitment precedes complete information and where action itself helps determine what is feasible.

But this reflection raises a fundamental dilemma. As noted by Morales et al [52]: *if an entrepreneur sees no support amid a sea of difficulties, will they continue pursuing their initiatives despite everything, or will they eventually give up? How far can resilience go when the environment is working against them?*

The same article proposes a way forward grounded in *collective action*: clearly diagnosing local challenges, building a healthier entrepreneurial ecosystem, and, crucially, structuring inter-institutional work plans with shared objectives and pooled resources so that fragmented efforts translate into tangible, long-term results.

1.5. Social Enterprises as a Potential Solution to the Culture–Growth Co-evolution Paradox

As discussed in the previous sections, the Co-evolution Paradox between entrepreneurial culture and growth-oriented firms is often framed in developing countries, where the institutions that enable markets to function, rules, enforcement, infrastructure, access to credit, and social protection, are frequently weak or missing,

creating institutional voids. When institutions fail to provide minimum conditions for market functioning and social protection, space opens for actors beyond the state and firms to experiment with socially oriented solutions. In these contexts, *social enterprises (SEs)* tend to emerge as organizations with *primarily social objectives, whose surpluses are mainly reinvested in the business or the community* rather than distributed to maximize shareholder and owner profit. Over the past few decades, SEs have become an increasingly important entrepreneurial dynamic because social entrepreneurs do not merely experience institutional voids as constraints, as traditional firms often do; instead, they *reframe them as triggers for action*, developing solutions that can modify, complement, or even replace local institutions and practices. When they identify an opportunity and are able to mobilize resources and legitimacy, SEs may contribute to the *creation of new formal or informal arrangements* or to the *reshaping of existing ones* [85].

In the next section, the concept of *social enterprises* is first clarified, and their relevance is then examined within what this thesis defines as a *weak entrepreneurial ecosystem*, characterized by pronounced formal and informal institutional voids that contribute to the emergence of the focal paradox. The discussion subsequently assesses whether, and to what extent, the distinctive features of social enterprises can realistically constitute a viable approach to mitigating or resolving this paradox.

1.5.1. Defining Social Enterprises and Their Hybrid Nature

Over the past decades, an increasing number of nonprofits have launched or scaled revenue-generating activities to support their mission and strengthen financial sustainability. This search for alternative income streams and for innovative ways to create social value can be enabled by adopting a more entrepreneurial mindset within the organization, especially in the context of declining public funding for social services. In this respect, insights and practices drawn from competitive markets may offer useful lessons for the long-term viability of social enterprises, while examining the contexts in which these initiatives operate and why they succeed or fail can further enrich social enterprise theory [86]. At the same time, the last two to three decades have produced numerous conceptual attempts to define *social enterprise*, *social entrepreneurship*, and *social entrepreneur*, with early contributions often treating them as closely related facets of the same phenomenon [87]. *Social entrepreneurship* is commonly defined as “*the creation and development of often innovative initiatives aimed at producing social impact*”, and a *social entrepreneur* as “*an individual, or group of individuals, who founds, leads, or manages an organization explicitly designed to achieve these socially oriented outcomes*” [88]. This thesis focus primarily on *social enterprises (SEs): organizations that trade for a social purpose*.

While social enterprises exist in all countries, the degree of understanding and acceptance of the concept among policymakers, practitioners, and researchers varies

significantly across States. Different traditions within the social economy and social enterprise landscape are described using diverse notions and labels, which can create conceptual confusion when similar practices are named differently across languages; for instance *social and solidarity economy (SSE)*, *alternative economy*, *social entrepreneurship* and *social entrepreneur*, *social business*, *socially-driven business*, *social start-up*, and *social innovation*, sometimes use them interchangeably with “*social enterprise*”. Yet each term was developed to capture a specific notion centred on civil society engagement and social impact, highlighting particular actors and/or beneficiaries that only partially overlap with social enterprises while remaining connected to the broader sphere of the *social economy* [88].

Indeed, the term “*Social Economy*” refers to the segment of the economy that *generates social value alongside economic value, delivering tangible benefits to individuals and communities beyond owners and investors*. Traditionally, the concept of social economy has referred to four main types of entities whose primary objective is to serve their members and pursue collective interest aims: *cooperatives*, *mutual benefit/aid societies*, *associations* (including charities), and *foundations*. These types are distinct in the way in which profit or surplus is treated and distributed; the way in which workers, customers, members, and other stakeholders are related; and the sorts of functions they tend to fulfill in society. They are private entities, independent from public authorities [88]. While these entities may adopt *diverse legal forms*, they share a common commitment to business-led approaches aimed at achieving *social objectives* and to *the reinvestment of surpluses* for the benefit of the community [89]. At the European level, *Social Economy* is formally defined by the EU Social Economy Gateway [90] as covering entities sharing the following main common principles: *the primacy of people as well as social and/or environmental purpose over profit*, *the reinvestment of most of the profits and surpluses to carry out activities in the interest of members/users (collective interest) or society at large (general interest)*, and *democratic and/or participatory governance*.

Within contemporary scholarship and policy discourse, *social enterprises are now generally understood as an integral part and a subset of the social economy*, while also exhibiting distinctive entrepreneurial and market-oriented features [91].

Social Enterprise Definition

A key organisational model within the social economy is the *social enterprise*, broadly understood as *organisations that pursue an explicit social mission and engage in trading activities to address societal challenges, thereby generating benefits for society and/or the environment*. Thus, through earned-revenue strategies, social enterprises can pursue a double bottom line (simultaneously generating financial sustainability and social value) or, in some cases, a triple bottom line that additionally includes environmental value [92].

Beyond deploying market-based strategies through the provision of mission-related goods and services, a distinctive characteristic of social enterprises lies in their capacity to identify *unmet social needs* arising from public-sector gaps or market failures, and to mobilise resources to address them. This aspect is remarked under the label of *social and solidarity-based economy enterprises*. For example, one major type that became dominant across Europe from the 1990s is the “*work integration social enterprise*” (WISE) with a core mission of integrating disadvantaged people [93].

Given the different definition of social enterprises, this thesis relies on the boundaries of the social enterprise concept being delineated by the *EU operational definition* set out in the Social Business Initiative (SBI) (2011) and reiterated on the European Commission’s official website [94]:

“Social enterprise, is an operator in the social economy whose primary objective is to generate social impact rather than to maximise profit for owners or shareholders. It operates by supplying goods and services to the market in an entrepreneurial and innovative way, and uses its profits mainly to pursue social objectives. It is managed in an open and accountable manner and, in particular, involves employees, consumers, and other stakeholders affected by its commercial activities”.

This definition includes (I) *businesses providing social services and/or goods and services to vulnerable persons* (access to housing, health care, assistance for elderly or disabled persons, inclusion of vulnerable groups, child care, access to employment and training, dependency management, etc.); (II) and/or *businesses with a method of production of goods or services with a social objective* (social and professional integration via access to employment for people disadvantaged in particular by insufficient qualifications or social or professional problems leading to exclusion and marginalisation) but whose activity may be outside the realm of the provision of social goods or services [95].

The operational definition introduced in the Social Business Initiative (SBI) [96] underpins the EU approach and conceptualises social enterprise along three core dimensions: *entrepreneurial, social, and governance* (as shown in Figure 14):

- *An entrepreneurial dimension*, i.e., engagement in continuous economic activity of production and/or exchange of goods and/or services, pursuing a social aim and generating some form of self-financing, but not necessarily engaged in regular trading activity;
- *A social dimension*, i.e., a primary and explicit social aim that benefits society and creates social impact. It must have limits on the distribution of profits and/or assets, being the purpose of such limits to prioritise the social aim over profit-making; and,
- *A governance dimension*, which enables to distinguish SEs even more sharply from mainstream enterprises, traditional non-profit organisations, and other

social economy entities. A SE (I) *must be independent*, i.e. has organisational autonomy from the State and other traditional for-profit organisations; and (II) *must have inclusive governance*, i.e., characterised by participatory and/or democratic decision-making processes. Governance dimension is essential to distinguish *state-sponsored SEs* from the “*self-emerging*” enterprise that develops from the individual and from non-state initiatives.

Provided that the pursuit of explicit social aims is prioritised through economic activities, these three dimensions can be combined in different ways, and it is their balanced combination that matters when identifying the boundaries of the social enterprise.

Moreover, SEs are characterised as *hybrid* since they *combine aspects of non-profits and for-profits* by pursuing a *social mission* while engaging in *commercial activities* that sustain their operations as part of their commercially-oriented business models, unlike organisations from the non-profit sector [98], [99].

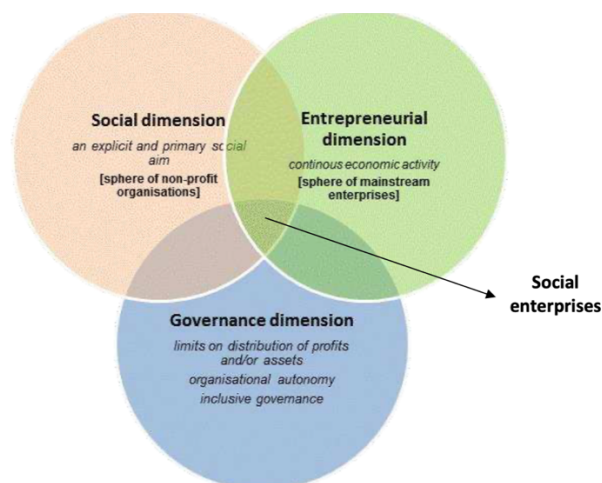


Figure 14: The Three Dimensions of Social Enterprises, [97], page 12

To wrap up, in general terms, these organisations can be defined as *entrepreneurial ventures* that pursue a *specific social mission* and generate *social value* through a business model designed to ensure *economic sustainability*. The creation of *social value* is the *primary and deliberate driver* of all commercial and market-based activities. All these organisations have in common the *primacy of social aims* and the centrality of trading, although to *different extents and different legal forms* depending on the State in analysis. As *hybrid organisations*, they are distinguished by their *dual value creation* in their value proposition in both economic and social terms and typically exhibit the following characteristics: (I) *use business tools and market-based approaches to achieve social objectives*; (II) *combine social and commercial capital, as well as methods drawn from both sectors*; (III) *generate both social impact and economic value*; (IV) *earn income through commercial activities to finance social programmes*; (V) *are mission-led while remaining market-driven*; (VI) *assess*

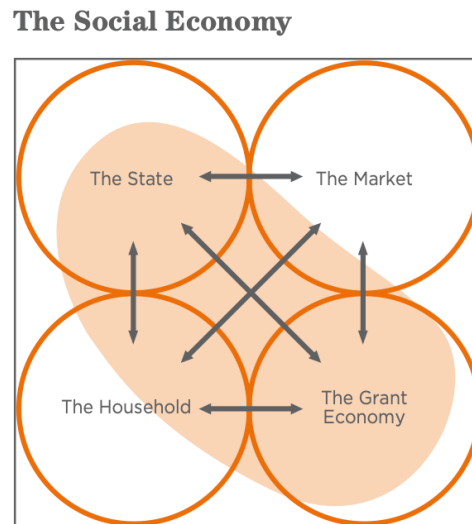
performance through both financial metrics and measures of social impact; (VII) pursue financial goals in ways that contribute to the public good; (VIII) benefit from greater financial autonomy through access to unrestricted income; (IX) integrate enterprise strategically as a means of advancing the mission [99].

Because SEs integrate social aims with market-based activity, SEs do not fit neatly into the conventional categories of the *private*, *public*, or *non-profit* sectors and therefore represent a prime example of an *organizational hybrid*, discussed in the next paragraph more in depth [98].

The Hybrid Nature of Social Enterprises: Social Economy as Hybrid

In this section an hybrid organization is described as an organization that exhibits a tension between at least two institutional logics. Within the organization and management literature, the term has been used to describe organizations that *cross institutional boundaries* and operate across *multiple functional domains* [98].

Social enterprises can be understood as a specific type of organization operating within the broader domain of the *social economy*. From a theoretical standpoint, the *social economy itself can be described as inherently hybrid*, since it cuts across four subeconomies [100]: *the market economy, the state economy, the grant economy, and the household economy*, as shown in Figure 15. Each of these sub-economies operates according to distinct logics, rhythms, and mechanisms for resource mobilization, governance, control, and distribution of outputs. However, not only social enterprises but also firms, public institutions, charities, and households operating within the social economy exhibit hybrid characteristics. While each actor may be rooted primarily in one sub-economy, they frequently operate across sectoral boundaries. The state interacts with other sub-economies through inward flows (taxes and fees) and outward flows (grants, public procurement, and investment), while also setting the regulatory, fiscal, and legal framework. The private market and the grant economy connect through corporate sponsorship, donations, mentoring, CSR, and growing collaboration between corporations and NGOs. Households interact with the private market as consumers and workers, and with the grant economy through donations and volunteering in exchange for services. These interfaces are an analytical simplification: in practice, *sub-economies often engage simultaneously in co-creation and co-production* [100]. As overlaps increase, *hybrid organizational forms emerge*, mixing plural logics and actor identities within the same organization and producing different organizational outcomes [101].



Source: The Young Foundation

Figure 15: The Hybrid Nature of Social Economy, [100], page 143

When analysing the economy through the conventional tripartite lens of *private*, *public*, and *non-profit* sectors, each sector can be distinguished by its ownership structure, governance arrangements, resource base, and overarching purpose, better described in Appendix A.4 [98].

Hybrid organizations are defined as “entities that blend characteristics of businesses, nonprofits, and/or government agencies to pursue both social and financial goals, operating at the intersection of the three sectors, leveraging the strengths of each to address societal challenges” [102]. Their emergence makes it increasingly difficult to draw clear boundaries between what is “private”, “public”, and “non-profit”, as many organizations depart from ideal-typical sectoral characteristics and sectoral boundaries continue to blur. As a result, a wide range of hybrid organizations has emerged, spanning multiple sectors and combining different institutional logics. Social enterprises (SEs) are a paradigmatic case: they cross sectoral boundaries, bridge institutional fields, and face conflicting institutional logics, within which multiple actor identities coexist and interact within a single organization, generating a range of possible organizational outcomes. By combining financial sustainability with a social purpose, SEs do not fit neatly within conventional categories, and the distinction between them and traditional For-profit and Nonprofit is increasingly blurred. Consequently, SEs may adopt different organizational profiles to manage tensions, competing demands, and ethical dilemmas arising from divergent goals, norms, and identities, as well as from imbalances in management and governance arrangements [103].

The next section clarifies and distinguishes how SEs are positioned along the *hybrid spectrum* between *nonprofit* and *for-profit* organizations since, by definition, SEs integrate a social mission with market-based activities.

The Hybrid Nature of Social Enterprises: the Hybrid Spectrum

Alam et al. [104] observe that difficulties arise in understanding the differences among the growing number of businesses with a social purpose, as their model-mix is not as straightforward as that found in the for-profit sector. Complexities in their classification exist, as for-profit businesses, non-profits, and NGOs are jointly creating businesses and pursuing scale and profits on the one hand, and social equity and empowerment on the other hand, as part of a new integrated value chain. This *hybrid* character generates a substantial *ambiguity* regarding how such organisations should be categorised, particularly in the case of *emerging* forms that do not align neatly with established definitions of social enterprise. The common theme between these definitions is the coexistence of multiple *logics or tensions within the same organization*.

Two convergent forces have operated over the last two to three decades, prompting organizations in both the *social* and *for-profit* sectors to adopt practices previously regarded as the exclusive province of their respective domains. These forces include: (I) a growing *resource gap* associated with the diminished role of the state, alongside an increase in the number of and competition among organizations pursuing social objectives; and (II) the movement of *for-profit firms* toward *corporate social responsibility (CSR)* and, more ambitiously, toward *strategic CSR* and forms of *corporate philanthropy*.

As Mair and Martí [105] argue, “*the choice of set-up is typically dictated by the nature of the social needs addressed, the amount of resources needed, the scope for raising capital, and the ability to capture economic value*”. Extending this logic, it follows that there is *no single best-practice model of hybridity* in social innovation; rather, organizational configurations vary systematically with the problem context, resource requirements, financing options, and value-capture mechanisms.

For instance, the *hybrid spectrum* can take multiple forms. A common approach in the literature positions hybrid organisations along a *continuum* defined by two ideal types: *Purely Philanthropic Models* and *Purely Commercial Models*. At one end, *Philanthropic Organisations* prioritise their *social mission* as the primary purpose of the organisation. At the other end, *Commercial Organisations* prioritise their *commercial profit-generating objectives*, while potentially advancing ancillary social goals alongside their core business activities, for example, through corporate social responsibility programmes [99].

Grounded in Alter’s Social Enterprise Typology [99], the hybrid spectrum, shown in Figure 16, is analyzed through three key dimensions: *organizational motive, accountability arrangements, and the treatment of surplus*. It explicitly frames *Traditional Nonprofit* and *Traditional For-Profit* organizations as the two opposing endpoints of the hybridity continuum and can be positioned along three main dimensions according to the degree to which their activities reflect:

- *Motive (dominant purpose/goal orientation)*: the organization’s prevailing purpose and the extent to which decision-making is primarily driven by social mission versus profit/financial returns, especially when trade-offs emerge.
- *Accountability (structures of responsibility and reporting)*: the mechanisms through which individuals and organizations report to recognized authorities and are held responsible for their actions.
- *Use of income (allocation of income/surplus)*: the rules governing how residual earnings are treated.

On the right-hand side of the spectrum are *Traditional For-profit organizations* that may generate social value, yet whose primary orientation remains *profit maximization* and the *distribution of returns to shareholders*. On the left-hand side of the spectrum are *Traditional nonprofit organizations* that engage in commercial activities to generate economic resources for financing social programs, while their dominant orientation is *mission fulfillment*, as defined and constrained by stakeholder mandates.

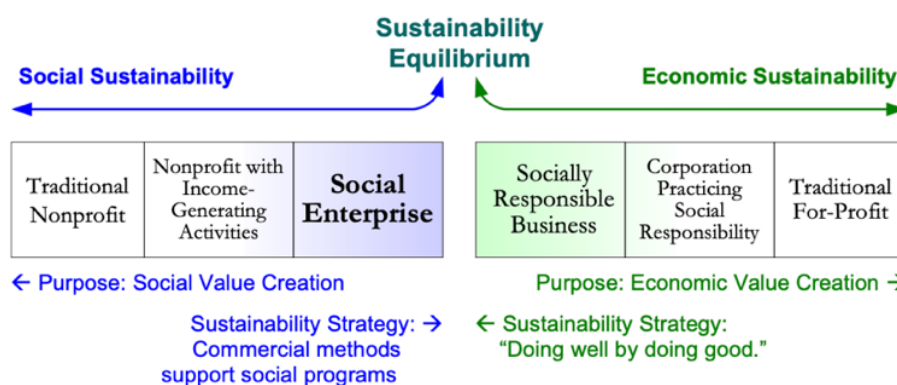


Figure 16: The Hybrid Spectrum, [99], page 15

Along the hybrid spectrum, two broad “families” of organisations can be distinguished, separated primarily by *purpose*. For *Socially Responsible Businesses* and *Corporations Practising Corporate Social Responsibility*, the dominant purpose is *profit generation and shareholder return*. By contrast, for *Social Enterprises* and *Nonprofits With Income-Generating Activities*, the dominant purpose is *social impact and stakeholder accountability, where the income is reinvested in social programs or operational costs*. This distinction is foundational: it shapes organisational identity, strategic priorities, and operational practices. Consequently, organisations rarely move across the entire spectrum. When a shift does occur, for instance, from a social enterprise to a socially responsible company (or vice versa), it typically requires a prior *redefinition of the organisation’s primary purpose*, followed by a *realignment of governance, structures, and activities* [99]. At the same time, both organisational families are compelled to pursue *dual value creation* to remain sustainable. Nonprofits commonly adopt commercial practices to reinforce long-term financial viability to accomplish their mission delivery, while For-profits

incorporate social programmes to support their profit objectives and strengthen long-term legitimacy [99].

The distinction between *Nonprofit With Income-Generating Activities (NPWIGA)* and *Social enterprises (SE)* is subtle and widely debated. A commonly cited criterion is that an *NPWIGA* is considered a *SE* when it is operated as a business: (I) the activity is established *strategically* to generate social and/or economic value for the organisation; (II) it is guided by a *long-term vision* and managed as a *going concern*, rather than as a temporary initiative; (III) has *growth objectives* and *revenue targets* are specified in a business or operational plan; (IV) management and oversight are entrusted to *qualified staff with business or industry expertise*, rather than being handled primarily by nonprofit programme staff [99].

Going further in depth, the framework presented in the Tiresia Handbook in Management for Sustainability and Impact [106] conceptualises hybrid organisations as enabling the co-existence of heterogeneous values, organisational logics, and managerial features. This internal plurality is typically reflected in the articulation of the organisation's *mission*, the *nature of its beneficiaries/clients*, its *revenue model* and *sources of capital*, and the *composition of its workforce*, as summarised:

- *Mission*: An organization is defined as a hybrid when it shows the combination of multiple organizational identities, organizational forms or different types of institutional logic
- *Beneficiaries/clients*: The users of these organisations can access their services in different ways, such as by fully paying for them, through subsidized rates or for free.
- *Sources of capital*: The organization can rely, to different extents, both on market capital and on donations.
- *Workforce*: The workforce can be composed, to different extents, by volunteers and employees.

1.5.2. Social Enterprises in Weak Entrepreneurial Ecosystems

In this section, a literature review analyses the main findings on the role of social enterprises in weak entrepreneurial ecosystems, characterised by severe formal and informal institutional voids in developing countries

Social Enterprises in Developing Countries

Social entrepreneurship, grounded in innovation, inclusion, and sustainability, has strong potential as a *game-changer* in economically developing countries. It transcends the traditional boundaries of business and social service, leading to a more integrated approach to development. Accordingly, in developing countries, social entrepreneurs are recognized for using creative and innovative approaches to address complex social problems, such as healthcare, education, and environmental sustainability, areas where conventional models have often proven insufficient. Governments, international organizations, businesses, and civil society can only partially meet the demands implied by the Sustainable Development Goals (SDGs). In this gap, social enterprises emerge as mission-driven organizations that voluntarily address social causes and tackle complex, interconnected problems that conventional firms often struggle to solve alone [107].

These contexts are frequently marked by persistent challenges, including unemployment, poverty, and social inequality. At the same time, many of these countries benefit from a demographic advantage in the form of a youthful population, which can be leveraged as a key resource for social and economic advancement and represents a strategic asset for social entrepreneurship [108].

The positive impact of social enterprises on social and economic development can be observed from multiple perspectives. They help *fill gaps* in the provision of general-interest goods and services, often left unmet due to public budget constraints, limited capacity to identify emerging needs, or market failures, while also supporting the work integration of disadvantaged groups at risk of social exclusion. Beyond service delivery, they can foster more *inclusive development* by improving local resource allocation, creating employment, and strengthening territorial social capital [88]. Indeed, social enterprises often focus on *creating job opportunities* and providing *skills training* that develops leadership and problem-solving skills, financial literacy, creativity, and active engagement in societal issues, encouraging people to take *an active role* in shaping the future of their communities. This is vital in countries with high rates of unemployment, as it supports poverty alleviation and stimulates local economies. When entrepreneurship is encouraged and supported through finance, mentorship, and infrastructure, it can strengthen social cohesion and community development, empower beneficiaries, and foster a broader culture of social responsibility and professional growth. By expanding access to educational resources and opportunities that might otherwise be out of reach, social enterprises help *break cycles of poverty* and *build foundations for future employability and success in the workforce*. They also often engage volunteers, promoting critical social skills such as teamwork, leadership, and problem-solving [108].

Crucially, social enterprises operate in the public interest but must be managed entrepreneurially, maintaining an ongoing balance between social objectives and economic viability; given the scale of these challenges and resource constraints, *cross-*

sector collaboration often becomes necessary [107]. In this vein, social entrepreneurship can be understood as the development of *new models* for delivering products and services that address basic human needs left unmet by existing economic or social institutions, an orientation that is central to development-focused SEs working on poverty alleviation and essential services. More broadly, SEs and other social economy organisations often drive social innovation by designing, testing, and scaling *new or recombined approaches* that generate sustainable solutions in the form of ideas, processes, products, and services, ultimately addressing *broader societal challenges* and *improving individual and community wellbeing* by leveraging *strong community embeddedness and engagement* [88], [107].

It is important to underline that *many challenges typically faced by traditional for-profit models in developing countries also apply to social enterprises*, including securing funding, scaling operations, navigating complex regulatory environments, limited access to start-up and scale-up financing, and, moreover, the need for greater public *awareness of the social entrepreneurship model*, making advocacy and engagement with policymakers necessary. For example, social enterprises may struggle to obtain initial funding and attract the right talent, while regulatory frameworks may not always support the innovative models they propose. Indeed, the cultural environment could be considered a constraint, since locals' habits and attitudes could be counterproductive to the development of SE. Nevertheless, the *potential benefits of social entrepreneurship in driving social, economic, and environmental change remain substantial* [109].

To summarize, SEs growth can support *socio-economic development*, particularly where the state or conventional firms fail to meet local needs. By strengthening community capabilities and improving the territorial allocation of resources, they generate both social value and economic benefits, promote inclusive growth, empower local actors, and contribute to gradual changes in local institutions and systems that underpin sustainable development. As mentioned in the introduction of section 1.4, the "*Co-Evolution Paradox Between Entrepreneurial Culture and Growth-Oriented Firms*" is often discussed in the context of developing countries characterized by institutional voids. The next paragraph reviews how the literature argues that *social enterprises can help bridge these gaps*.

Social Enterprises and Institutional Voids

Several papers indicate that social entrepreneurs view *resource constraints as opportunities rather than limitations*. Social and commercial entrepreneurship are similar in many ways, including the need to cope with uncertainty and invest resources during venture creation. However, social entrepreneurs often use resources more efficiently through processes such as *bootstrapping, bricolage, and partnership building*. They also tend to rely more on *informal, relationship-based exchanges for knowledge and*

contacts [110]. Indeed, Mathew et al. [111] argue that social entrepreneurs, driven by a desire for social change, strategically leverage their *social networks* to achieve their goals, highlighting the need to actively cultivate and expand these networks to maximize impact.

An important resource for SEs is the use of *bricolage* in their activities. In an influential paper, Baker and Nelson [112] define bricolage as “*making do by applying combinations of the resources at hand to new problems and opportunities*”. In their study of business firms, they show how organizations socially construct their resource environments by “*bricolaging physical, social, and institutional inputs*”. They highlight the importance of *selective bricolage*, a careful and flexible use of bricolage across space and time that tends to spur growth. Overall, the paper substantially advances our understanding of entrepreneurial activity in resource-constrained environments, showing how firms “*make do*” with cheap or free resources that others view as useless or substandard, recombining them for new purposes. Consistent with the profit-maximizing setting they examine, their argument mainly draws on the notion of “*material bricolage*”: *using whatever is available to reach workable (often not optimal) solutions to problems and opportunities*.

For instance, the study by Mair and Martí [42] shows how BRAC in rural Bangladesh acts as an entrepreneurial actor addressing institutional voids that prevent the poorest from participating in markets. Through the CFPR-TUP programme, BRAC recombines and redeploys resources “*at hand*” into an integrated approach for the ultra-poor, through an initial asset transfer, a subsistence stipend, enterprise development training, and targeted health-related support, while simultaneously building locally acceptable institutional arrangements (e.g., mechanisms to protect transferred assets and to challenge socio-cultural and political constraints). The authors interpret the crafting of these new arrangements as an ongoing process of *bricolage*.

Beyond bricolage, *Social Innovation (SI)* is often discussed as a mechanism for addressing institutional voids. In the literature, SI is described as “*the development and implementation of new ideas, products, services, and models designed to meet social needs*” [113] or similarly as “*a change in social structures, an action for social purpose, a public good or market offerings that meet the unmet needs of society*” [114]. SI is also framed as a useful policy tool to support sustainable economic growth, reduce inequality and instability, and improve societal welfare. For this reason, SI should be analysed together with the actor implementing it and the *local context* in which it operates. Indeed, SI can *reshape local identities and culture* and contribute to *new governance arrangements* (rules, coordination, and decision-making), within and across territorial scales. In other words, SI is often *place-based*, because it is shaped by the specific setting where it occurs and by interactions among local actors and institutions [115].

Altuntas et al. [115] propose a model arguing that social entrepreneurship is more likely to emerge where *socioeconomic, cultural, or environmental problems are severe, and*

government activism is limited. In such settings, institutional voids may not only generate social needs but also create *opportunity spaces* for *innovative business models*. Indeed, *voids can accelerate social innovation by stimulating actors to recombine resources at hand*. The authors argue that the existing voids can be addressed by the social entrepreneurs in three ways: (I) *new products or services* (functional social entrepreneurship and conceptualized as *Incremental Innovation*), (II) through action that *reconfigures markets* to create new or greater social value (critical social entrepreneurship conceptualized as *Institutional Innovation*), and (III) through action that challenges *institutional arrangements* at a field level through advocacy and political action (transformational social entrepreneurship conceptualized as *Disruptive Innovation*). However, in some cases, SEs, in focusing on the ability to innovate and apply creative strategies to solve problems, face the interference of institutional frameworks that hinder their ability to address social problems.

Moreover, Altuntas et al. [115] explore the inter-linkages between institutional voids and institutional supports (rules, structures, actors, and resources that enable the actor's action) and the social innovation process, asking whether *voids* or *supports* embedded in *social-welfare, commercial, and public-sector* logics stimulate *social innovation*, with the *actor* positioned as the *key change agent*. They argue that, whereas traditional entrepreneurs operate primarily within the commercial logic, *social entrepreneurs are institutionally embedded in all three logics simultaneously*. As a result, the creation of innovative hybrid strategies is closely linked to *actors' ability to bridge these three logics*. They advance a research model that explicitly links institutional context, the actor, and the social innovation process, as shown in Figure 17.

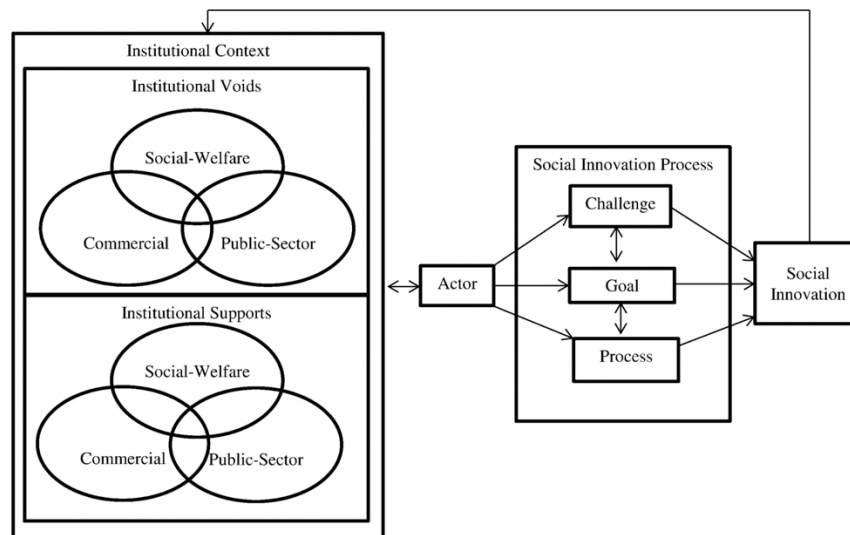


Figure 17: Institutional Voids and Social Innovation as a Self-Reinforcing Process, [115], page 101

Looking at Figure 17, upstream sits the *Institutional Context*, composed as a configuration of *institutional voids* and *institutional supports* distributed across the three

logics, and further shaped by two field-level conditions: the degree of *heterogeneity* and the *level of institutionalization*. At the center is the *actor* as a catalyst and change agent. These actors are the social entrepreneurs who first identify an opportunity by assessing their resources, strengths, and constraints; then build momentum by engaging strategic partners and broadening their stakeholder base; and finally implement the initiative to maximize impact. Rather than passively absorbing the context, the *actor interprets it* (reading voids as threats and supports as opportunities), *translates it into a concrete challenge, sets specific goals*, and navigates a *non-linear process involving actions, resources, and partnerships*. The output is a *social innovation* that can take *incremental, institutional, or disruptive forms*. Empirically, the authors find that voids tend to trigger mainly *incremental and institutional innovations* when supports are inadequate. From a structuration perspective, the outcome can feed back into the context, contributing to its reconfiguration by *reducing certain voids and/or reinforcing new supports*, a dynamic consistent with structuration logic (structure and agency co-producing one another). A clearer explanation of social-welfare, commercial, and public-sector supports and voids is provided in Appendix A.5.

Darrag et al. [85] examine which institutional voids constrain social enterprises in developing countries, and which strategies social entrepreneurs use to overcome them. They show that voids are both *formal market gaps* (e.g., finance, labor, contract enforcement, property rights, product markets, regulation, lack of market education) but also *informal/social constraints* (e.g., limited social acceptance, low trust, weak support networks). Their central contribution is a *taxonomy linking types of voids and the recurring strategic responses*, as shown in Table 4. For formal voids, social enterprises often develop alternative solutions such as financing channels through networks and cooperatives, workforce training and capability building, contract intermediation to include micro-actors, lobbying or creating new organizations to support regulatory change, and mechanisms for diffusing market knowledge where information is missing. For informal voids, they invest in inclusion and awareness-building, professionalization to strengthen credibility and trust, and the creation of support groups and networks, including efforts to foster a culture of giving.

This section has shown how social enterprises operate within, and actively reshape, their contexts through bricolage, social innovation, and the strategies they use to fill and transform institutional voids. Social entrepreneurs are therefore portrayed not as passive recipients of institutional conditions, but as *agents who interpret voids as opportunity spaces and respond by either reducing them directly or strengthening supportive institutions*, which suggests that *Ses can represent a possible solution to the Co-evolution Paradox between entrepreneurial culture and growth-oriented firms*.

Table 4: Social Entrepreneurship Strategies for Tackling Institutional Voids in Developing Markets, [85], page 15 and 16

	Voids	Social Entrepreneurship strategy
Strategies Addressing Informal Institutions	<i>Social Support</i>	Promoting the culture of giving; Creating support groups
	<i>Trust</i>	Market driven strategy; Promoting community collaboration
	<i>Social acceptance</i>	Inclusion; Capitalizing on specialized potential; Raising awareness
Strategies addressing Market Institutions	<i>Conception of Control</i>	Infusing Market understanding
	<i>Regulatory</i>	Creating a new organization; Lobbying
	<i>Product Markets</i>	Provision of public goods; Renovating public service; Information dissemination
	<i>Property Rights</i>	Formalizing organizations; Facilitating ownership
	<i>Contractual Agreement, Enforcement</i>	Act as a mediating contractor; Negotiating contracts; Inclusive contracts
	<i>Labour Market</i>	Expanding the labour pool; Creating a new vocation; Building capacity; Labor matching
	<i>Capital Market</i>	Networking for funding; Creating informal cooperative mechanisms; Microfinance and formal cooperatives

2 Discussion and Research Questions

2.1. Discussion

In Section 1.5, the analysis of social enterprises suggests that these organizations are perceived as generators of innovation that can reduce *institutional voids* and, over time, strengthen institutional support in both the *formal and informal domains*. In particular, *bricolage* often functions as a mechanism that enables *social innovation*, especially in contexts characterized by institutional voids: the pragmatic recombination of available resources makes it possible to design workable solutions where infrastructure, stable rules, or reliable services are missing.

Because institutional voids are at the core of the Co-evolution Paradox discussed, social enterprises can be interpreted as a potential long-term “*exit mechanism*” from it. They tend to emerge precisely in weak ecosystems and enter the feedback loops that sustain institutional voids, converting them into arenas for intervention and innovation. In doing so, they can progressively contribute to building the conditions typical of stronger economic systems, where virtuous cycles between institutions, culture, and entrepreneurial initiative reinforce one another.

At the same time, social enterprises operate to promote pro-social objectives, such as wealth creation, cooperation, and community development, and they rarely act alone. They often work in cooperation with other actors, including community support groups, Non-Governmental Organizations (NGOs), governmental organizations, and traditional commercial businesses. This collaborative dimension is critical because it can increase legitimacy, reach, and implementation capacity, but it also makes the sustainability of interventions a central issue. In practice, long-term effectiveness depends on financial viability, local ownership, adaptability to context, integration with local systems (e.g., health, education, or administrative structures), and robust monitoring and evaluation [116].

By operating at the intersection of multiple institutional logics, social enterprises do not merely alleviate symptoms (e.g., poverty or service gaps), but can also generate *structural change*. For instance, *skills training* initiatives can strengthen communities, consolidate local capabilities, and create concrete prerequisites for a stronger entrepreneurial ecosystem. By simultaneously acting on informal structures (norms,

meanings, and practices) and formal structures (access to resources, markets, and services), social enterprises can support the development of a *local culture conducive to entrepreneurship* and shift ecosystem actors toward *opportunity-driven* ventures oriented to growth, rather than subsistence activities with limited developmental impact, and thus reinforcing the ecosystem until the Spillover Feedback Loops effects shown in Figure 5 emerge.

Estrin et al.[113] investigate how social and commercial entrepreneurship interact across countries, and specifically whether a broad presence of social entrepreneurs can serve as a source of national social capital (*informal norms of cooperation and trust*) that, in turn, supports commercial entrepreneurial activity by increasing the legitimacy and perceived feasibility of entrepreneurship, encouraging experimentation, and link to higher levels of opportunity recognition, a key antecedent of entrepreneurial activity. Moreover, they hypothesize that the two forms of entrepreneurship are mutually supportive at the country level and test for spillovers between them. Their results show *positive spillovers* in both directions: *more social start-ups in a country imply a higher individual probability of commercial start-up activity, and greater commercial prevalence implies a higher individual probability of social start-up activity*. In short, social entrepreneurship contributes to the accumulation of social capital at the country level, which in turn enhances commercial entrepreneurship, and vice versa, supporting the thesis that SEs are enablers of a more conducive culture to entrepreneurship and support the creation of traditional commercial activities. These results are particularly relevant since they show that a relatively stronger entrepreneurial culture, proxied, for example, by a high prevalence of commercial entrepreneurship within a country, is conducive to social entrepreneurship, offering insights into *how the co-evolution paradox may constrain the emergence of growth-oriented social enterprises*.

As discussed at the end of Section 1.5, much of the literature implies that *social entrepreneurship is more prevalent where institutions are weaker*. Institutional void theory argues that gaps in formal institutions increase unmet needs and create opportunity spaces for social entrepreneurs, who establish new organisations to compensate for institutional shortcomings. In this view, social entrepreneurship emerges as a strategic response to an institutional environment that fails to provide essential services and support. However, Estrin et al. [113] argue that *commercial entrepreneurial culture and institutions* and “*classic individual drivers*”, such as *capital, role models, self-efficacy, and the willingness to bear risks*, operate and are influenced *very similarly for both social and commercial enterprises*. Indeed, the same institutional factors encourage both forms of social and commercial productive entrepreneurship, as the generic processes and tasks individuals need to complete in order to create an organisation are likely to be very similar (e.g., access to finance and the availability of informal capital). Thus, the contextual factors determining a country's levels of entrepreneurial activity are common to both. In this view, social and commercial entrepreneurship are alternative

forms of the same type of entrepreneurial activity, with the purpose of creating (broadly defined) social wealth, and as such, are encouraged by a similar institutional environment. In sum, for Estrin et al. [113], this view suggests that *institutional void implies more social entrepreneurship is not robust*, and social entrepreneurship appears more as a productive component of the ecosystem that, on average, strengthens (rather than substitutes for) commercial entrepreneurship.

Several authors support this view. Shan et al. [109] show that environmental conditions in developing countries can both enable and constrain SI, leaving social innovators “*stuck in the middle*”. They point to a lack of support for entrepreneurs seeking large-scale impact through scaling and identify “*ecosystem scaling barriers*” linked to the industry value chain, public goods provision, and government. The dominance of for-profit business models and pressure on public budgets, especially during recessions, also shape the level and type of support available, limiting goal attainment, access to finance, and community acceptance. For instance, Petroušanu [117], found that in Romania, social enterprises often emerge in response to unmet social needs generated by state and market failures (broadly by the institutional voids). However, their long-term viability and capacity to scale are constrained primarily by those same voids: *in the absence of a robust and enabling support ecosystem, only the most resilient and adaptive organizations tend to endure, while others stagnate or exit the market.*

Stephan et al. [118] defined entrepreneurial activity “*for one’s own account*” (i.e., a self-employment logic of entrepreneurship) primarily oriented toward pro-social objectives, creating “*societal wealth*” rather than purely economic wealth. They state that SE is higher where enabling institutions exist (resources, collaboration, legitimacy), not simply where social needs are greater. The authors argue that cutting the state to “*create demand*” for SE is a naive strategy: *without formal support and widely available social capital, SE does not scale and often does not even start.*

Later on Stephan et al. [119] formalize this concept through their “*Institutional Paradox of Social Entrepreneurship*”:

“While SE is needed most in contexts where constitutional institution voids are deepest, it is also most difficult to create and operate a social enterprise in such a context ...voids deter social enterprises, while contexts with strong constitutional institutions support them, resulting in more people starting and operating social enterprises. Lower transaction costs, higher predictability, and greater inclusion in markets... Stronger constitutional institutions benefit SE just as they benefit commercial entrepreneurship, including high-growth entrepreneurship....strengthen the positive effect of individual-level human capital on entry in SE... mitigate the risk of mission drift and social-financial trade-offs in microfinance organizations...enhance the flow of commercial and public finance to microfinance organizations... Thus, the pattern of findings indicates that institutional support for (social) entrepreneurship also comes from constitutional institutions, resulting in higher levels of SE

and greater ease of operating a social enterprise in a context marked by strong constitutional institutions.”

In summary, social entrepreneurship tends to be most *needed* in contexts characterized by deep institutional voids, where state provision and market-supporting institutions fail to address salient social problems. Yet it is precisely in these contexts that social ventures face the greatest constraints to *emerge, survive, and scale*. Weak government activism and fragile constitutional institutions reduce the availability of complementary resources (e.g., infrastructure, human capital, public goods, and enforcement), increase uncertainty and transaction costs, and undermine legitimacy and stakeholder trust. As a result, institutional voids simultaneously *intensify the demand* for social entrepreneurial solutions while *constraining the supply* and sustainability of social enterprises, creating a structural tension between societal need and organizational feasibility. In contrast, support for the institutional voids perspective for SEs highlights how social entrepreneurs engage in institutional work to address the institutional challenges and voids they face. Yet, outside these contrastive perspective, even in challenging institutional contexts marked by institutional voids, some social enterprises emerge and engage with the context actors and obtain support and legitimacy.

Stephan et al. [119] suggest that “*social entrepreneurs who succeed in launching ventures in highly challenging contexts offer especially informative case studies because they show how entrepreneurial agency can foster more inclusive and sustainable societies*”. This insight directly motivates the base of this study’s research question, presented in the next section.

2.2. Research Framework and Questions

Figure 18 conceptualises the literature review findings by unifying the conceptualisation of the *Co-Evolution Paradox in developing countries’ settings* with the *latest findings of the discussion*. In weak EEs characterised by severe institutional voids, the literature converges on a paradoxical dynamic in which the limited presence of opportunity-driven (i.e., growth-oriented) firms and the absence of a conducive entrepreneurial culture co-evolve and mutually reinforce each other in a self-reinforcing negative loop. In other words, weak ecosystem conditions hinder the emergence of opportunity-driven firms, while the persistence of a weak entrepreneurial culture further undermines the incentives, capabilities, and legitimacy required for such firms to emerge and consolidate, thereby reproducing the very conditions that generate the paradox.

Within this scenario, the literature review suggests that *social enterprises (SEs)* represent a particularly relevant alternative organisational form. SEs appear able to find and exploit open opportunities in weak EE to operate and create social welfare, while simultaneously contributing to the reduction of institutional voids and the strengthening of supporting institutions. Crucially, this potential contribution is not confined to a single dimension: the discussion indicates that SEs may address *both formal and informal institutional voids*, for instance by compensating for missing market intermediaries, building trust and legitimacy, shaping community norms, and mobilising partnerships that partially substitute weak institutional infrastructure. By intervening on both the formal and the informal side, SEs may also generate *spillovers* that go beyond their direct beneficiaries, with effects that can reinforce commercial enterprises and thus the emergence of more conducive entrepreneurial culture and growth-oriented firms.

However, the same discussion also makes clear that this mechanism is neither automatic nor costless. Operating in weak ecosystems characterised by institutional voids exposes SEs to *structural constraints* that largely overlap with those faced by traditional commercial enterprises, such as difficulties in launching, limited access to resources, enforcement and transaction costs, weak service ecosystems, and persistent operational frictions. This helps explain why, overall, SEs *emerge, survive, and especially scale less frequently* in contexts where institutional voids are severe: *the environment that creates "open opportunities" simultaneously reduces the probability of sustained organisational development*. Yet, the empirical examples presented in this thesis indicate that a *subset of SEs manages to survive and scale* despite these constraints, producing the benefits described above and potentially triggering broader ecosystem effects. Specifically, when *SEs are able to address formal and informal institutional voids through distinctive enabling factors, they may reduce the severity of the Co-evolution paradox* and contribute to the *activation of the Spillover-Feedback Loop* (or entrepreneurial recycling) described in Figure 5. Following this line of thought, it is plausible that, *over the long term, if SEs progressively reduce institutional voids and the weak EE strengthens, more social enterprises will be able to survive and scale*, reinforcing the same dynamics that support the emergence of a *strong EEs* that becomes increasingly *self-sustaining*. Indeed, in this study, the core assumption is that the change generated by social enterprises is gradual, bottom-up, and often not immediately visible in the short term.

In this context, *Scalability* can be defined as *increasing the impact of a social-purpose organization to match the scale of the social need it aims to address*. Scaling a social enterprise (SE) involves *growing to meet this demand*, and thus not only to the expansion of the organization but also increasing the outcomes it generates (scaling impact) [120]. SEs aim to scale impact by broadening their scope or activities. However, the principles for scaling impact differ from those for traditional business growth, as the *focus shifts from*

size to social outcomes. Financial growth does not guarantee social impact, but the latter often requires economic growth. SEs face a tension between growing in size, driven by market logic, and increasing social value, driven by social welfare logic. This creates managerial challenges and trade-offs that shape their growth pattern.

Growth pattern can be divided in two main categories: (I) *Breadth-scaling* has a horizontal perspective and involves expanding activities or scope (e.g., “scaling wide” to reach more beneficiaries geographically, “scaling out” to offer diverse services to the same target audience, or “scaling across” spreading impact through replication and partnerships). (II) *Depth-scaling* has a vertical perspective that focuses on deepening existing impacts (e.g., “scaling deep” by enhancing current processes to affect cultural values or “scaling up” by influencing systemic institutional changes, including law and policy) [121].

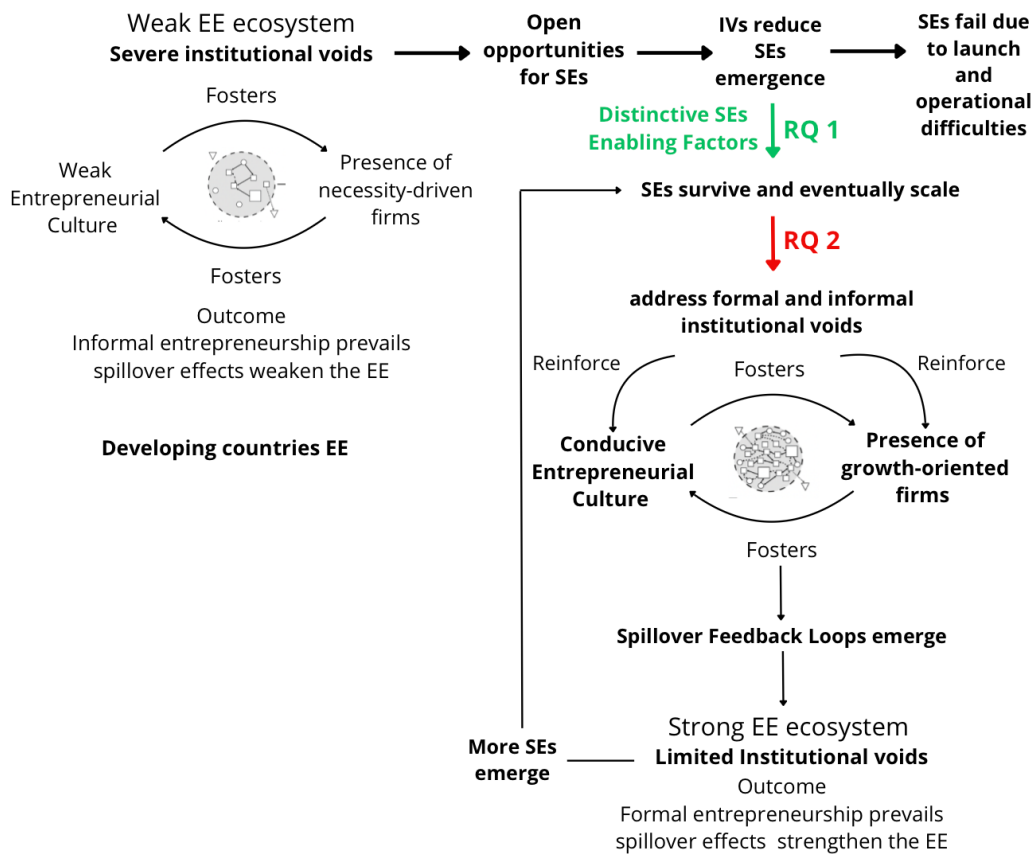


Figure 18: Research Framework

The literature review and the discussion show that contexts characterized by severe institutional voids not only disadvantage commercial ventures but also affect social enterprises (SEs), creating entry barriers and operational frictions that lower their likelihood of survival and scaling. Indeed, SEs increase their social impact, described as *the sum of effects and changes (in terms of knowledge, skills, status, living conditions, values...)* often generated in the long term on the community by the activities of an

organization, which generates a positive change in fields where market mechanisms fail or only partially work [122]. It is therefore essential to clarify which distinctive characteristics set SEs apart from other organizational forms, and why these characteristics may make them relatively more resilient and capable of surviving and scaling in institutionally fragile environments, despite the lack of institutional support.

In other words, the key question is not whether institutional voids generate constraints, because they do for everyone, *but which factors enable some SEs to operate, survive, and scale despite those constraints, ultimately contributing to the reduction of the voids themselves.*

Research question 1: *“Which distinctive enabling factors allow social enterprises to survive and scale within weak entrepreneurial ecosystems characterized by severe institutional voids, where the Co-Evolution Paradox emerges?” (Green arrow in Figure 18).*

Research question 2: *“Which of these distinctive enabling factors enable social enterprises to reduce formal and informal institutional voids and thereby weaken (or break) the Co-Evolution Paradox, strengthening the entrepreneurial ecosystem toward a more robust configuration with fewer institutional voids?” (Red arrow in Figure 18)*

Before addressing the research questions, it is necessary to outline *Madagascar* as the contextual framework of the study and to assess, through a *Literature Review*, whether the conditions for the emergence of the Co-Evolution Paradox are present. In addition, the analysis will zoom in on Nosy Be, which serves as the empirical setting for the case study of *Tsara Tsiky*, a social enterprise currently transitioning toward scaling its impact. This case will be used to examine whether and how the identified enabling factors can effectively mitigate formal and informal institutional voids, and how such mechanisms may relate to weakening or potentially breaking the paradox.

3 Case Study Context

Madagascar, classified as a *Least Developed Country (LDC)*, faces significant challenges that hinder its growth and development. The country is characterized by high levels of labor informality, weak formal institutions, and a fragile conducive cultural system that impacts its ability to foster a thriving business environment.

In the first part of this chapter, it is shown how, despite modest economic growth, Madagascar struggles with deteriorating infrastructure, declining productivity, and institutional challenges that impede long-term development, as highlighted through the Steep analysis. Additionally, the country's low levels of human capital and slow economic transformation further hinder its growth prospects. Madagascar remains highly vulnerable to external shocks, including climate events and political instability, which disproportionately affect the most vulnerable populations, particularly the poor. These factors make Madagascar one of the poorest countries in the world, classified through various studies, indices, and international benchmarks as a nation facing extreme socio-economic difficulties.

The analysis then shifts to the second part of the chapter, looking at the major factors that prevent business growth in Madagascar. These include limited education and skills, lack of access to finance, poor infrastructure, limited technology and innovation, and restrictive government regulations, all of which hold back Malagasy businesses and contribute to business informality. These challenges are even more severe for female-led businesses. Women entrepreneurs face significant barriers compared to their male counterparts, which makes the country's economic landscape even more complicated. These gender disparities highlight the need for a more inclusive approach to economic development. Lastly, a key aspect of Madagascar's entrepreneurial ecosystem is its "*conductive culture*", which influences how businesses operate and grow. This cultural environment can either support or hinder entrepreneurial activity. To explore this, data from the Global Entrepreneurship Monitor (GEM) [147] is used, an international research project that monitors and analyzes entrepreneurship globally, focusing on innovation and business activity.

The analysis then focuses on Nosy Be, an island in Madagascar, as the place of the study. The economy of Nosy Be is predominantly driven by tourism, which, while contributing to revenue growth, has not resulted in significant increases in the average wealth of the population. The island's prosperity derived from tourism has not been

translated into broader economic development due to challenges such as inadequate infrastructure, low levels of education, and widespread poverty. Furthermore, the rise in tourism has led to increased prices, which have further exacerbated the difficulties faced by the local population. Consequently, there is a lack of growth-oriented businesses, with the informal sector dominating and numerous small, necessity-driven enterprises emerging. This creates a unique opportunity to examine the dynamics between the absence of locally led, growth-oriented firms and the presence of a conducive culture. The few businesses outside the tourism sector are mostly foreign-led, which further highlights the contrast. As a result, Nosy Be provides an ideal setting for analyzing the paradox at play.

At the end of the chapter, it is presented a contextual presentation of Tsara Tsiky, the case study in analysis in this thesis.

3.1. Madagascar Overview

3.1.1. Geography

Madagascar is an island state in the Indian Ocean, located off the southeastern coast of Africa and separated from the African mainland by the Mozambique Channel, a strategically important position [123]. The country covers a total land area of 581,795 km². Climatically, Madagascar is tropical along the coasts, temperate inland, and arid in the south. It is traditionally divided into six provinces: Antananarivo (the capital), Antsiranana, Fianarantsoa, Mahajanga, Toamasina, and Toliara [123].

3.1.2. History

Madagascar has a *complex, relatively isolated history* shaped by successive *waves of settlement and external influence*. Over time, communities from different cultural backgrounds established themselves on the island, resulting in a highly diverse society that today is commonly described through *18 main ethnic groups*, including highland populations of Malayo-Indonesian origin such as the Merina and Betsileo, and a range of coastal groups with mixed African, Malayo-Indonesian, and Arab ancestry (often referred to collectively as *Côtiers*, including groups such as the Betsimisaraka and Sakalava). Europeans first arrived in the early 1500s with the Portuguese, followed by French and British involvement; *France* conquered the island in 1896 and formally turned it into a *colony* in 1897, imposing *centralized rule* and funding the *colonial administration* through heavy taxation, while restructuring the economy to serve

colonial interests via expropriation of large areas of land to convert them into coffee plantations run by private companies and coercive labor systems. *French* was imposed as the official language, and the fiscal regime was so severe that it can be compared to a de facto reintroduction of slavery. Although slavery was officially abolished under French rule, compulsory labor practices remained highly exploitative and contributed to major resistance, including the 1947 uprising in parts of the eastern region, which foreshadowed the end of colonial control. After World War II, the independence movement intensified, and *Madagascar became independent* on 26 June 1960 [123].

3.1.3. Measuring Poverty and Development in Madagascar: Poverty Lines, HDI, MPI, and SDGs

Madagascar is a country grappling with *extreme poverty*, facing *significant challenges across various socio-economic dimensions*. Despite some development efforts, the majority of the population remains vulnerable, with most living *below the poverty line* (defined as \$3 per day in developing economies) and a high proportion experiencing *multidimensional poverty* (68,4%). The country faces substantial barriers in health, education, and living standards. These struggles are reflected in *Madagascar's low rankings on key global indices*, such as the *Human Development Index (HDI)* and the *Multidimensional Poverty Index (MPI)*, as well as its slow progress in achieving the *United Nations Sustainable Development Goals (SDGs)*. This paragraph examines these data in greater depth to provide an overview of Madagascar's international context, drawing on analyses from highly recognized and credible organizations.

- The *Global Poverty Line* is a benchmark used to define extreme poverty while accounting for cross-country differences in the cost of living.

As of 2022, nearly 70% of Madagascar's population lived *below the former international poverty line* of US\$2.15 per person per day. The number of people living in poverty increased from 15.4 million in 2012 to 21.1 million in 2022 (+37%), reinforcing Madagascar's position among the world's poorest countries and its classification as a Least Developed Country [124].

- The *Multidimensional Poverty Index (MPI)* measures poverty beyond income by capturing simultaneous deprivations across 10 indicators grouped into three equally weighted dimensions: health, education, and standard of living, across 109 countries. It combines (I) *headcount* (the share of multidimensionally poor people) and (II) *intensity* (the average share of deprivations among the poor). This complements the monetary poverty line by showing both who is multidimensionally poor and the composition of multidimensional poverty [125].

For Madagascar, the most recent publicly available survey data used for MPI estimates refer to 2021. These estimates indicate that 68.4% of the population is multidimensionally poor, 45.8% experiences severe multidimensional poverty, and an additional 15.4% is classified as vulnerable to multidimensional poverty. Poverty intensity is high: among the multidimensionally poor, deprivations cover on average 56.4% of the weighted MPI indicators, producing an MPI value of 0.386, which reflects the share of the population that is multidimensionally poor adjusted for the intensity of deprivations [125], [126]. In 2023, Madagascar was classified as the fifth most multidimensionally poor country worldwide [127]. The main deprivations among the multidimensionally poor in Madagascar (share deprived in each indicator) are *cooking fuel* (65.5%), *sanitation* (62.1%), *housing* (57.2%), *electricity* (56.6%), *drinking water* (51.3%), *assets* (48.3%), *years of schooling* (47.7%), *school attendance* (25.3%), *nutrition* (26.0%), and *child mortality* (5.5%) [126].

- The *Human Development Index (HDI)* is a composite measure of long-term progress in three core dimensions of human development: *a long and healthy life, access to knowledge, and a decent standard of living.*

Madagascar's HDI value for 2023 is 0.487, placing the country in the low human development category and ranking it 183rd out of 193 countries [128]. This low HDI performance is reflected in education outcomes: mean years of schooling are 4.3 for women and 4.9 for men, well below the global averages of 8.4 and 9.2, respectively [128].

- The 2030 Agenda for Sustainable Development, adopted by all UN Member States in 2015, sets *17 Sustainable Development Goals (SDGs)* to reduce *poverty and inequality*, improve *health and education*, and *protect the environment.*

Madagascar ranks 158th out of 167 countries in the SDG Index (51.05/100), indicating it is far from achieving the goals (as shown in Figure 19). However, it scores very highly on the Spillover Index (97.84; 3rd out of 167), suggesting it generates relatively few negative cross-border effects on other countries' progress toward the SDGs, particularly through trade-related environmental and social impacts, economy and finance, and security [129].

Overall, the indicators converge on a consistent picture: *Madagascar remains among the world's poorest and least developed countries.* *Monetary poverty* affects a very large share of the population and has increased in absolute numbers over the last decade, while *MPI* results show persistent, overlapping deprivations especially in basic services, housing conditions, energy access, and education. This is reflected in a *low HDI ranking* and *weak progress toward the SDGs*, underscoring that poverty in Madagascar is structural and multidimensional rather than simply a matter of income.



Figure 19: SDG Madagascar Dashboard and Trends, [129]

3.1.4. Madagascar Steep analysis

In more recent decades, the country has faced recurring political instability alongside persistent challenges such as poverty and deforestation, while retaining a strong cultural identity and globally unique biodiversity that continues to attract tourism. This section offers a concise *STEEP* analysis, summarizing key indicators, trends, and structural challenges.

From a *social perspective*, Madagascar's population was estimated at 33,180,949, as of January 2026, concentrated mainly in the eastern half of the island, especially along the coast and in the central highlands. Urbanization is gradual but steady: between 1993 and 2018, the urban population grew at an average annual rate of 2.3%, and in 2025, around 40.3% of the population lived in urban areas (about 59.7% rural areas) [130]. Demographically, the country is very young: in 2025, 39% of the population was aged 0–14, the median age was 19.2 years, and life expectancy at birth was around 64.0 years. Fertility remains high at 3.8 births per woman, consistent with a population pyramid typical of developing countries, characterized by a broad base linked to high birth rates and comparatively low crude death rates, as shown in Figure 20 [131]. Social challenges remain significant, including widespread rural poverty and high school dropout rates, particularly among younger girls, often connected to early motherhood and child marriage, which is more common among economically disadvantaged households and reinforces gender inequality. Indeed, although discrimination is legally prohibited, women, according to tradition, are still far from having equal opportunities [132]. Malagasy is the main language and is spoken by almost the entire population (99.9%). French is also an official language and is spoken by about 23.6% of the population, while English is spoken by around 8.2%. The island's population includes several ethnic groups, including Malagasy communities of Malayo-Indonesian origin, coastal groups (*côtiers*), as well as minorities such as French, Indian,

Creole, and Comorian communities. Religious affiliation is diverse, with major denominations including the Church of Jesus Christ in Madagascar, the Malagasy Lutheran Church, Anglican and Roman Catholic churches, alongside traditional/animist beliefs and Islam [132].

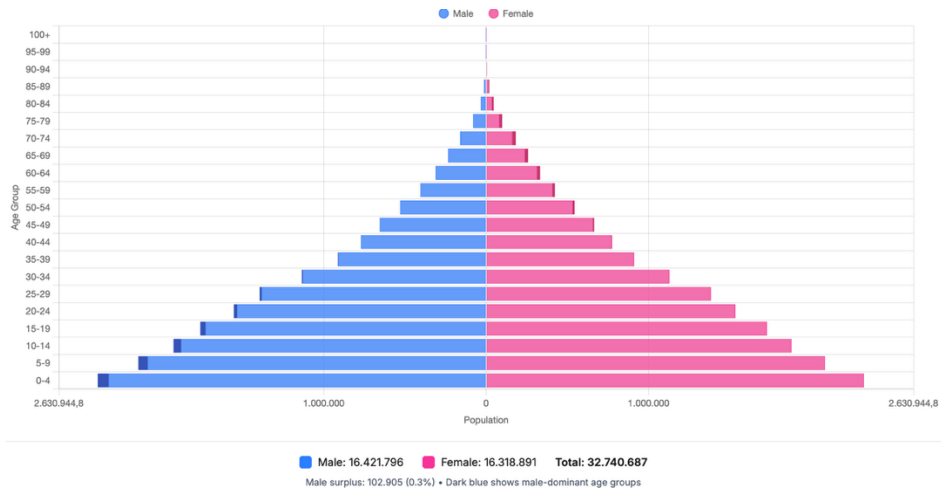


Figure 20: Madagascar Population Pyramid (2025), [131]

From a *technological perspective*, Madagascar's technology adoption remains low, limiting digital participation and broader economic transformation. Internet use is modest: only 20.4% of the population used the internet in 2023, well below global averages at 67% in the same year, indicating limited digital connectivity for individuals. Even if Businesses Mobile subscriptions are more widespread (more than 50%), many users rely mainly on voice/SMS; at the start of 2025, only 6.6 million people were internet users [133]. This weak online penetration, together with limited fixed broadband and low availability of secure internet servers, reduces firms' ability to adopt advanced technologies and scale e-commerce or digital services. To address these gaps, connectivity expansion is being supported through energy and telecom projects aimed at improving access and inclusion [134]. Recent telecom reforms are expected to improve competition (as Telma was de facto a monopoly) and attract private investment across the digital value chain, expanding mobile and internet coverage as well as digital services such as mobile banking and business-process outsourcing, while supporting job creation in the sector [124].

Economic activity in Madagascar is largely based on agriculture, fishing, and forestry. Agriculture remains the main source of employment (60.7% of all jobs), while industry and services (commerce, manufacturing, construction, and services) account for 14.7% and 24.6% respectively; overall employment is low, with only 54.9% of the working-age population employed. Despite the country's predominantly rural population, labor-force participation is slightly higher in urban areas than in rural ones (59.8% vs. 58.5%). Key agricultural exports include coffee, vanilla, and cloves, and mining is also significant, with exports such as nickel, chromium, graphite, and mica [135]. Real GDP

growth was estimated at 4.2% in 2024, driven mainly by services (+1.9 percentage points), followed by agriculture (+1.1), as shown in Figure 21. Tourism-related activities contributed around +1 percentage point, supported by increased international connectivity (more flights and new airlines), with particularly strong growth in the north; however, weak infrastructure and unreliable domestic flights remain major constraints. For 2025, growth was projected at about 4.0%, supported by investment, especially in construction and tourism-related sectors, while employment-intensive sectors such as agriculture, agrobusiness, and textiles continue to struggle, with declining value added per capita. At the same time, living standards have worsened over the past decade: urban poverty has risen sharply outside the capital, and rural poverty remains severe. Economic growth has improved, but it remains insufficient to support job creation and sustained poverty reduction, especially given rapid population growth averaging 2.3 % per year [135].

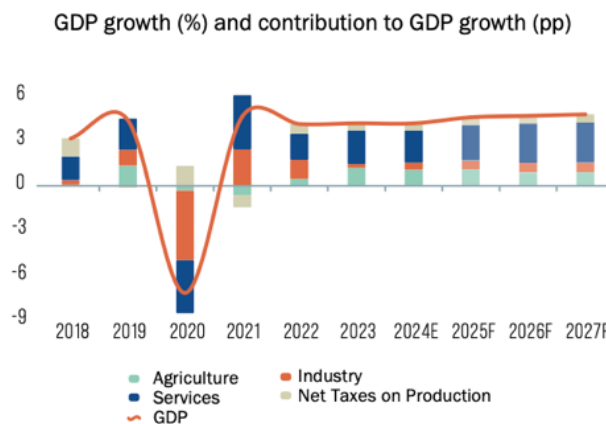


Figure 21: Real GDP Growth sectoral contribution in 2024, [124], page 1

Madagascar's growth remains insufficient to significantly reduce poverty, with GDP per capita declining from US\$812 in 1960 to US\$456 in 2024. Nearly 70% of the population lives in multidimensional poverty, particularly in rural areas and among larger families. Low-productivity subsistence agriculture, with 90% of agricultural households in poverty, and weak infrastructure exacerbate these issues. Human-capital development is slow, driven by high child malnutrition, child labor, early marriage, and teenage pregnancy, all of which perpetuate intergenerational poverty. In 2024, the current account deficit widened due to falling exports of key commodities, while imports declined only slightly. Growth was primarily driven by private investment (supported by telecom liberalization) but was hindered by high core inflation (9.1%). Fiscal space remained tight, as weak revenue collection and large exemptions limit public investment, which has been focused on the energy sector, exacerbating infrastructure bottlenecks. Vulnerability to extreme weather events and elite capture further depresses private investment, undermining capital accumulation [124]. Madagascar's trade ties are influenced by regional economic communities, such

as COMESA, SADC, and the Indian Ocean Commission, as well as its membership in the WTO, with the EU serving as a key export market and China as a major source of imports [136].

From an *ecological perspective*, Madagascar's economy and living conditions are being hit on multiple fronts by climate shocks that reinforce each other. The country faces Africa's highest cyclone risk (around three per year), and each major storm damages crops, roads, and basic infrastructure, disrupting markets and slowing recovery. At the same time, recurrent droughts, rising temperatures, water stress, and increasingly frequent (but often underreported) heatwaves weaken agricultural output and strain an already fragile food and energy system, especially in the South, where extreme poverty leaves households with little capacity to cope [124], [136]. These pressures spill directly into the macroeconomic outlook. Electricity generation depends partly on rainfall and reservoir levels, so climate variability translates into frequent power outages. Unreliable supply forces firms to rely on expensive generators, raising production costs and limiting growth. Agriculture is expected to expand by about 2.3% per year in 2024–2026, but this projection remains highly vulnerable to weather extremes. Beyond the immediate shocks, deforestation and erosion further degrade land productivity, deepening food insecurity and weakening an economy heavily dependent on agriculture. In response, the government plans to invest in water management and irrigation to reduce vulnerability and stabilize agricultural production [136].

From a *political perspective*, Madagascar remains institutionally fragile and faces persistent governance challenges, shaped in part by historical legacies of colonial rule and periods of authoritarian and military-dominated politics. These weaknesses are reflected in major international benchmarks. In the 2024 Ibrahim Index of African Governance, Madagascar ranked 34th out of 54 African countries in 2023, with an Overall Governance score of 45.3/100 [137]. Similarly, Transparency International's Corruption Perceptions Index (CPI) measures expert and business perceptions of public-sector corruption (0 = highly corrupt, 100 = very clean); in 2024, it gave Madagascar a score of 26/100 and ranked it 140th out of 180 countries [138]. Indeed, in Madagascar, there is high corruption due to elite capture, which occurs when powerful individuals or groups manipulate political institutions and economic systems to divert resources and opportunities toward themselves. This concentrated control undermines democratic processes and fair resource distribution, allowing elites to extract wealth while limiting broader societal development [124]. The government has complete control over the security forces. Corruption is widespread and amplifies the lack of government transparency and judicial independence, contributing to mob violence and unlawful killings. The Constitution of the Fourth Republic (168 articles) states that freedom of assembly, association, and expression is allowed only as long as it does not "*over denigrate the government*" or "*involve defamation*", and this limitation

has, on various occasions, coincided with the violent repression of protests [136]. In this context, it is not surprising that significant human rights issues include credible reports of: (I) arbitrary or unlawful killings, torture or cruel, inhuman, or degrading treatment or punishment, arbitrary arrest or detention; (II) serious restrictions on freedom of expression and media freedom; and (III) trafficking in persons, including forced labor [139]. A fact occurred between late September and October 2025, when youth-led protests over blackouts and water shortages escalated into a political crisis marked by the violent repression of demonstrators, the escape of President Andry Rajoelina on 10 October 2025, and the takeover by a transitional military leadership led by Colonel Michael Randrianirina (CAPSAT), who was later sworn in by the High Constitutional Court and announced a transition toward elections within 18–24 months [140]. Indeed, even if Madagascar is formally a unitary, secular republic with a semi-presidential, multiparty system, in practice, since 14 October 2025 it has been in a post-coup transition with a military takeover. On a positive note, Malagasy people are free to adhere to any religious group.

In conclusion, *agriculture remains the dominant sector* in Madagascar's economy, with limited opportunities in higher-paying industries. The majority of *employment is informal*, characterized by low wages and poor job quality, trapping many households in a cycle of poverty. *Current economic growth remains insufficient* to support sustained poverty reduction or significant job creation, especially given the high population growth rate of around 2.3% per year. *Commodity price volatility, escalating climate shocks, and elite capture* have hindered a faster recovery and undermined inclusive growth. The business environment is further constrained by restricted *market access, political instability, widespread corruption, and limited access to the internet and competitive technologies*.

3.2. Madagascar in the Context of the Culture-Growth Co-evolution Paradox

3.2.1. The Informal Business Landscape in Madagascar

As we have seen previously, countries with high *informality typically face multiple development challenges* linked to low revenue mobilisation. Moreover, high levels of informality tend to *hinder economic growth*. In Madagascar, *informality is exceptionally high*: the adult informal employment rate reached 95% in 2022 [141], and in 2023, Madagascar's informal sector was estimated to account for approximately 31.2% of GDP [142]. Even though formal jobs are slightly increasing, mainly in the commerce, transport, and finance sectors (40,500 new formal jobs in the first half of 2025), the

overall number remains substantially low [135]. Afavi et al. [143] provide a clear snapshot of Madagascar's informal sector based on the results of a national survey on employment and the informal sector conducted by UNSTAT, which covers all informal non-agricultural products in Madagascar. Those data were revised in 2022 and are considered consistent. Activities concentrate on *garment manufacturing* (43%) and *trade* (34%). Informal Production Units (IPUs) are *predominantly rural* (71%) and *operate mainly without dedicated premises* (52%) or from *home* (28%); most are *one-person self-employment* (72%), and only 8% hire *salariated workers*.

The informal sector accounts for about 95% of total employment and is the main source of jobs for women (97% of women vs. 94% of men). Informal workers are younger (average 35; nearly one-third under 26) and have low education (4.7 years of schooling on average), with limited formal training (2.4%) and near-total exclusion from contributory social security (97%), while overall state social protection spending is among the lowest globally, covering only 9.3% of the population in 2019 [143].

In Madagascar, access to *finance* and *basic services* in the *informal sector* is extremely limited: only 3.4% report borrowing, mostly from family and friends (48%), followed by microfinance institutions (21%) and suppliers (15%), and these loans are used primarily to purchase raw materials. Investment relies almost entirely on personal savings (97%), and most IPUs operate in unsafe and precarious conditions with very limited access to basic services. More than eight out of ten IPUs are housed in makeshift facilities, with access to water (10.2%), phone communication (8.8%), and electricity (8.4%) remaining extremely low, and the situation is even worse in rural areas. Four out of ten dependent employment positions and one-third of wage jobs are non-permanent. Eight in ten workers are in inadequate jobs: only 3% have a written contract, 27% rely on oral agreements, and nearly 70% have no contract at all. Paid leave is almost nonexistent, reaching just 0.8% among dependent workers and 2.5% among employees [143].

In the paper "*Informal Sector Dynamics in Times of Fragile Growth: The Case of Madagascar*" [144], it is highlighted that, during times of crisis, the *informal sector in Madagascar serves a labor-absorbing function*. However, rather than absorbing labor into existing informal firms, the crisis stimulates *the creation of new informal enterprises*. During periods of growth, capital accumulation is observed across various sectors, with many households expanding their activities. This expansion mainly happens in an extensive manner, meaning that new firms are created instead of existing ones being expanded. This behavior aligns with the observation of higher returns at low levels of capital, as households are able to capitalize on these marginal returns. Additionally, risk diversification strategies and credit constraints may partly explain this phenomenon. A limitation of their study is that it cannot track successful informal enterprises that eventually transition into formal businesses [144].

In the previous paragraph, it was shown that households rely heavily on low-productivity agriculture and face very limited opportunities in higher-paying sectors. Employment is predominantly informal and marked by low wages and poor job quality, which keeps many households trapped in a cycle of poverty. *Low revenue collection* (13.6 % of the GDP vs. 18.9% in SSA in 2021), driven by a high rate of business informality, limits the government's ability to invest and deliver services. Weak trade and extensive tax exemptions continue to depress revenues. At the same time, rising transfers and subsidies, especially in the energy sector, have crowded out capital spending, deepening infrastructure bottlenecks in areas such as roads and water and constraining firm productivity [124].

Constructively addressing informality is essential to foster inclusive wealth creation in Madagascar and reduce inequality, *as the informal sector is the main, and often the only, source of income* for most working-age people and may pose unfair competition to the formal sector. *Policy priorities* include improving access to *quality education*, expanding *decent job opportunities*, and *strengthening financial inclusion* to support transitions into *higher-productivity activities*. So far, the formal economy has not grown fast or broadly enough to offer viable alternatives, while structural constraints such as weak infrastructure, limited education outcomes, and restricted access to finance keep many workers locked into *low-productivity informal work* [142].

3.2.2. Business Growth in Madagascar: Main Constraints

Firm productivity refers to how efficiently firms turn inputs into outputs. Madagascar has long suffered from *low and declining productivity*, which has constrained socioeconomic development and remains one of the country's core development challenges. Over the past three decades, negative total factor productivity has undermined GDP growth. *Low labor productivity coincides with the negative contribution of total factor productivity, indicating that as the economy expands with more labor and capital, the efficiency by which these inputs contribute to output has been declining* [124]. As a result, the average Malagasy worker is only one-third as productive as the average worker in SSA [124]. Figure 22 illustrates that *low productivity*, particularly in the private sector, remains a *key development challenge for Madagascar*, which, compared to Uganda, Cameroon, Tanzania, and Rwanda, has the lowest labor productivity (it is just above Burundi in SSA) [124].

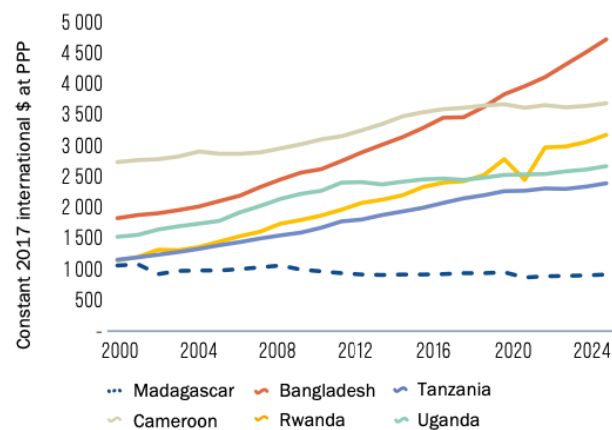


Figure 22: Labor Productivity in Madagascar and Comparators, [124], page 18

Firm size, age, foreign ownership, manager gender, and export activity all impact productivity. Medium-sized firms outperform both small and large firms, while service firms (in comparison to manufacturing firms) and foreign-owned companies also tend to be more productive. Female-managed firms often face challenges, such as limited access to credit, which can reduce productivity. Younger firms and those engaged in exporting, especially those investing in R&D, show higher productivity [124]. More productive firms add greater value to the economy, driving higher revenues and paying far higher wages. Boosting firm productivity is essential for economic growth, as the private sector plays a key role in both growth and job creation. Exporting firms are generally more productive, but few Malagasy firms engage in exports due to barriers such as lengthy customs procedures, making improved access to international markets essential for boosting productivity [136].

The *World Bank Enterprise Survey (WBES)* [124] is a firm-level survey of formal enterprises based on interviews with Malagasy managers and owners. The WBES captures both observable operational constraints and perceived obstacles to doing business, such as access to finance, political instability, and electricity. Surveyed firms, as shown in Figure 23, identify limited access to *finance* (only 8% have access), prolonged *political uncertainty* (17%), *poor access to public services*, especially *electricity* (52% experience electrical outages), and an *inadequately educated workforce* (30%) as long-standing bottlenecks.

Below are listed the factors identified by the *WBES* [124] as the biggest obstacles firms face when doing business in Madagascar, which act as key constraints on firm growth.

Education and skills. In 2022, about one-third of firms cited an inadequately educated workforce as a major obstacle to growth. This skill gap is linked to deficiencies in the education system, reflected in the low Human Capital Index of 0.39 [145], with only 18.4% of the Malagasy population aged 25 and older having completed lower

secondary education [146]. Existing training programs often fail to meet workforce needs, and 23% of firms report that labor regulations, such as contract and working conditions rules, hinder growth. Only large, export-oriented firms tend to offer training, but despite skills being a major constraint, just 10% of firms provide formal training, and the share of employees with experience in large firms is as low as 0.4%. High employee turnover further discourages investment in training. While the share of skilled workers has grown over the past 15 years, skilled labor remains limited, and productivity-enhancing inputs are still lacking [124].

Access to finance. Firm productivity growth is limited by access to finance, with only 8% of Malagasy firms able to secure bank loans (SSA average of 19.5% and the global average of 32%). This is due to high costs, collateral requirements, and a lack of available credit. Despite weak economic activity, the banking sector remains profitable, liquid, and resilient. Access to bank financing is concentrated in large firms, while only 5% of small firms have access. Moreover, only 1.1% of investments and 5.1% of working capital are financed by banks, far below the SSA and global averages of 8.9% and 8.0%, respectively. These barriers severely limit firms' ability to access capital for growth and productivity. Moreover, the main reasons for not having a bank account include the remoteness of financial institutions, high service costs, and lack of funds [124].

Infrastructure. Electricity and transport infrastructure pose significant challenges, with frequent power outages causing significant financial losses. Over half of firms experience 6.3 outages per month, lasting an average of 3.9 hours, leading to a loss of 24% of annual sales (8.3% in SSA and 4% globally). It takes 73 days, on average, to establish an electrical connection, far exceeding the SSA average of 40 days. Additionally, 20.5% of firms face two water shortages per month. Madagascar has one of the lowest road densities in the world, with 70% of roads in poor condition and only 11% of the rural population having access to all-season roads. The poor quality of transport-related infrastructure contributed to Madagascar ranking 136th out of 138 countries in the 2023 World Bank Logistics Performance Index [124]. These shortcomings significantly affect both the productivity and competitiveness of firms, especially for manufacturing and agriculture being more exposed to power outages and climate change risks and loss.

Technology and innovation. Innovation involves introducing new or significantly improved processes, such as manufacturing products, service offerings, or logistics and distribution improvements. For Malagasy firms, the most common form of innovation is the introduction of new products or services to their primary market. Despite efforts to expand technology adoption, innovation spending remains insufficient. In 2022, only 10% of firms introduced process innovations (SSA average is 29.4%), and only 26% of Malagasy firms introduced new products or services (39% in SSA). While a larger share of Malagasy firms reported R&D expenditures than some

comparator countries, spending remains below the regional average and significantly behind faster-growing economies. The slow pace of innovation investment has hindered technology adoption in Madagascar, with fewer firms having websites, licensing foreign technology, or holding internationally recognized quality certifications. Innovation is correlated with firm size, as larger firms are better equipped to invest in R&D, while smaller firms face financing constraints, limited competition, and low exposure to international markets, and a low level of managers' and workers' education. As a result, since in Madagascar there are mainly small-sized firms, the share of firms investing in R&D or adopting innovative processes remains low [124].

Government regulations. Government regulations and procedures create difficulties for new firms in Madagascar. Firms report it takes an average of 12 days to get an operating license, 36 days for a construction permit, and 17 days for an import license. Many businesses see these challenges as barriers to growth: tax administration, tax rates, and licensing and permits are considered the major obstacles. These issues contribute to Madagascar's low rate of new businesses, with an average of only 0.1 new firms per 1,000 working-age people per year, one of the lowest rates in SSA and globally. Fewer firms now see political instability as a major issue. However, corruption remains a significant problem, with 7% of firms identifying it as their biggest obstacle and nearly 40% considering it a major constraint [124].

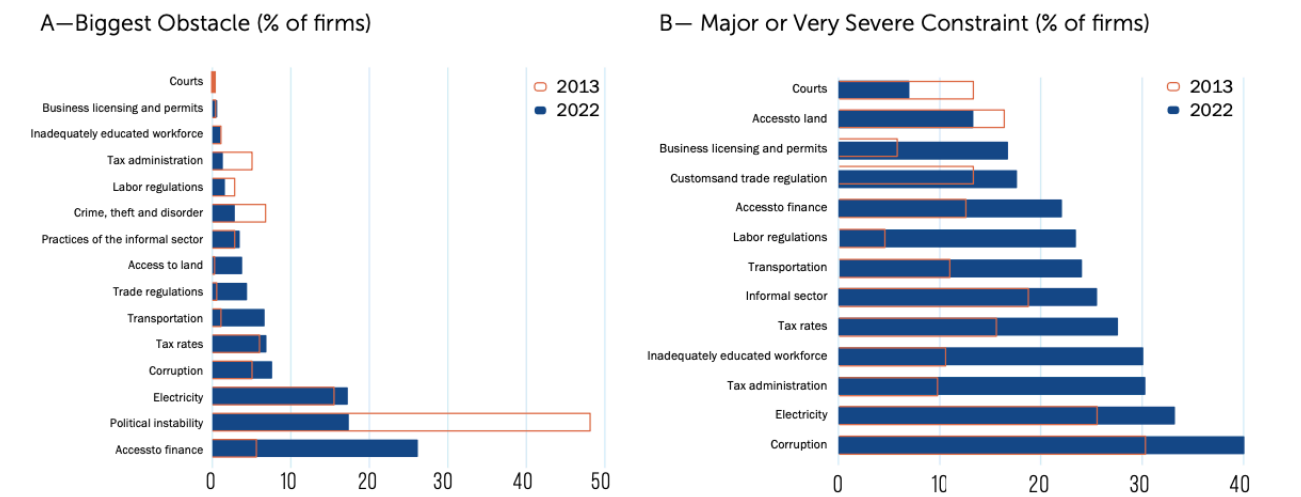


Figure 23: Biggest Obstacles and Major Constraints to Doing Business, 2013 and 2022, [124], page 22

3.2.3. Women-Led Businesses in Madagascar

As previously shown, firms face several constraints that hinder growth, but these are often *more severe for women-led firms* compared to their male-led counterparts,

particularly in *accessing finance, quality certifications, and skilled labor*, which hinder growth potential and make them *11% less productive on average than male-led businesses* [124]. This is also because, according to researchers, women-led firms tend to operate more frequently in *small businesses* (compared to medium and large firms) and sectors such as *garments, services, and wholesale* (as shown in Figure 24), where they face difficulties accessing adequate support and utilizing technological innovations or new practices that could improve their productivity and growth. The labor force participation rate stands at 58.8%, with 66.9% for men and 51.2% for women, highlighting a gender employment gap [124].

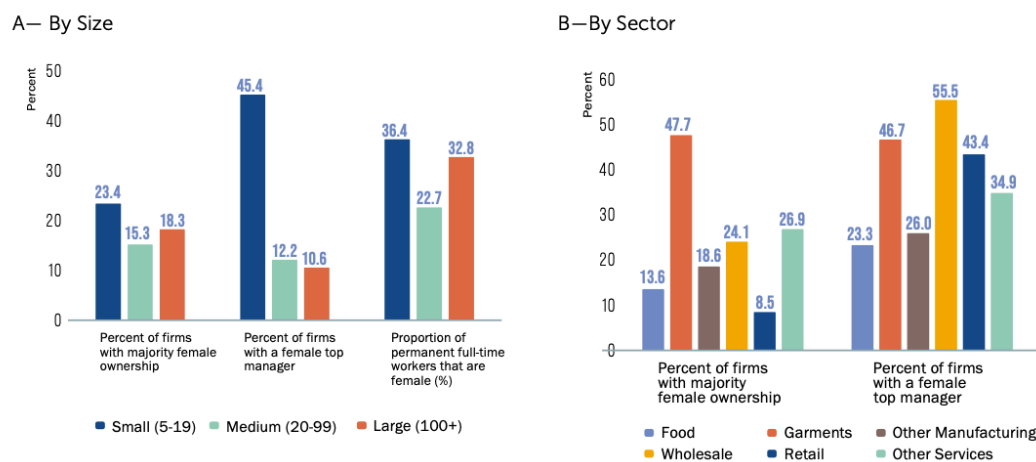


Figure 24: Features of Firms Owned or Managed by Women, [124], page 26

Despite an increase in female ownership and management compared to the average for Sub-Saharan Africa (SSA) and the rest of the world, these firms remain less productive. Female-led firms tend to employ more women, with 50% of the workforce in female-managed firms compared to 33% in all companies [124]. However, women-led firms face more barriers: female-managed firms report *access to finance* as a major constraint, nearly double the 16.6% for male-managed firms, followed by *acquiring certifications* and a *qualified workforce*. Indeed, even though female ownership and top management are increasing (21.6% and 37.3% in 2022), the proportion remains unbalanced, with female management significantly higher than female majority ownership. For example, as illustrated in Figure 24, only 8.5% of retail firms were female-owned, while 43.4% of them were managed by women.

Female-led firms also face higher rejection rates for loan applications (15.7% vs. 1.5%) and fewer hold internationally recognized quality certifications (2.9% vs. 8.8%), which are a precondition for export in many sectors. As a result, male-led firms are more likely to be engaged in export. Moreover, only 76.9% of workers in these firms were skilled, compared to 99.2% in male-managed firms [124].

Improving the performance of women-owned firms could boost productivity. Both public and private initiatives focusing on access to *finance, childcare, and training programs* are key to supporting their growth, enabling them to achieve similar levels of performance to men-led firms.

3.2.4. Understanding Entrepreneurial Culture in Madagascar: GEM Perspectives

In paragraph 1.3.3, as an outcome of the literature reviewed, this thesis clusters the factors most frequently cited as fostering or inhibiting entrepreneurial culture into five groups, which can be summarized as follows: (I) *Social norms and attitudes toward risk and failure*; (II) *Social perceptions and legitimacy of entrepreneurship*; (III) *Local narratives, role models, and success stories*; (IV) *Social capital and close relational support*; (V) *Gender and inclusivity in entrepreneurship*. Moreover, the role of the ecosystem in fostering entrepreneurial activity, personal motivation, the impact of informality and institutional voids, and the types of entrepreneurial activities that emerge were emphasized. *The Global Entrepreneurship Monitor (GEM)* [147] offers a similar perspective on Madagascar's entrepreneurial dynamics, but quantitatively. While the previous section focused on economic activity, highlighting barriers and constraints, with particular attention to women-led businesses, this section shifts to analyzing the *entrepreneurial culture emerging in Madagascar*.

In Madagascar, *GEM* offers a particularly valuable annual assessment of entrepreneurship because it measures *attitudes, motivations, aspirations, and entrepreneurial behavior directly at the individual level*, capturing dynamics that are often absent from official registries in a context where informality and family-based or necessity-driven entrepreneurship are widespread. The 2019 *GEM Madagascar* report draws on the Adult Population Survey (APS), which interviewed 2,395 adults (18-64 years old) across ten regions considered representative of national economic activity, and on the National Expert Survey (NES), which gathered evaluations from 39 national experts on the entrepreneurial ecosystem.

The *GEM* conceptual framework assumes that a *country's social, cultural, political, and economic context influences entrepreneurship* both directly and indirectly through (I) *social values toward entrepreneurship* (e.g., entrepreneurship as a desirable career choice, the social status of entrepreneurs, media attention, and the perceived ease of starting a business) and (II) *individual attributes*, including demographics as well as psychological and self-perception factors (e.g., perceived opportunities and capabilities, fear of failure, proactiveness, innovation, and vision), along with the (III) *motivations* that underlie the desire to start a business. These drivers, summarized in Table 5 and detailed in Appendix B.1, are then linked to measurable entrepreneurial outcomes

across stages of the business process, including potential impact in terms of job creation, innovation, and internationalization, as well as the type of entrepreneurial activity. This is captured through the *Total Early-stage Entrepreneurial Activity (TEA) rate* and *Employee Entrepreneurial Activity (EEA) rate*. In particular, GEM's widely used TEA rate as the flagship indicator, capturing the share of nascent entrepreneurs and new business owners within the adult population and enabling international benchmarking of Madagascar's early-stage entrepreneurship, while the broader APS indicator set provides a granular picture of entrepreneurial intentions, activity, aspirations (e.g., growth expectations), and perceptions, offering a robust empirical basis to examine *how Madagascar's enabling environment shapes entrepreneurial behavior* and its potential contribution to *job creation* and *socio-economic development*.

In the GEM analysis, [147] Madagascar is classified as a *low-income economy* and, in practice, ranks toward the bottom of the low-income group according to key economic indicators. In this context, the lack of *effective public policies* and limited *access to financial support* remain major constraints on the entrepreneurial ecosystem, compounded by *corruption* and a *fragile social, political, and institutional environment*.

For 2019, the main objective of the Adult Population Survey (APS) in Madagascar was to provide statistical evidence on medium-term changes in citizens' *entrepreneurial activity, aspirations, and attitudes*. Compared to previous editions, the 2019 APS places greater emphasis on the "*social and cultural foundations*" of entrepreneurship, operationalized through "*attitudes toward entrepreneurship*" and individuals' "*self-perception*" of their entrepreneurial potential, in addition to the standard distinction between opportunity- and necessity-driven entrepreneurship [76]. In Table 5, the main findings from the GEM study on the general characteristics of entrepreneurship in Madagascar are presented.

Focusing on the social value related to entrepreneurship and entrepreneurial attitudes and perceptions, the data appear very positive. It reveals that *becoming an entrepreneur* is increasingly seen as a *desirable career*, with 94.4% of respondents in 2019 considering it an enviable path, a view equally shared by men and women, with the 25-34 age group showing the most entrepreneurial intentions. Entrepreneurs who successfully start a business continue to enjoy *high status* and *recognition*, with an approval rate of 80.6%. An overwhelming majority of them consider themselves *visionary*, with more than 8 out of 10 believing they have a long-term career plan and that the decisions they make align with that framework, placing the country in third place globally. The Malagasy people's recognition of the *knowledge, skills, and experience* necessary for success in entrepreneurship is widely acknowledged, as reflected in the high rate of perceived opportunities, the large number of people who know entrepreneurs, and the strong entrepreneurial intentions. Additionally, 55.5% of respondents believe they are perceived as very *innovative*, and Media attention towards businesses increased in 2019, reaching 61.2%. Moreover, Madagascar scores notably higher in both "*perceived*

competencies" (73.5%) and "fear of failure" (41.0%), compared to the global averages of 56.9% and 36.2%, respectively. Compared to other African countries (South Africa, Egypt, and Morocco), Madagascar perceives a *stronger entrepreneurial instinct*, with its people more likely to take action.

Table 5: Madagascar's Entrepreneurial Attitudes, Aspirations, and Activity: GEM APS Indicators and International Ranking (2017–2019), [147], page 23

Indicators	2019		2018		2017	
	Value %	Rank/50	Value %	Rank	Value %	Rank/54
<i>Entrepreneurial attitudes and perceptions</i>						
Know a new entrepreneur	51	30				
Perceived opportunities	46,8	31	30,6	41/49	24,4	50
Ease of starting a business	38	32				
Perceived capabilities/skills	73,5	6	51,5	21/49	55,4	15
Fear of failure	41	30	36,6	21/49	42,0	14
Entrepreneurial intentions	44,5	6	32,6	11/48	39,8	9
<i>Entrepreneurial talent</i>						
	Value %	Rank/50	Value %	Rank	Value %	Rank/54
Opportunism*	68,7	2				
Proactivity*	65	4				
Innovation	55,5	24				
Vision	82,6	3				
<i>Activity</i>						
	Value %	Rank/50	Value %	Rank	Value %	Rank/54
Entrepreneurial Activity rate (TEA)	19,5	8	20,7	8/48	21,8	7
Established firms rate	20,2	1	22,4	1/48	29,4	2
Employee entrepreneurial activity (EEA)	0,6	38	0,46	47/49	0,60	45T
<i>Motivation index</i>						
	% TAE	Rank	Value %	Rank/48	Value %	Rank/54
Motivation through improvement & opportunity / necessity			1,40	34T	2,20	30
To make a difference	8,8	49				
To build wealth/fortune	23,5	46				
To continue a family tradition	36,8	16				
To earn a living	81,1	15				
<i>Gender equality</i>						
			Value %	Rank/48	Value %	Rank/54
TEA female/male ratio			1,04	1	0,90	7
Opportunity female/male ratio			0,92	30T	1,16	1
<i>Impact of entrepreneurship</i>						
	Value %	Rank/50	Value %	Rank/48	Value %	Rank/54
Job expectations/creation (6+)	1,5	41	2,30	47	1,10	54
Innovation			13,4	43T	20,9	38
Industry (% TEA in the services sector)	1,3	50	1,80	48	0,90	53
<i>Societal value related to entrepreneurship</i>						
	Value %	Rank/50	Value %	Rank/47	Value %	Rank/54
High status of entrepreneurs	80,6		77,0	11	77,8	9
Entrepreneurship is a good career choice	94,4		87,2	2	83,6	2

* The formulation adopted for these two indicators is negative

Source: GEM/INSCAE/INSTAT/APS 2019

The data were translated from French into English by the author, with the aim of preserving the original meaning as faithfully as possible.

The data in Table 5 shows *little variation when the survey responses are divided by gender*, with average differences of about 5% across males and females. As women's *awareness of entrepreneurship increases*, the *gender gap in entrepreneurial perceptions seems to diminish*. Women are gaining ground in considering entrepreneurship as a career and in recognizing the respectable status of entrepreneurs, although they still lag behind men in the perception of *entrepreneurial skills and opportunities*. However, women exhibit *less fear of failure* and show *stronger entrepreneurial intentions*, being equally involved as men in emerging enterprises. While obstacles and discrimination in female entrepreneurship persist, these barriers are not viewed as insurmountable for women to succeed. Moreover, women believe that *female leadership* will be more common than men perceive it to be. Investors show a reasonable *willingness to finance female*

entrepreneurs, with 64.6% expressing interest. However, this willingness is higher among men compared to women, motivated mainly by trust to women's abilities.

It seems that the scores obtained in Madagascar are overall high, all above the global average except for "*innovation*", 55% vs a global average of 74% driven by the very high scores from high-income countries. This clearly shows that the perceived level of innovation depends on the country's economic level. It is worth noting that the concern about *maintaining a similar standard of living* remains significant (89.1%), showing that it's the first motive for people approaching entrepreneurship. Moreover, respondents (both men and women) unanimously agree that the possibility of *receiving support* could be a favorable factor for starting a business (76.6%). Despite this awareness, very few (5.5%) found it useful to seek support in the last twelve months. More than one in two people claim to know an entrepreneur, which should reflect some exposure to potential spillovers. However, only 38% recognize that it is easy to start a business in Madagascar. These data offer a first hint that the impressive results described above need to be examined more closely.

Indeed, the GEM provides insights into the performance across the three dimensions of the social and cultural foundations of entrepreneurship: "*attitudes toward entrepreneurship*", "*self-perception*", and "*entrepreneurial talent*". The level of *awareness about entrepreneurship is fairly average*, with just over half of the population aware of entrepreneurial activities and attracted to a career in this sector. This awareness is not strongly influenced by the economic level of a country and is fairly consistent across all economies analyzed by GEM (40 countries). The perception of the entrepreneurial context, as expressed through *perceived opportunities* and the *ease of starting a business*, is quite negative for Madagascar compared to the rest of the world. Almost three-quarters of the adult population surveyed believe they possess the knowledge, skills, and experience necessary to start a business. However, despite positive self-perception, *fear of failure* discourages more than half of them from taking action and starting their own businesses. It is important to note that this fear of failure is common across all economies and is even more pronounced in high-income countries. Malagasy people *lack business acumen*, with nearly 68.7% rarely spotting a viable business opportunity, ranking the country second to last globally. Additionally, they exhibit *low proactive behavior*, as 7 out of 10 (65%) do not act on the opportunities they identify (31.3%), ranking fourth from the bottom. It is also worth noting that *Employee Entrepreneurial Activity (EEA)* remained at 0.6% between 2017 and 2019. This type of entrepreneurial activity is not part of the Malagasy mindset, either among employers or employees. This means that in Madagascar, "*employee entrepreneurship*" is almost nonexistent; it is uncommon for workers to propose and lead new projects within a company as internal "*founders*", which reflects a *low level of intrapreneurship*.

In its final conclusions, the GEM report clearly argues that the *entrepreneurial potential of Malagasy people remains low*, and as a result, *the likelihood of non-entrepreneurs becoming entrepreneurs and starting their own businesses is marginal*. Most importantly, state: “*This can be explained by a rather unstable entrepreneurial culture, characterized by a low level of awareness about entrepreneurship and an environment perceived as unfavorable.*”.

These data highlight that, despite a positive self-perception, low awareness of entrepreneurial opportunities and the perception of an *unfavorable environment* reduce the likelihood that Malagasy people will *actually engage in entrepreneurial activities*. Typical entrepreneurial traits, such as risk-taking and proactivity, are not fully developed within the population, as confirmed by the results on “*entrepreneurial talents*” (which include aspects such as innovation and opportunism). In practice, a *strong self-perception is not enough to support entrepreneurial initiative if the cultural and social environment does not encourage risk-taking and action*.

In this section, we have seen that Madagascar is situated in a context characterized by high levels of both formal and informal institutional voids. There is a lack of growth-oriented firms (primarily based on World Bank Data [124]) and an unfavorable culture (based on the analysis of GEM Data [147]). This represents an *ideal context to study whether the distinctive enabling elements of social enterprises could potentially mitigate institutional voids*. Through this analysis, *Proposition 4* is formulated.

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

3.3. The Nosy Be Island

3.3.1. Overview of Nosy Be Island

Nosy Be is the largest island in an archipelago consisting of over 200 smaller islands. It spans 30 km from north to south and 19 km from east to west, covering an area of 325 km², and lies 15 km off the coast of mainland Madagascar [148]. The name “*Nosy Be*” translates to “*Big Island*,” reflecting its significance as the central point of the archipelago in terms of social, cultural, and economic aspects. Its centrality extends to the administrative level, as the Urban Commune of Nosy Be governs several sparsely scattered islands and islets: Nosy Komba, Nosy Sakatia, Nosy Tany Kely, Nosy Fanihy, Nosy Tanga, and Nosy Vorona, all located in the Mozambique Channel in the northwest of Madagascar. The administrative hub of the archipelago is *Hell-Ville* (also known as Andoany), the main town of Nosy Be, located on the southern coast of the

island. Nosy Be is part of the Diana region within the autonomous province of Antsiranana [148].

In 1841, the island became a *French protectorate*, with a naval base and a center primarily for sugar cane production, relying on slave labor from Africa. Nosy Be remained a French territory until Madagascar gained independence in 1960. Its history is intertwined with the broader context of the Indian Ocean, involving Arab sailors and dynasties along the coast of East Africa, as well as European empires (French, Portuguese, and English) and the Malagasy kingdom [148].

Today, Nosy Be is known as “*the perfume island*” due to the Ylang-ylang plantations established since the 1920s. The essential oil extracted from its blossoms is used in renowned perfume and cosmetic brands [149]. The rich history of the island and the variety of peoples who have inhabited it, combined with its insular nature, give Nosy Be distinct characteristics compared to “*continental*” Madagascar. Its strong tourism appeal, which will be explored in more detail below, makes it a more popular and externally connected territory than the mainland.

According to the latest census of Madagascar, the district of Nosy Be (including the nearby islands) has a population of 108,266, representing 0.4% of the total population of Madagascar [150]. The population in the district is fairly evenly distributed between urban areas (46.41% in the Hell-Ville urban area) and rural areas (53.59%) [150]. Apart from Hell-Ville, the second largest settlement on the eastern side of Nosy Be is Djamandjary (or Dzamandzar), with a population of 39,228. The average household size on the island is 3.3 persons, which is significantly lower than the national average of 4.2. The population density is 338.6 inhabitants per square kilometer, much higher than the Madagascar average of 43.2 [150].

Nosy Be’s journey into tourism began around 1960, coinciding with Madagascar’s independence. Since then, Nosy Be and its neighboring islands have developed into a major tourist destination [149]. In 2025, the island recorded approximately 160,000 visitors in the first eight months of the year (110,000 international visitors and 50,000 national ones), according to data from Madagascar’s Ministry of Tourism and the Nosy Be Regional Tourism Office [151]. This marks a significant increase in demand compared to previous years, with French tourists being the predominant group. Italians, Germans, and South Africans also contribute to the island’s popularity, drawn by its exceptional natural beauty, rich culture, and warm hospitality.

In Figure 25, a map of Nosy Be highlights the main tourist areas. The primary attractions for visitors include the stunning beaches, extinct volcanoes, and the island’s endemic flora and fauna, offering numerous marine and land excursions [151]. However, tourism in Nosy Be is also affected by its reputation as a destination for sex tourism. This issue has been widely reported by international media and institutions,

including UNICEF [152], as well as by local authorities [153]. The impact of tourism is evaluated through economic factors, such as the limited integration of the local population and the influx of tour operators, which leads to the displacement of nationals from their land. This exacerbates the impoverishment of the majority while benefiting a few individuals.

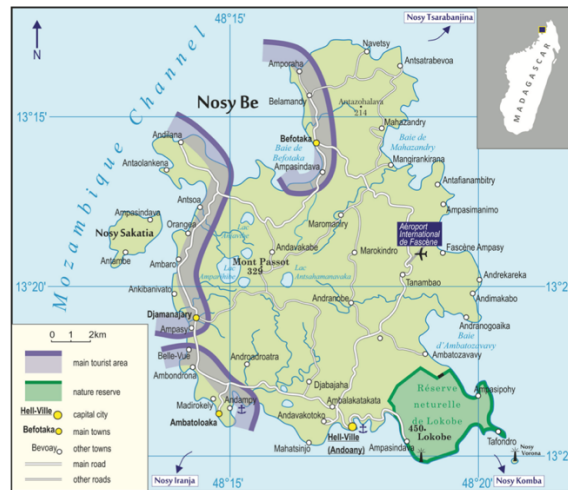


Figure 25: Tourist site of Nosy Be, [148], page 3

Social and cultural factors are also considered by local authorities, highlighting how the introduction of foreign cultures marginalizes Malagasy traditions. The Urban Commune of Nosy Be [153] argues that traditions are increasingly disregarded due to contact with foreigners, resulting in the loss of moral values, particularly among the youth. The phenomenon includes the troubling imitation of foreign cultures and the disrespect of Malagasy sacred sites and taboos. Customs are no longer followed, and cultural clashes have led to a search for convenience, contributing to harmful behaviors such as pedophilia, banditry, and prostitution. This is further compounded by the loss of moral values, especially among young girls, and the rise in sexually transmitted diseases [149]. Unlike most of Madagascar, Nosy Be experiences continuous interaction between foreigners and locals, leading to a constant reevaluation of values shaped by mutual perceptions and the differences in economic and living conditions.

3.3.2. Nosy Be Economy and Informal Sector

Finding official data on the economic composition of Nosy Be is challenging. For this reason, the analysis will rely on the available, albeit outdated, data, which will be supplemented with field data collected through two months of direct observation by the author.

The Urban Commune of Nosy Be [153] highlights four key economic activities driving the island's economy: *sugarcane production (SIRAMA), industrial fishing, ylang-ylang extraction, and tourism*. The export focuses on crops such as *vanilla, ylang-ylang, coffee, and pepper*, and *local food crops* like cassava and rain-fed rice. Moreover, deforestation is primarily caused by *rice and coffee cultivation*, as well as tree cutting for *firewood used in ylang-ylang distillation and cooking*. Additionally, *limited pastures* in the western savanna support livestock, including cattle such as zebu [154].

However, as shown in the Figure 26 [154], Nosy Be in 2001 had significant contributions from *services, manufacturing, and fishing*, compared to Ambilobe (located on the mainland 45 km north of Nosy Be), which relies mostly on agriculture and has a smaller share of services. Indeed, since the 1970s, and especially since the 1990s, Nosy Be has become *Madagascar's most developed tourist destination*, known for its all-inclusive resorts. Tourism has had a significant impact on the island's economy and continues to grow, thanks in part to the international airport and the port of Hell-Ville. However, even if the island performs better economically in respect to other parts of Madagascar, the majority of the population still relies on subsistence farming and artisanal fishing [149].

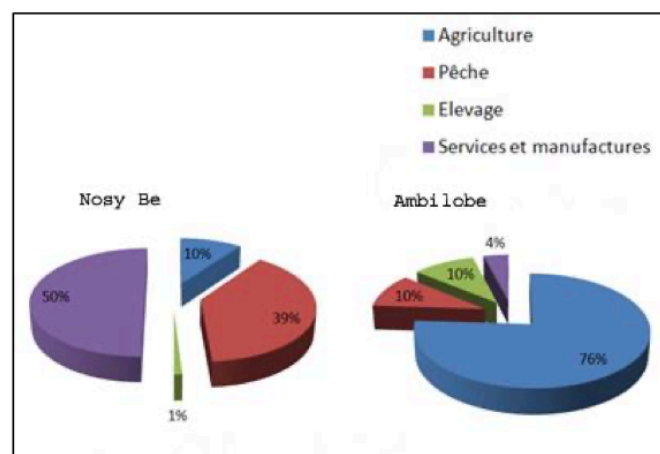


Figure 26: Distribution of key economic sectors in the districts of Nosy Be and Ambilobe, [154], page 50

Tourism is Nosy Be's main source of formal employment, especially after the decline of sugarcane (SIRAMA) and commercial fishing (PNB). Formal direct jobs nearly doubled over a decade, from 3,042 (2010) to 5,687 (2020) [154]. When indirect employment is included, tourism-linked jobs are estimated at around 13,000 in 2019, meaning the sector supports a much larger share of livelihoods than direct contracts alone [154]. Supply and ancillary services further amplify this effect.

However, a significant portion of tourism work is informal and likely equate, or exceeds, formal employment. Aquaterre [153] estimates that about 20% of Nosy Be's

population works in the informal sector, including roles such as guides, vendors, and restaurant staff, but this is plausibly an underestimate given Madagascar's very high national informality rates (95%). Outside tourism, most formal jobs are concentrated in public services, alongside smaller shares in construction, IT, healthcare, repairs, and large-scale agriculture and fishing [153].

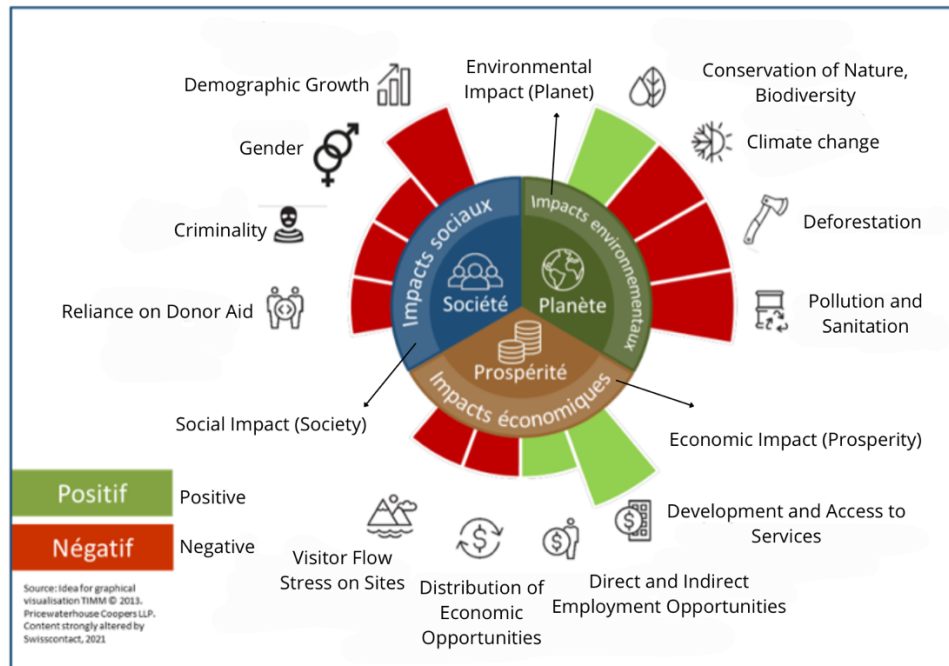


Figure 27: Tourism Impact Cycle and the Relative Weight of High- and Medium-Priority Impacts, [154], page 76

The data were translated from French into English by the author, with the aim of preserving the original meaning as faithfully as possible.

As shown in Figure 27, in the case of Nosy Be, there can be *positive relationships with tourism*, such as the development of services and communication, the creation of parks, and access to employment that can be directly or indirectly linked to tourism. At the same time, *negative impacts accumulate from existing factors*, such as the lack of sanitation and hygiene services, poverty and crime related to wealth distribution, pressure on natural resources from both visitors and local needs, climate change, deforestation, an increase in female prostitution, and the weakness of local institutions that are highly reliant on external aid.

The population of Nosy Be benefits from the economic advantages of tourism, unlike other parts of Madagascar which relying mosly on basic subsistence farming. However, Nosy Be local stakeholders complain about the *limited economic benefits that the local population receives*. Indeed, it is important to notice that while *income levels have*

increased, the corresponding rise in costs has meant that actual purchasing power has only increased for those working in tourism [154].

This issue is partly related to the international concept of "leakage", which refers to *money that does not stay in the local area or reach its intended destination*, as many tour operators, hotel chains, and airlines make their bookings and payments outside of Madagascar or in the capital, Antananarivo. As a result, the local population struggles to access the wealth generated by tourism development. For formal workers, wages comply with the national minimum wage of 200,000 Ariary per month (equivalent to about 50 USD in 2021), which is considered low compared to the cost of living in Nosy Be. Meanwhile, the poorest families are migrating from the island to the mainland. Similarly, some stakeholders have reported disruptions in the local economy, where the cost of local supplies, such as fish and basic food items, is high due to production and pricing linked to the tourism industry. This situation is likely to have a greater negative impact on people with limited incomes, who are forced to live elsewhere. In an attempt to lower prices in the tourism markets, some informal operators in Nosy Be have become owners of illegal taxis or private guides in search of higher margins [154].

Economic problems and the cost of living are exacerbated by general poverty on the island, which increased during the pandemic as many workers were left unemployed. These newly unemployed individuals joined the already high number of people who had been attracted to Nosy Be but were unqualified to find work in the formal sector, and were thus forced to work the land, fish along the coast, or find simple manual labor jobs [154].

3.3.3. Nosy Be and the Culture-Growth Co-Evolution paradox: Tourism Dependency and the Lack of Local Business Development

As it was shown previously, the island's economy is heavily reliant on tourism, which is predominantly controlled by *foreign investors* who have purchased land to develop resorts.

Although no official data were found regarding the number of foreign residents in Nosy Be, simple observation shows a significant presence of Europeans. This is due to the influx of visitors and seasonal workers during the tourism peak season (from June to October), as well as the presence of long-term residents, who are mainly tourism business owners and retirees [149]. This situation is particular to Nosy Be, especially since the 2018 census states that the foreign resident population in Madagascar accounts for only 0.1% of the total population [150].

There are also no available figures indicating the percentage of hotels, travel agencies, or other tourism service providers that are foreign-owned, but it is important to notice that, in Madagascar, the investment code *allows 100% foreign ownership of businesses in all sectors*, including tourism, although there are some limitations concerning land ownership [155]. This institutional framework facilitates the presence of foreign-owned tourism assets in destinations like Nosy Be, where capital-intensive resort infrastructure is often controlled by non-local investors. These investors possess the capital and assets necessary to operate businesses and related infrastructure. This situation highlights that, *while the tourism sector thrives, local businesses and entrepreneurs lack the capacity to drive growth within the community.*

There is a *clear absence of growth-oriented local firms outside of tourism*, as the economy remains primarily focused on small-scale, informal enterprises such as fishing, agriculture, artisanal businesses (e.g., local handicrafts), and small shops selling clothes, souvenirs, food, and drinks. While these informal activities are crucial for the local economy, they operate without substantial external investments or formal business development. This imbalance is characteristic of many small island economies, where external capital drives major tourism-related industries, but local enterprises struggle to scale up.

The dependency on tourism for growth and the lack of local business development have a significant impact on the standard of living for Nosy Be's inhabitants. The distribution of drinking water and electricity has primarily focused on tourist areas, covering only a small portion of the island's households. The existing networks are inadequate and in poor condition, with a single circular road connecting the main tourist attractions. Moreover, educational and healthcare services are generally insufficient and do not reflect the wealth generated by tourism, with evident underinvestment in these sectors. Although the private sector has provided new healthcare services, most of the population cannot afford them, meaning that the development of private clinics is reserved for wealthier clients. Additionally, the rehabilitation of vital infrastructure (such as urban roads and basic services) largely depends on funding from the World Bank, rather than local resources or capacity [154].

In *SIDS* (Small Island Developing States), tourism is a key sector for the economy, generating a significant portion of foreign earnings and formal employment. Foreign direct investment (FDI) often builds tourism capacity (e.g., hotels, facilities, infrastructure), stimulating the development of the tourism sector by providing the necessary productive capacity and infrastructure [156]. As mentioned previously, there is *no automatic or strong link between tourism and economic development*. This relationship depends on various factors, such as the economic structure, governance, the ability to capture benefits locally, and external vulnerabilities. Some SIDS gain real benefits from tourism, while others find that profits, jobs, and growth remain limited

or leak out of the country, rather than strengthening the local economy. *Tourism can help, but it alone does not save the economy of a vulnerable island, especially if profits end up in foreign hands or the country fails to capture added value* [157].

This highlights the importance of a strong, independent local economic sector that is not overly dependent on external tourism-related investments. While these investments may have positive economic spillovers, they do not resolve Nosy Be's structural issues.

In this section, we observed that *Nosy Be lacks growth-oriented firms outside of the tourism sector, which is mostly foreign-owned and highly seasonal*. As a result, there are few spillovers benefiting the local population. Regarding the presence of a conducive entrepreneurial culture, there is limited data specific to Nosy Be. However, the author of the thesis has spent over two months on the island working with a social enterprise called Tsara Tsiky, which is better introduced in the next section. During this time, I had the opportunity to work closely with the employees of the enterprise and conduct six semi-structured interviews (the questions are listed in Appendix C.1). These interviews were based on the "*Entrepreneurial Culture Conceptual Framework*" from section 1.3.3, where the factors most frequently mentioned as either promoting or hindering entrepreneurial culture are presented into five groups. Through *my field observations, the insights gathered from the interviews, and the GEM analysis applied to the Madagascar context, Proposition 5 emerges*.

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

The next section presents the *case study of Tsara Tsiky*, a women-led social enterprise based in Hell-Ville, Nosy Be. The case study aims to provide further insights into the cultural impacts of the lack of growing businesses beyond tourism and a few other sectors, and to examine whether the enabling factors of social enterprises can address the Culture-Growth Co-evolution Paradox.

3.4. The case study: Tsara Tsiky

Help for optimism (H4O)

Help for Optimism (H4O) was founded in 2014 by a group of engineers who, after several trips to Madagascar, felt the need to put their knowledge to improve local living conditions. Today, Help for Optimism operates as an Italian Third Sector entity

which carries out activities related to international development cooperation through programs and projects implemented in northwestern Madagascar (in particular in the Nosy Be and Nosy Mitsio archipelago, as well as Nosy Komba), with a *bottom-up approach* based on empirical evidence and collaboration with local actors and academic centers. Through *continuous dialogue with communities*, H4O identified *key problems, intervention priorities, and replicable, innovative solutions* to address them. H4O is a well-established presence in the area and continues to expand rapidly [158].

The organization's goal is to develop *multidisciplinary projects*. Its activities focus on initiatives that place human well-being at the center and ensure equitable access to basic needs and resources, respect for human rights, and sustainable development. More specifically, H4O adopts a holistic approach to development and operates mainly in the *Water, Sanitation, and Hygiene (WASH) sector* and in *social entrepreneurship*, integrating infrastructural and hygiene-promotion interventions with economic empowerment initiatives, i.e., throughout the social enterprise Tsara Tsiky [158].

Since 2014, H4O's projects have mainly focused on:

- *Building water supply* systems to bring clean water to villages, schools, and hospitals;
- *Constructing toilets* for private homes, schools, and hospitals;
- *Promoting hygiene* through awareness-raising campaigns;
- *Establishing a social enterprise*, such as *Tsara Tsiky*, entirely run by women, producing medicated toothpaste and natural soap bars.

From an institutional standpoint, Help for Optimism is a *Voluntary Organization* (Organizzazione di Volontariato, OdV) under Legislative Decree No. 117/2017 (the Italian Third Sector Code) and has been registered in the RUNTS (National Register of the Third Sector) as an OdV since 27 March 2025. *OdVs are Third Sector Entities* established as associations (either recognized or unrecognized) that carry out, on a *non-profit basis, activities of general interest primarily for the benefit of third parties, relying mainly on the voluntary work of their members*. The organization's assets and all revenues must be used exclusively to pursue the statutory activities and the related civic, solidarity, and social-utility purposes. The bylaws may allow other Third Sector or non-profit entities to be admitted as members, provided they do not exceed 50% of the total membership, and the number of employees cannot exceed 50% of the number of volunteers [159].

H4O founded Tsara Tsiky as a company under Malagasy law to transform it from a project run by the local non-profit association into a *profitable business venture*, aligned with its mission and consistent with H4O's statute. Since 10/06/2025, Tsara Tsiky has been officially registered as *TSARATSIKY SARL (Société à Responsabilité Limitée)*. To keep the initiative aligned with the association's objectives, *H4O holds 80% of the shares*,

so that 80% of the company's profits *can be reinvested in the development projects* carried out by the OdV association. *The remaining 20% is held by the local workers*, incentivizing them to take on an entrepreneurial role rather than acting solely as employees [158].

Tsara Tsiky

Tsara Tsiky is a women-led social enterprise operating on the island of Nosy Be, Madagascar. The enterprise's goal is to support a path toward autonomy for its team of Malagasy women, who aim to run the social enterprise independently through the artisanal production of natural soaps and medicated toothpastes, leveraging local tradition, technical training, and collaboration with international academic institutions.

Tsara Tsiky was created as a concrete response by H4O to address needs identified in the local context, transforming community challenges into an opportunity for growth and development. Its objective is to improve the *economic conditions and public health of the Nosy Be community*, while also *promoting women's empowerment through training and new employment opportunities*.

Tsara Tsiky is supported on the ground by the expat team of Help for Optimism (H4O), and, in line with H4O's core values, Tsara Tsiky has a significant impact in the following areas [158]:

- *Public Health:* Tsara Tsiky brings high-quality soaps to the market at affordable prices, using locally sourced, zero-kilometer ingredients that support the local economy. Its approach aims to make hygiene products more accessible and financially sustainable, reducing the economic barriers that often prevent the adoption of adequate hygiene practices. This contributes to improved public health by offering a sustainable and cost-effective option for personal hygiene.
- *Women's Empowerment:* Tsara Tsiky's team is entirely composed of local women, with a strong focus on training and equal opportunities. The social enterprise ensures fair wages and promotes economic independence, enabling women to access decision-making and leadership roles.
- *Training and Employment:* The professional training of new staff and ongoing training for employees support the acquisition of up-to-date skills and the scalability of the project, strengthening local expertise and creating new employment opportunities.
- *Financial Sustainability:* The project's economic model is built on valuing local people and locally available raw materials to foster a circular economy and provide an affordable everyday product. Revenues generated from soap sales cover raw material costs and wages and ensure a profit, which is fully reinvested in social impact initiatives.

Therefore, Tsara Tsiky can be described as an “*embedded social enterprise*”, where social programs and business activities overlap and reinforce each other. In this model, the enterprise is embedded within the organization’s core operations and mission: social goals are pursued through market-based activities, and the social program is largely self-financed by revenues generated from sales. Embedded social enterprises typically show three features: (I) *social and economic activities are unified*; (II) *the social mission is the central purpose of the business*; and (III) *the target population is integral to the model*, acting not only as beneficiaries, but also as employees and, in some cases, as part of the market interface [99].

Tsara Tsiky follows an *employment-based*, also called *work integration social enterprise model (WISE)*, providing paid work and skills development to women facing structural barriers to employment [99]. In Madagascar, women often bear the full burden of unpaid domestic work, which limits economic independence and increases vulnerability to discrimination and domestic violence [160]. Tsara Tsiky addresses this by *employing local women in the production process and selling its products on the open market*. The business model is designed around the *suitability of the jobs created* (in terms of skills development and alignment with workers’ capabilities) as well as *commercial viability*. Financial self-sufficiency is achieved through product sales, which cover operating costs and the additional social costs associated with employing and training the target group. As a result, *women are the primary beneficiaries of the social mission*.

Starting in October 2025, with a three-year horizon, a structured pathway has been launched to enable Tsara Tsiky to *scale its social impact* by strengthening the enterprise’s economic and financial sustainability. After years of growth and development with the support of H4O, the women’s team is determined to *manage the social enterprise autonomously*. The “*Tsara Tsiky project*”, therefore, aims to equip both the enterprise and its workers with the *organizational, managerial, and technical tools* needed to operate independently. A feasibility study, developed through an intensive exchange between the local and expat teams, highlighted Tsara Tsiky’s potential to become a *sustainable and profitable social enterprise* capable of catalyzing broader, *long-term development in the area*. For this reason, over the 2025–2028 period, the project intends to pursue a structured transition toward organizational and financial sustainability. To achieve this goal, H4O has secured the funding required to support strategic investments that will allow the enterprise to build a new facility, introduce three new production lines, train and employ additional women, and develop a competitive commercial network, aiming to reach profitability starting in 2027 [158].

Through economies of *scale in the production* of soaps and medicated toothpastes, the *scaling project* is expected to generate benefits *across multiple stakeholders*: it will expand *access to personal hygiene products* for up to 100,000 potential customers across the archipelago; it will *strengthen women’s economic empowerment* by providing fair, stable,

and safe *employment* for 7 women involved in production (currently 2 in soap production and 2 in toothpaste production), enabling them to build long-term financial security and aspire to key roles within the community; it will also *support skills development through vocational training* for 6 female trainees and *tailored capacity-building* for the 7 women employed by Tsara Tsiky. In addition, the scaling strategy is designed to activate *positive spillovers along the value chain*, increasing income opportunities for local suppliers and for approximately 80 retailers who distribute Tsara Tsiky products and benefit from higher sales volumes and margins [158].

Activities Carried Out by the Author During a Two-Month Internship at Tsara Tsiky and Motivation of the Study

As a Master's student in Management Engineering at Politecnico di Milano, I completed a two-month thesis preparatory internship (June–July 2025) at Tsara Tsiky. My initial objective was to update and strengthen a *three-year business plan* to support the enterprise's scaling, building on the projections already developed by the H4O team. Before departing, I reviewed the available preparatory documentation and prepared a structured assessment broadly comparable to a SWOT analysis, aimed at identifying the key growth drivers and the main operational and managerial vulnerabilities. This analysis informed a set of priority areas to be investigated on site, to ground the business plan in more robust assumptions and a clearer understanding of operational realities. The proposed work was focused on Tsara Tsiky's market potential, competitive landscape, B2B distribution channels and market-entry opportunities, pricing dynamics, the B2C potential of the "*Grand Fleur*" product line, product-line communication planning, and training activities.

However, during the first days in the field, it became apparent that developing reliable projections was premature, as the enterprise faced structural issues that undermined operational continuity in both production and sales. These included an underdefined internal organizational setup, ineffective inventory management, non-strategic allocation of resources, and local managerial weakness, which made it difficult to plan and prioritize daily activities. In particular, it became clear that, in the absence of continuous support from the expat team H4O (present mainly between May and October), production and sales tended to slow down and eventually halt, drastically reducing the availability of the data and organizational patterns required for any credible forecasting.

In light of these findings, I reoriented the internship toward operational and organizational support, with the aim of stabilizing the core processes needed to enable medium-term planning. I carried out an *overall assessment of the company's condition* and *worked on reorganizing the warehouse* to ensure traceability and up-to-date visibility of inventory, while designing an integrated *monitoring system* linking production, sales,

and storage. In parallel, I delivered *on-the-job training* with the employees to facilitate adoption of the system and embed practices that could be replicated over time. I also defined a basic structure for *ordering the raw materials required for toothpaste production*, supported by an analysis of historical consumption. At the end of the internship, I produced a *review document* of the current situation, intended to provide operational and organizational guidance to support the Tsara Tsiky imminent scale-up, for which H4O had already secured funding. In this report, I analyzed Tsara Tsiky's organizational setup through an integrated approach combining theoretical reflection and practical application, outlining an evolutionary pathway consistent with the planned expansion over the following three years: from a *simple structure* suitable for an early-stage enterprise in a fragile context, toward a more formalized *balanced matrix structure*, capable of strengthening long-term local autonomy. To support this proposal, I used operational tools such as *organizational charts*, pre- and post-scaling *RACI matrices*, and an *implementation timeline* for organizational activities, including change-management guidance and training needs for the team and for the new local coordinator.

Fieldwork also highlighted how operational challenges were significantly intensified by *contextual environmental factors*. Processes that would normally be routine within a company were systematically slowed by infrastructure constraints and *administrative and regulatory barriers*, including intermittent electricity supply and limited lighting, prolonged timelines for permits and authorizations (both for export and for operating in the local market), and substantial *logistical complexity* in procuring essential inputs. In particular, certain raw materials needed to produce toothpaste in line with hygiene and health requirements had to be imported from Italy, with delivery lead times of several months; similar delays affected the procurement of IT equipment. Overall, the *operating environment did not ensure continuity or predictability*: day-to-day management required constant adaptation to unforeseen issues and bottlenecks, despite the joint efforts of both the H4O team and the local team.

Working daily within the enterprise, with access to internal documents and in close collaboration with the employees, I also observed that some structural issues were linked to *behavioral dynamics*. Outside of production activities, where greater autonomy was evident, the organization tended to stall, showing low initiative and *limited intrapreneurship*, especially in the absence of clear and timely guidance. This pattern can be interpreted as the result of multiple concurrent factors: decision-making centralization (both strategic and operational) within the H4O team, limited workers' entrepreneurial education, and, above all, the *absence of local reference models demonstrating how to build and grow a scalable business*. Observations of the Nosy Be context suggest a *limited presence of high-growth local enterprises* not directly connected to tourism; moreover, capital and expertise often originate from outside the island.

This lack of proximate examples appeared to shape organizational culture and the capacity for initiative, dimensions I also explored through structured interviews.

These insights shaped the focus of this thesis: to assess whether the field dynamics I observed are consistent with the theoretical and empirical foundations established in prior research. The theoretical section aims to demonstrate that the paradox identified in the field can also be substantiated in the literature, thereby supporting its analytical relevance. The “Culture-Growth Co-Evolution Paradox” captures the mutual dependence between entrepreneurial culture and growth-oriented enterprises, difficult to develop in the absence of the other. From this perspective, it becomes essential to examine which core features of social enterprises can help disrupt this reinforcing cycle, and which are insufficient to do so. This matters not only because social enterprises often operate precisely where institutional and market voids make the paradox most acute, but also because it can generate actionable implications for other organizational forms seeking to scale and operate sustainably in fragile contexts.

4 Methodology

In the following chapter, an in-depth discussion of the two-step methodological approach is presented.

First, a theoretical phase was conducted through a *Systematic Literature Review*, leading to the development of a summarizing theoretical framework to address the first research question: “Which distinctive enabling factors allow social enterprises to survive and scale within weak entrepreneurial ecosystems characterized by severe institutional voids, where the Co-Evolution Paradox emerges?”, as outlined by the green arrow in the Research Framework in Figure 18.

Second, an empirical phase was conducted through an *Ethnographic Research* based on *participant observation, semi-structured interviews, and document analysis*, within the real-life case study setting of the social enterprise Tsara Tsiky, operating in Nosy Be, Madagascar. This phase aims to address the second research question: “Which of these distinctive enabling factors enable social enterprises to reduce formal and informal institutional voids and thereby weaken (or break) the Co-Evolution Paradox, strengthening the entrepreneurial ecosystem toward a more robust configuration with fewer institutional voids?”, as outlined by the red arrow in the Research Framework in Figure 18.

4.1. Systematic literature review

4.1.1. Distinctive Social Enterprises Enabling Factors

In this section, the analysis examines the “*Distinctive Enabling Factors*”, summarised in Table 6, that allow some social enterprises to *operate, survive, and scale* despite *environmental constraints*, thereby contributing to the *reduction of institutional voids*. These mechanisms explain why certain social enterprises persist and expand, while others facing similar barriers fail to emerge or discontinue their activities.

These characteristics are identified and organized through the *Literature Review* by combining three complementary levels. On the one hand, they are grouped around the

structural properties typical of *hybrid organizations*, which allow SEs to mobilize multiple logics, resources, and sources of legitimacy. On the other hand, they include *change-oriented Capabilities*, specific sustainable operational methods that SEs adopt to cope with resource scarcity and uncertainty. Thirdly, they relate to the relationships and *networking engagements* SEs establish both with local agents, non-targeted stakeholders, and with beneficiaries and customers, coping with deficits of trust and legitimacy that are common in contexts marked by institutional voids. It is important to note that, while these distinctive enabling factors may be generalizable across contexts, they are identified with the weak institutional environments of developing countries specifically in mind. In such settings, it is more plausible that social enterprises take forms that differ from the “*implicit model*” often assumed in the literature (which is typically grounded in Western contexts) [116].

Hybridness-Related Characteristics

- *Dual Value Proposition*

Unlike traditional commercial entrepreneurs and pure non-profit entrepreneurs, social enterprises, by definition, *pursue dual missions*: they must balance a social/welfare logic of value creation with a market/commercial logic of value capture. In the “*hybrid ideal*”, these missions are not merely aligned but tightly integrated, so much so that economic performance and social impact become mutually reinforcing, generating a virtuous cycle of profits and reinvestment in the mission. In a hybrid venture, neither the commercial narrative nor the impact narrative works in isolation; what matters is a coherent, credible link between revenue-generating activities and impact creation [121].

Pursuing dual value creation often creates tensions and *mission drift*, “*a process of organizational change, where an organization diverges from its main purpose or mission*”, as market or funder pressures can gradually pull SEs away from their social purpose [161]. *Accountability* is also multi-directional, extending toward beneficiaries, donors, and regulators, rather than only owners/investors. As boundary-spanning organizations, SEs balance competing social and commercial logics while responding to heterogeneous stakeholder demands [162]. Indeed, *tensions between governance and ownership* arise as multiple stakeholders are involved with differing priorities.

Despite the tensions inherent in dual-value creation, a *clear social mission* can act as the *main strategic direction* that social entrepreneurs must prioritize, even when financial goals coexist. Delivering social impact requires a systemic change and thus a *long-term view*, whereas managerial reality is often to short-term. Multiple time horizons must be juxtaposed to allow for social value creation in the future while maintaining commercial stability in the present [121]. Moreover, because social enterprises are less

profit-driven, they are generally *less negatively affected by high taxes, costs, and the increased opportunity costs associated with welfare expansion*, as the opportunity for commercial profit becomes less attractive [163]. The key is to identify *optimal conditions under which social value creation translates into profitability and competitive advantage* [98].

Social enterprises (SEs) can leverage their dual value proposition as an advantage, especially in resource-scarce environments. By spanning multiple institutional logics, *economic, public, nonprofit, and community sectors*, SEs strengthen *legitimacy* across various stakeholder groups, making it easier to build collaborations, gain acceptance, and secure funding, while continuously improving how they approach their goals. This *multi-stakeholder legitimacy* enables SEs to speak to both social/institutional and business sectors, increasing their credibility with diverse audiences. SEs can combine managerial and social tools, adapting to different contexts based on needs. However, institutional voids present challenges in gaining *sociopolitical legitimacy*, which is critical for survival and growth. In these contexts, the state may offer support while simultaneously being suspicious or hostile towards SEs. Indeed, Access to resources and legitimacy often rely on relationships, not just performance [164].

- *Finance*

Access to financial resources is a major challenge for social enterprises, as their focus on social value creation makes them less attractive to mainstream banks, which often see them as less profitable. This, combined with the hybrid nature of social enterprises, makes them difficult to categorize for financiers, and they are often poorly understood by traditional financial sources. However, *expected investment returns* for social enterprises can be *lower* than in conventional businesses, especially when considering payback levels and timelines [98], [165].

What helps SEs scale differently to other organizational forms is their ability to access a diverse *mix of revenue streams*. *Internal financing* comes from operating cash flows generated by providing products or services. These income strategies are feasible only if the target group can pay, or if a third party has an incentive to cover the costs; in both cases, revenues often do not fully cover total costs. This is why practitioners and researchers classify social enterprises by *their cost-recovery capacity* (no, near, full, or more-than-full cost recovery) [121]. Indeed, in practical terms, financial sustainability for the SEs requires *generating enough income to cover costs*, so the enterprise is not routinely dependent on liquidity injections or external contributions. *External financing* is typically used for long-term investments (e.g., buildings and equipment) or to bridge temporary negative operating cash flows. Compared to traditional firms, social enterprises rely on a broader set of external sources, including fees, grants, and funding from international donors, governments, philanthropic foundations, and impact investors. By blending commercial and philanthropic capital, they can increase

financial resilience and reinvest more resources into the business to advance the social mission [165].

Unlike traditional businesses, social enterprises typically prioritize *reinvesting profits* into their social mission rather than distributing dividends or residual earnings to those who control the organization (e.g., members, directors, officers), even within a profit-seeking framework. Depending on the state legal framework they have, they may operate under a *non-distribution constraint*: surpluses may be generated, but they must be reinvested in the mission and operations rather than paid out as private profit [166].

To make the financial model work, SEs often use mechanisms such as *differential pricing*, offering lower prices to vulnerable groups while charging higher rates to wealthier clients, or *cross-subsidization* by generating revenue from more profitable activities and reinvesting those funds into the social mission. In addition, they may access *below-market-rate capital* from social investors and benefit from *legal forms* designed to encourage investment [98]. As with any organization, effective resource management remains essential for long-term viability.

- *Workforce composition*

Balancing a social (or environmental/cultural) mission with the intention to trade and manage a business requires a *blend of skills that are integrated and mutually compatible*, since social entrepreneurs are institutionally embedded within the distinct and sometimes competing logics of the commercial, social, and public sectors simultaneously [121]. For this reason, SEs cope with these tensions by balancing staff and board members with *both social and commercial skills*. Owing to financial resource constraints, SEs are reported to pay employees below the market rate, which limits access to skilled employees. However, the SE *social mission* is believed to act as a *non-pecuniary incentive* for employees, volunteers, and other stakeholders. As a result, many SEs rely on volunteers and trustees who donate their *expertise, knowledge, and skills* as a means of contribution, often free of charge, and who may be more *devoted, driven, and loyal* given the underlying social aims. *Cross-training* among the stakeholders is therefore important, and management mechanisms to cope with SE hybridity include *skills-based trustee recruitment* [165]. This may lead to trade-offs between paying higher salaries to attract skilled employees and investing resources in recruiting and training volunteers with high turnover, which, in turn, reduces the resources available to create social value and the attractiveness of the SE to social investors [98].

Change-Oriented Capabilities

- *Bricolage Mindset*

As previously discussed, bricolage involves “*making do by applying combinations of the resources already at hand to new problems and opportunities*” [112]. In resource-constrained environments, this approach focuses on addressing opportunities and problems using undervalued, useless, or substandard, slack, or discarded resources, often available for free or at a low cost. It involves using whatever is available to find *workable (though often not optimal) solutions, including new uses for existing resources and recombining them for unexpected purposes*, making use of idle capital. Additionally, it can also be connected to the concept of *turning antagonistic assets into complementarities*, such as people with incompatible skills or physical resources that don't meet market technological requirements of the markets they aim to compete in [121].

- *Social Innovation (SI)*

Social innovations refer to the development and implementation of new ideas that provide novel solutions to social problems. They can include new services or new ways of delivering existing services to disadvantaged groups. SIs encompass innovation in products, services, business models, processes, organizational forms, technology adaptation, and market responsiveness and agility. These solutions address social needs, especially new needs, or needs not satisfied by either market or state provision, more effectively, efficiently, and sustainably than existing alternatives, with the value created accruing primarily to society as a whole, often by creating new social relationships or collaborations [167]. The emphasis is not only on the “*newness*” of the solution, but also on its *societal impact* and its ability to strengthen society's capacity compared to previous approaches. Social innovation (SI) addresses broader societal challenges and supports “*changes in social structures*” by promoting reforms toward a more participative society, where empowerment, learning, development, and discovery are central, not just a one-off burst of innovation, as this view, “*innovative activities and services are motivated by the goal of satisfying a social need*” [165].

More generally, SI also involves implementing *strategies to generate income* and finding innovative ways to *acquire and mobilize resources*. It uses market-based approaches and builds networks as an integral part of social value creation, *making solutions available to communities that previously lacked access to them* [109].

From a social-relational perspective, SI refers to new ideas and practices about “*how people should organize interpersonal activities, or social interactions, to meet one or more common goals,*” and it generates new processes that reshape routines, resources, and flows of authority [168]. A crucial aspect of innovation is the *prior step of identifying an opportunity*.

The literature also distinguishes SI in terms of the level of its action or impact from the individual to the *systems level* (micro-, meso- or macrolevel) and that these levels can be mapped against social innovation focused either on new social processes or on new

social outcomes [106]. Moreover SI can be categorized as as *incremental* (better goods/services for social needs), *institutional* (structural change that reshapes market and institutional arrangements), or *disruptive* (shifting power relations and addressing inequality), and highlights its frequent *emergence in-between spaces across sectors* where inter-organizational collaboration, public–private partnerships, and networking capabilities are essential for impact [169], [170]. However, Altuntas et al.’s evidence on how institutional voids limit (social) entrepreneurial activity to be more *incremental* and *less innovative* [115].

- *Proactiveness*

Proactiveness refers to the “*entrepreneurial mindset of anticipating and acting on future opportunities rather than merely reacting to change. It involves identifying market gaps, predicting customer needs, and taking initiative before competitors*” [45]. It is also described as the relentless pursuit of opportunities and the initiation of action, it involves a *behavioral orientation* necessary to survive and grow. This proactive behaviour is particularly relevant for SEs, whose rationale is to continuously develop new ways of addressing social problems and to design services for large numbers of people with unmet needs [109]. In this framework, proactiveness also matters within *intrapreneurship*, where solution search and experimentation generate new ideas, patterns, and tools by drawing on alternative logics or rebalancing those at play, while remaining consistent with organizational identity, which helps sustain and legitimize the intervention [171].

- *Uncertainty Tolerance*

Due to their hybrid nature and their operations in complex institutional-void settings, social enterprises need to develop risk-management skills and often display a *high tolerance for uncertainty*. Social entrepreneurs tend to view *project failure as a learning opportunity* rather than an unavoidable tragedy, maintaining *motivation and a positive mindset* despite the hindering environment, showing a greater emotional, absorptive, adaptive, and transformative *resilience* [165].

Networking Engagement

- *Local engagement*

For SEs, consider *communities in decision-making*, and being *deeply embedded locally* is critical because it turns *trust* into an operational asset. By nurturing social capital, understood as informal norms of cooperation and trust, SEs can mobilize *community support and resources*. This embeddedness can also translate into concrete contributions from local communities and agencies, including access to complementary tools or facilities and participation in fundraising efforts that help sustain social initiatives

[163]. By operating locally, SEs can strengthen bonding social capital through *close-knit community ties* (for example, through within families, ethnic communities, and close business circles), which can provide *trust, informal support, and relationship-based access to knowledge and contacts*, useful for navigating local market dynamics and cultural expectations [45].

Embeddedness also shapes how SEs build local networks and manage their *value chain*. Unlike corporate firms that typically prioritize cost (given minimum quality thresholds), SEs often impose constraints on supplier and retailer selection to avoid undermining their social mission; decisions are not based on price alone but also on the perceived fairness of policies and practices. In practice, this creates a recurring trade-off: ethical or sustainability-aligned suppliers may be scarce and more expensive, which can raise costs and pressure SEs to charge higher prices that are not always competitive. This either requires customers willing to absorb a price premium or alternative strategies to keep products affordable for beneficiaries [121].

Social entrepreneurs may also strategically leverage and expand these networks over time, engaging partners and broadening the stakeholder base, to increase their capacity to deliver impact. In parallel, SEs can build wider support networks within society that help them withstand competitive pressures, and *local employees may be particularly motivated* to contribute to community improvement through the enterprise's social objectives [165]. Overall, strong local engagement tends to make it easier to identify and develop partnerships and to deepen both customer/beneficiary engagement and non-target stakeholder engagement, as SEs tend to rely more on informal, relationship-based exchanges for knowledge, and contacts.

- *Not-target stakeholders engagement*

Non-target stakeholder engagement refers to the *set of relationships a SE builds with actors who are likely to be affected by the organization's activities, or who act as partners, even though they are neither customers nor direct (targeted) beneficiaries of the intended social actions* [121]. Within SEs' models and strategy, this dimension typically takes the form of *sustainable, multi-sector partnerships spanning the public, private, and non-profit spheres* (e.g., governments, NGOs, investors, business associations, and industry-specific clusters). Rather than relying on vertical integration, social ventures often orchestrate partnerships to mobilize complementary resources and capabilities. This orchestration supports knowledge sharing and organizational learning, enables regional and cross-border collaboration, and strengthens bridging social capital by connecting the SE to diverse external networks. In practical terms, *these ties facilitate access to funding, specialized expertise, and global markets*, while also enabling cross-industry collaboration and exposure to new practices [45]. Moreover, relationships among social enterprises operating in the same sector frequently resemble "*coopetition*": they may compete for funding and customers while still cooperating to pool resources and knowledge [121].

These partnership reinforce regional and global networks and support the scaling of social enterprise activities across multiple domains (e.g., environmental protection, social support, education, and the promotion of human values) [165].

- *Customers and beneficiaries engagement*

SEs must meet the needs of both “customers” (those who pay for the product or service, i.e., the classic BMC customer segment) and “beneficiaries” (the target groups at the core of the social mission), generating revenue from customers while serving beneficiaries. They often arise in response to social need rather than commercial demand, operating in deprived areas or delivering services to beneficiaries who may be unable to pay or even physically access the offering. Unlike corporate businesses that can select their market, *social enterprises are constrained by the beneficiary group they commit to*, which creates a persistent tension between serving paying customers and meeting beneficiaries’ needs, even when the latter does not generate income [121].

Relationships with targeted beneficiaries are typically two-way, as customers and beneficiaries can be involved in value creation through *co-creation* or *co-production*, with customers often treated as a community [121]. Moreover, because social enterprises aim to improve society and increase the value of their goods and services, their social goals may *foster a loyal customer base* that is less sensitive to purely price-based competition [165].

Importantly, *marketing* toward beneficiaries and customers changes as well. In this context, marketing is often framed around the *4A model* (Acceptability, Affordability, Accessibility, Awareness) rather than the traditional *4P model* (Product, Price, Place, Promotion), which was originally designed to help businesses manage products and market strategy. The 4As are more context-specific and impact-oriented, especially in underserved communities: (I) *Acceptability* focuses on how well the offering is accepted by the target audience, considering cultural, social, and community norms; (II) *Affordability* ensures the product or service is financially accessible, acknowledging that cost can be a major barrier in low-income settings; (III) *Accessibility* concerns the logistics and channels that make the offering physically available where it is needed; and (IV) *Awareness* emphasizes making potential users aware through education, outreach, and community-based communication strategies [172]. Overall, the 4As provide a more inclusive and adaptable approach to reaching populations that are marginalized or excluded from conventional markets, supporting viability and sustainability in challenging environments.

However, social ventures face two recurring marketing issues: first, their strategies often need to pursue *multiple goals* and *communicate multiple messages* at the same time to a largely ambivalent customer base; second, the relative newness of social enterprise

(compared to commercial entrepreneurship) creates additional challenges, such as *low investor awareness of social venture specificities* [121].

Table 6: Distinctive SEs Enabling Factors

Cluster of Analysis	Distinctive SEs Enabling Factors
Hybridness-Related Characteristics	
Dual Value Proposition	<i>Clear social mission act as the main strategic direction; Long-term thinking to deliver social impact; Decrease cost sensitivity; Find optimum conditions where social value creation leads to profitability and competitive advantage; Legitimacy across different institutions and stakeholders</i>
Finance	<i>Multiple streams (internal and external); Cost recovery as financial resilience threshold; Prioritize reinvesting profits into the social mission; Different pricing strategies; Cross-subsidation; Access lower-than-market-rate capital; Leverage the legal form to access more resources</i>
Workforce Composition	<i>Balancing social and commercial skills; Trustees' and volunteers' expertise; Recruitment through the use of social mission and non-use of pecuniary measures; Devotion and loyalty to the cause; Cross-training</i>
Change-Oriented Capabilities	
Bricolage Mindset	<i>Using or recombining suboptimal resources at hand in new ways</i>
Social Innovation	<i>Development and implementation of new ideas that provide novel solutions to social problems more effectively, efficiently, and sustainably than existing alternatives.</i>
Proactiveness	<i>Behavioral entrepreneurial and intrapreneurial orientation that involves anticipating change and taking initiative to grasp future opportunities, rather than merely reacting to it.</i>
Uncertainty Tolerance	<i>View project failure as a learning opportunity; High Motivation and a Positive Mindset; Resilience</i>
Networking Engagement	
Local Stakeholders	<i>Consider communities in decision-making, close-knit community ties and networks foster trust, employees motivation, the mobilization of community support and resources.</i>
Not-Target Stakeholders	<i>Multi-sector partnerships spanning the public, private, and non-profit spheres facilitate access to foundings, specialized expertise and global markets.</i>
Customers and Beneficiaries	<i>Co-creation and co-production foster customer loyalty through the 4A Marketing Model</i>

4.2. Ethnographic Research

The empirical phase was based on embedded fieldwork conducted in Tsara Tsiky, throughout an in-company internship, during which I acted both as an intern and as a researcher. Data collection included *participant observation, document analysis, and semi-structured interviews*. In addition, throughout the thesis writing process, an ongoing and structured dialogue was maintained with H4O members through regular check-

ins and update meetings, aimed at clarifying emerging issues and validating the information collected. Given the researcher's insider role, reflexivity and triangulation were used to enhance credibility.

4.2.1. Participant Observation

“The participant observer gathers data by participating in the daily life of the group or organization he studies. It watches the people he is studying to see what situations they ordinarily meet and how they behave in them. He enters into conversation with some or all of the participants in these situations and discovers their interpretations of the events he has observed” [173].

Fieldwork included ongoing *participant observation*, understood as *immersion in the context* and as an *exercise in reflexivity*: positioning oneself personally and questioning one's own point of view in order to understand that of others [174]. This component was central to collecting data useful for the research.

Observation was *structured* at specific moments: (I) during visits to the soap and toothpaste production processes; (II) during shadowing of the girls in their sales activities in local markets, including travel by tuk-tuk. By contrast, observations carried out during the group's day-to-day work were *unstructured*, as they were embedded in operational activities and informal interactions.

Throughout the experience, there was a continuous exchange of information and perspectives with the H4O team. This dialogue was particularly valuable, as they have been operating in the field for a longer time and bring substantial on-the-ground experience, which helped interpret observations and contextualize emerging issues. Moreover, working closely with the H4O team allowed me to gain an overview of how public and private calls for proposals operate as funding mechanisms. In parallel, during my stay, I was able to observe locally grounded dynamics related to investment and organizational growth processes, as H4O was assessing the purchase of a plot of land for a new headquarters, intended to support the launch of the scaling project towards a larger production facility.

Furthermore, during my stay, I worked closely with the Tsara Tsiky local team, with the support of H4O, to develop an inventory system linking production–warehouse–sales, both physically and digitally, with the aim of consistently tracking movements and flows. The system was developed iteratively: through frequent exchanges, we adapted procedures and tools to make them concretely implementable and sustainable for the team. In parallel, I delivered a brief training session on the use of Excel to enable the girls to autonomously use the system's digital component.

Observation was accompanied by *systematic collection of field notes*: paper notes or phone notes, subsequently reorganized into reports and into periodic updates shared with H4O. The H4O team also requested that evidence be recorded while it was being observed or retrieved (including documentary sources), in order to ensure traceability and to create an information base that could also be useful in the future as “*historical data*”.

This combination of operational involvement, continuous exchange with H4O, and documentary support allowed me to gain a broad view of the organization, with an integrated reading of the operational chain from production to sales, of the actors involved, and of relevant behavioural and relational aspects. In particular, I observed decision-making dynamics, coordination across operational steps, resource management, and bottlenecks. Consequently, in this case, it is possible to speak of “*complete participation*”, as I became a member of the group, sharing its customs and practices and living within the same social context both inside Tsara Tsiky and outside it, through broader social settings. Indeed, observing participants can provide a deeper understanding of the subculture they belong to, helping to uncover the reasons why certain phenomena occur. The time spent in the field and the observations conducted made it possible to develop a set of considerations, subsequently integrated through triangulation with organizational documents and semi-structured interviews. This approach provided an overall and coherent picture, the results of which are presented and discussed in the dedicated section.

4.2.2. Document analysis

During my two-month field stay, I had direct access to *Tsara Tsiky's internal documentation*, which constituted a central source of information for the analysis. This access complemented the materials I had received prior to departure.

Before arriving, I had been tasked with drafting a business plan with annual projections for the period 2025–2028, based on two main drivers: (I) the progressive integration of new staff and (II) the expansion of the soap production line from one to three variants. Even if the Business Plan was never drafted at the end, to develop these projections, I was able to review the full set of documents related to *internal operating costs*, including the unit production cost for each type of soap (distinguishing fixed and variable costs) and the main operating expense items (e.g., consumables, wages, connectivity, rent). In essence, this enabled me to reconstruct the organization's operating cost structure in a detailed manner.

In addition, I had access to the company's *accounting reports*, which allowed me to analyse inflows and outflows, sales performance, and the composition of the customer

base (both B2B and B2C). The documentation also contained information useful for understanding administrative and logistical processes, such as procurement dates and procedures, purchasing timelines, as well as the timing and modalities of payments to the operators.

A further body of evidence consisted of reports produced by H4O, particularly *market analyses* and *competitor benchmarking*, which mapped comparable actors, price levels, product characteristics, and points of differentiation (and thus Tsara Tsiky's potential competitive advantage).

Finally, I was able to consult *daily operational records* in which each worker documented the tasks performed and production batches by category. These records provided a concrete view of work organization, raw-material supply flows, and individual operating practices. Consequently, the documentation also made it possible to observe differences in productivity across employees, which served as a descriptive indicator of behaviours and operational routines (without over-interpretation).

Overall, the documentation was fundamental to developing a *clear, evidence-based reconstruction of how the organization operates*. Moreover, given the language barrier (I did not speak Malagasy or French), documentary sources played a key role in corroborating and verifying field observations through empirical cross-checks.

4.2.3. Semi-Structured Interviews

“A research interview is a form of conversation in which two or more people engage in a verbal interaction with the intent of reaching a cognitive goal decided ex ante by the researcher. During a discursive interview, the person being interviewed answers the interviewer's questions in his or her own words, chosen at the moment, building the discourse in the way that is most congenial to him or her” [175].

Semi-structured interviews were selected as the primary data-collection method. In the context of this research, the interview guide was developed from the Literature Review and informed by the *Entrepreneurial Culture Conceptual Framework* presented in Section 1.3.3, which groups into five categories the factors most frequently identified as either promoting or hindering entrepreneurial culture. Selected themes were explored in greater depth through the semi-structured interview format, which allowed participants to construct their own narratives in their own words.

The interviews served three main purposes: (I) *to reconstruct Tsara Tsiky's organizational model from an internal perspective*; (II) *to assess whether, in the short and long term, the workers were able to manage the organization autonomously in the absence of external support*

from H4O; and (III) to explore the Tsara Tsiky team's entrepreneurial context, attitude and culture.

The first section focused on demographic information and educational and work background, participants' roles within Tsara Tsiky, risk propensity, approaches to dealing with mistakes and failure, selected personal traits, locus of control (internal vs. external), and perceived workplace and power dynamics. This section also explored what participants would like to improve within the organization and their views on Tsara Tsiky's future development.

The second section focused on the workers' entrepreneurial orientation: the presence (or absence) of entrepreneurial role models in their context; whether entrepreneurship was a desirable career path for them; their understanding of how a business is built; and the perceived difficulties of starting a business in Nosy Be, particularly from the perspective of single mothers with dependants. It also examined potential entrepreneurial and cultural barriers to business creation, including gender-related constraints and perceived differences between women and men in access to economic opportunities. Finally, it considered the role of family and close social networks in supporting (or discouraging) entrepreneurial initiatives, as well as the specific challenges of being a woman within Malagasy cultural norms.

Interviewees were given *as much time as needed* to respond to each question. To ensure alignment with the research objectives and to maintain an appropriate degree of control over the conversation, an interview guide with a *set of predetermined questions* was developed. The full list of questions is provided in Appendix C.1. However, the interviewer retained the *flexibility* to deviate from the guide when appropriate, depending on the flow of the discussion and the relevance of emerging topics. The interview guide was intended to define the *main themes* to be explored jointly by interviewer and interviewee, while leaving participants free to introduce additional information relevant to the topic clusters under investigation. This openness proved valuable, as it enabled the exploration of issues and follow-up questions that would not have emerged through a strictly standardized format. For instance, the interviews revealed *several private and personal aspects* of the Tsara Tsiky workers' lives. These insights helped reconstruct their individual stories and contexts, which proved important for interpreting and making sense of their answers.

All questions were reviewed by a member of the H4O team, whose feedback was instrumental in refining both the structure and wording of the interview guide. In particular, their input helped ensure that the questions were culturally appropriate and respectful of the local context. Based on their recommendations, the questions were simplified and supported with practical, everyday examples, as Tsara Tsiky workers and Malagasy participants more broadly may find concrete, daily-life

references easier to engage with. Throughout the interviews, care was taken to use examples in a neutral way, so as not to lead participants or introduce bias through question framing. Finally, although the interviews were conducted by me, responses were interpreted in real time by an *interpreter* and then relayed back to me in English.

Interviews were carried out between 31 July and 1 August 2025; and each interview lasted on average approximately *one and a half hours*.

Prior to each interview, an *informed-consent statement* was read aloud. The purpose of the interview was explicitly explained, participants were informed that their responses would not be linked to their names in any way, and that audio recordings, collected solely for transcription and analysis, would be stored exclusively by the researcher. Before starting, participants were also invited to ask questions or request further clarification.

This primary data-collection method was selected because it enabled direct interaction, even though mediated by an interpreter, with the Tsara Tsiky workers, allowing them to express themselves in their own language and providing insights that could not be obtained through participant observation or document analysis alone. Indeed, over the course of two months, I worked alongside the workers in their daily activities, directly observing how the organization functions. What I was able to observe most directly concerned mainly *workflows*: gestures, routines, operational sequences, the distribution of tasks ("*who does what*"), people's movements in space, timing and breaks, how spaces were used, and the general atmosphere, as described previously. What I was not able to fully grasp, instead, was the *invisible texture of meanings, power relations, conflicts, forms of resistance, irony, and personal values that run through the work group*.

The language barriers between the Tsara Tsiky workers and me represented a significant constraint, as they made it more difficult:

- the construction of a relationship of trust, slowing the beginning of a fully "*participatory*" observation phase;
- a complete understanding of daily interactions;
- the interpretation of the words chosen to express problems, emotions, and conflicts;
- the reading of nuances in the internal organizational culture;
- the identification of conflicts, tensions, and informal alliances among the workers;
- the decoding of irony, humor, shame, and embarrassment in conversations;
- access to the "*backstage*" of work, namely conversations among members, informal moments, and unofficial meetings;

- understanding hierarchies and forms of informal power;
- interpreting cultural codes related to time, error, and responsibility;
- analysing the symbols, moral dimensions, and implicit judgments circulating within the group.

The inability to fully understand everything that was happening made my position as an *outsider* more evident and increased my dependence on other actors (translators, linguistic allies, internal gatekeepers). Several recent contributions emphasize that this vulnerability is not only a limitation, but also an aspect that should be explicitly addressed, showing how the researcher's understanding is always situated, partial, and negotiated [176], [177], [178].

To explore these aspects in greater depth, I involved an *English–Malagasy interpreter*, Priska, a 19-year-old girl who works as a tourist guide for another organization and who supported me in conducting the interviews. The main difference between interpreters and translators is that interpreters provide “*real-time*” interpretation between the researcher and the informant, orally rendering one spoken language into another, whereas translators convert textual data from one language into another. When researchers require language support to conduct an interview or a focus group, they therefore rely on an interpreter [179].

Overall, *six semi-structured interviews were conducted*:

- Four formal interviews with Tsara Tsiky's core workers;
- One interview with a Malagasy entrepreneur and former Tsara Tsiky member, aimed at gaining a deeper understanding of Nosy Be's entrepreneurial dynamics; and
- One interview with the interpreter, Priska, to better contextualize the workers' responses within the local cultural framework.

For the purposes of this thesis, only information considered relevant to the analysis of Tsara Tsiky and to outlining a possible growth trajectory for the business is presented. Individual names are not associated with specific statements; findings are reported in a synthetic, aggregated form, providing an overall picture rather than attributing quotes to identifiable participants.

5 Results Discussion and Implications

In this section, the findings from the empirical phase are presented. The research was conducted as an ethnographic study within the real-life case of Tsara Tsiky in Nosy Be, Madagascar, drawing on participant observation, semi-structured interviews, and document analysis. The findings address the second research question: *“Which distinctive enabling factors enable social enterprises to reduce formal and informal institutional voids and thereby weaken (or break) the Co-Evolution Paradox, strengthening the entrepreneurial ecosystem toward a more robust configuration with fewer institutional voids?”*. Using Tsara Tsiky as the empirical setting, the discussion also highlights key tensions that can emerge when social enterprises attempt to reduce institutional voids, tensions that practitioners and researchers should consider when studying and designing social-impact models. The results are organized into the three clusters of enabling factors presented in section 4.1.1.: *hybridness-related characteristics, change-oriented capabilities, and networking engagement*.

Furthermore, below each paragraph, the implications for both practitioners and scholars are summarized through the label *“Key Findings and Implications”*. No distinction is made, as the results are relevant simultaneously to both groups.

5.1. Hybridness-Related Characteristics

5.1.1. Dual Value Proposition

Tsara Tsiky is a social enterprise that addresses both social and economic obstacles in the Nosy Be context, creating a significant impact within its local communities. Its dual value proposition combines social impact with economic sustainability, ensuring the long-term effectiveness and viability of its solutions.

- *Social value proposition*: Tsara Tsiky addresses key social challenges, focusing on female empowerment by creating employment and training opportunities for women who were excluded from the labor market due to

economic, social, and institutional barriers. Through the work in the production of toothpaste and natural soaps, these women acquire practical skills and become more economically independent. In addition, Tsara Tsiky, by collaborating with other H4O projects, contributes to improving public health in the region of Nosy Be by providing affordable hygiene products, addressing the serious issue of lack of access to adequate sanitary facilities that lead to diseases. This social value proposition has a clear impact on both individual and community well-being, by empowering women and improving the health conditions of the population.

- *Commercial value proposition:* Tsara Tsiky offers high-quality hygiene products that are locally produced and sold at affordable prices for the local population. Unlike imported products that are often expensive or cheap, low-quality, ineffective (they do not create proper saponification), or not pleasant on the skin (because they are highly chemical), Tsara Tsiky's locally made toothpaste and soaps are produced using natural, locally sourced ingredients, ensuring quality while reducing supply costs.

The business model generates revenue through the sale of these products to local customers, and the income generated supports the social impact program (training, wages, expansion). This approach enables Tsara Tsiky to sustainably generate both revenue and social impact, creating a *virtuous cycle that integrates economic sustainability with positive social outcomes*.

In summary, by leveraging its dual value proposition, Tsara Tsiky is able to address market gaps by offering products that are 100% made in Madagascar, while simultaneously meeting social needs such as unemployment, female education, public health, and weak local economies. *This value proposition has the potential of becoming profitable in the long term, effectively solving social issues in ways that are superior to the products currently offered by commercial enterprises and formal institutions, which often struggle to improve public health.* Additionally, through its collaboration with H4O, which focuses on building water supply systems and sanitation facilities, Tsara Tsiky complements these efforts by providing essential hygienic products.

In general, social enterprises face the challenge of balancing their social and economic missions in their value propositions. On the other hand, Tsara Tsiky offers a compelling example of how *a well-constructed social enterprise dual value proposition has the potential to achieve profitability while simultaneously addressing social needs, leading to both competitive advantage and work integration.* The value propositions of Tsara Tsiky are *interdependent*, with profits from commercial activities supporting social initiatives, thereby creating a sustainable cycle that benefits both aspects. This alignment is crucial when measuring sustainability and impact, as it allows ventures to maximize social value while ensuring financial viability.

The social value created by Tsara Tsiky generates significant economic benefits, as its proposition integrates social and economic outcomes. As shown in Table 7, the social enterprise focuses on *training women* and *creating employment stability*, which *improves productivity quality over time* due to better-qualified and motivated workers, *help reducing turnover* and *learning costs*, positively impacting business performance. *Strengthening community trust* and *gaining social legitimacy* facilitates access to *local sales networks* and *reduces cultural resistance*, aiding the enterprise's integration into the local social and economic context. Empowering female workers through out *20% of ownership in the company*, and involving them in business decisions, fosters *greater responsibility* and *motivation*, enhancing their sense of belonging and commitment to the social mission.

Table 7: The Dual Impact: How Social Value Creation Drives Economic Benefits in Tsara Tsiky

Social Value	Economic Effect
Trained women	Higher productivity quality over time
Job stability	Lower turnover, fewer training costs
Community trust	Access to local sales networks
Social legitimacy	Lower cultural resistance
Team workers' ownership	Greater responsibility and motivation

Tsara Tsiky's competitive advantage stems not only from its *production*, but from its *social embeddedness and relational capital*. The enterprise's strength lies in the network of local relationships it has developed with women, communities, and social stakeholders. Its business model is deeply embedded in the social and economic dynamics of the region, where women's inclusion and skills development generate social and economic impact, making Tsara Tsiky's model a replicable example for other organizations. The empowerment of women and the creation of social value enrich the economic proposition, making the project potentially financially sustainable, while addressing fundamental needs related to women's empowerment and economic autonomy in Madagascar.

Moreover, Tsara Tsiky is viewed as a *socially legitimate* and *positive actor* within its community and in Nosy Be, since it creates employment opportunities for women and offers essential products at affordable prices. Therefore, the SE is accepted and supported by the local population not only for the economic benefits it brings but also for the positive impact it has on the lives of women and people in general.

Legally, Tsara Tsiky is a Société à Responsabilité Limitée (SRL), but in its operations, it functions as a social enterprise, as this legal form is not formally recognized in Madagascar. While non-profit organizations, cooperatives, and associations with social objectives exist, they are not formally defined as "*social enterprises*" within a specific legal framework. In Madagascar, the concept of the "*Social and Solidarity*

Economy” is under an ongoing legislative legitimization movement to create a clearer regulatory framework for enterprises that have both social and economic goals, like those in social entrepreneurship [180]. For local customers, both B2C and B2B, Tsara Tsiky is legitimized as a regular business that offers quality soaps and toothpaste at affordable prices. Similarly, it is recognized by institutions mainly for its commercial purpose, because of its legal form, and for the need to ensure its products comply with Ministry of Health standards and to obtain the necessary permits. For volunteers, the H4O team, academic entities, and other NGOs collaborating with Tsara Tsiky, its legitimization primarily streams for its social purpose. For tourists and hotels that purchase products, it is legitimized both as a social enterprise and for the quality of its products. In summary, having both a social and commercial mission helps Tsara Tsiky engage with *multiple stakeholders* and *leverage either the commercial or social aspect as a strength*, depending on the *storytelling* it wishes to convey. This, however, is not done in a disjointed or contradictory manner, but as a coherent, unified package given its dual value proposition tight integration.

Tsara Tsiky is guided by a *strong social mission*, which shapes its strategic direction. While it faces financial challenges, with costs currently exceeding revenues, it continues to prioritize the training and support of its workers, particularly focusing on empowering them through gradual wage increases and strategic business management skills. However, Tsara Tsiky often struggles with *making tough decisions*, such as costs cuts or price increases, due to the priority placed on their social mission. Balancing economic sustainability with a commitment to vulnerable communities creates a decision-making tension: choices aimed at financial sustainability may limit access to benefits, while choices aimed at accessibility may result in higher costs for the social enterprise. However, *the mission of female inclusion remains at the heart of the enterprise's operations*, and despite the financial gap, it continues to be the *driving force* behind its activities. Moreover, as part of its scaling strategy, Tsara Tsiky plans to hire more women and expand its beneficiary base, providing soap and toothpaste to a larger population, while also building a local value chain that will altogether reduce costs through economies of scale.

Tsara Tsiky's *long-term vision* is influenced by its collaboration with H4O, which emphasizes maintaining a strong commitment to its social mission. The *technical training* provided, along with the focus on *pharmaceutical and management knowledge*, equips workers with practical tools for long-term success, both within the company and beyond. The *inclusion of a 20% ownership stake* for workers serves as an incentive for entrepreneurship and business development, with H4O planning for Tsara Tsiky's slow, gradual autonomy.

However, while Tsara Tsiky has *ambitious long-term goals* that drive its future direction, including production growth and challenging beneficiary objectives, it is important to acknowledge that much of its current strategic direction is shaped by the goals of H4O

and its *transformational leadership*. A key challenge lies in balancing the *long-term vision* with the *operational needs* of the social enterprise, particularly in terms of the daily activities of the workers. Although Tsara Tsiky sets long-term goals, the women involved still require more *transactional leadership* in their day-to-day activities, as they lack the cross-competencies needed to manage a small business where each member must take on a variety of roles. It is therefore crucial that *both long-term and short-term thinking* are developed within the team, ensuring that daily operations are efficient while empowering the workers to start thinking independently about their future without relying solely on H4O's guidance.

Importantly, Tsara Tsiky helps to reduce institutional voids by fostering *local entrepreneurship* through *economic empowerment* and *entrepreneurial development*, which includes training, initial economic resources, employment, ownership, and inclusive work environments. It enables individuals to gain the *skills* and *confidence* necessary to thrive in the marketplace, thereby gradually changing the *entrepreneurial culture in the long term*. Through its operations, it promotes a culture of entrepreneurship and self-reliance, stimulating local economies and contributing to the sustainability of businesses. By integrating social goals with commercial strategies, *it bridges gaps in formal and informal institutions* and promotes a holistic approach to growth that encourages *innovation* and *long-term economic stability*. This is achievable when there is a *strong synergy between the dual value proposition*, deeply integrating social missions with commercial goals.

Dual Value Proposition Key Findings and Implications

“Social enterprises, through inclusive work environments, can reduce institutional voids by fostering local entrepreneurship via economic and social empowerment. Training, employment stability, community trust, social legitimacy, and ownership represent forms of social value created by the social enterprise. At the same time, these social outcomes can generate positive managerial and economic effects, including higher productivity, lower turnover, improved access to local sales networks, lower cultural resistance, and stronger employee responsibility and motivation. It is therefore important to foster strong synergy within the dual value proposition, ensuring that the social mission and commercial goals are integrated and mutually reinforcing, by finding the optimum conditions where social value creation leads to profitability and competitive advantage. By leveraging this dual value proposition, social enterprises can build legitimacy across multiple stakeholders and strategically emphasize either the social or the commercial dimension depending on the narrative they intend to convey, while maintaining a coherent, unified positioning. Moreover, a strong social mission can increase organizational resilience, supporting persistence in contexts marked by institutional voids and sustaining operations even during periods of negative profits. However, the same mission may also create tensions by making it harder to take tough economic decisions required to achieve financial sustainability. Social enterprises

often adopt a long-term orientation to protect the social mission, but they must also ensure consistency between long-term purpose and short-term operational discipline in order to deliver sustainable business outcomes. In this respect, transformational leadership is crucial for guiding long-term purpose and maintaining collective commitment, while transactional leadership may be more effective in early phases, especially for workers with low initial skills, to foster initial learning, structure routines, and manage day-to-day execution. Additionally, SE embedness help building local relationships and networks, enhances community trust, and facilitates integration into the local economic ecosystem.”

5.1.2. Finance

Tsara Tsiky generates revenue through *multiple financial streams*.

- *Internal Revenue streams* come primarily from the sale of toothpaste and soaps. In addition to these products, the organization also sells raffia packaging, pouches, and Ylang Ylang essential oil. The product line is divided into three categories, each targeting a different market segment with distinct pricing strategies. The pricing strategy for Tsara Tsiky’s products is designed to align with the overarching goals of *maximizing social impact while offering high-quality, accessible soap and toothpaste to the public*.

The pricing strategy is built around three product category, and it is constructed as follows: (I) *Classic Soap*: The objective is to create a significant social impact by offering the soap at cost price. Currently priced at 2,000 Ar, as the company grows, the price is intended to be reduced to 1,400 Ar. This approach allows the product to be placed on the market at a competitive price, thereby increasing demand and achieving the social goals of improving public health and meeting the basic needs of the population without profit intentions. (II) *Grande Fleur Soap*: This product is positioned in a higher market segment due to its appealing shape and higher content of natural oils, while remaining accessible and competitive. Priced at 2,200 Ar, it generates a higher margin, contributing to the financial sustainability of the social enterprise. As with the Classic Soap, the goal is to decrease the price over time. (III) *Petite Fleur Soap*: It is a single-use soap designed for Hotels and public facilities. Currently priced at 800 Ar per unit, it offers a good markup while maintaining competitive pricing compared to existing alternatives.

These products are sold to both local clients (B2C and B2B through local retailers) and hotels, which are typically foreign-owned, or to other organizations, such as NGO.

For the local market, the product’s competitive advantage lies in its *quality, local origin, and natural ingredients*, while for hotels, the appeal is not only in the quality but also in

the *social mission impact*. Additionally, soaps are sold to volunteers and tourists who visit Tsara Tsiky's central location, generating financial peaks, particularly during the summer season, often in gift packages or alongside orders of local essential oils. While Volunteers pay the same price as local consumers, tourists are charged higher prices. H4O also promotes and sells Tsara Tsiky's products in Italy during its events, generating additional revenues that are reinvested into H4O's projects, including Tsara Tsiky. Furthermore, the SE benefits from *cross-subsidization*, as it operates a boat available to tourists, which generates income, particularly during the summer months. While the boat is not managed by the women of Tsara Tsiky, it is formally part of the project and its revenue streams.

- *External revenue streams* are derived from H4O's applications for private funding, foundation grants, and donations, both monetary and in-kind. These funds have, for example, facilitated the provision of materials for Tsara Tsiky's Laboratory. As Madagascar is not a priority country for the Italian cooperation strategy, there are no public Italian funds available for projects there. Therefore, H4O relies on *private funds for international projects*. Indeed, while H4O manages Tsara Tsiky's finances, Tsara Tsiky does not leverage its legal form to secure external funding directly. Indeed, Tsara Tsiky is officially registered as a Société à Responsabilité Limitée (SARL) and all its revenue and expenditure pass through H4O, which owns 80% of the company and determines how profits are reinvested, aligning this decision with the social mission of its projects.

Among Tsara Tsiky's scale and growth objectives, there is also the need to reduce unit costs through economies of scale by better utilizing production lines. This would allow Tsara Tsiky to reduce prices and expand its social impact by providing good-quality soap and toothpaste at affordable prices, potentially at cost for the most vulnerable segments of the local population. At present, however, the primary scaling goal, crucial to the intended internal autonomy, is *to reach at least cost recovery*, i.e., covering operating costs.

To date, external financial support provided by H4O has allowed Tsara Tsiky to prioritize the social mission even in the *absence of financial break-even*. In practice, Tsara Tsiky's immediate social priority has been to maintain stable employment for the women involved, ensuring a continuous salary and, where possible, gradually increasing it. However, when considering internal sales revenues alone, *the social enterprise remains unprofitable*. H4O's support has therefore functioned as a buffer that keeps the Tsara Tsiky initiative operational and enables continuity of its social objectives, while cost recovery has not yet been achieved.

This model has created *financial resilience* primarily through *H4O's fundraising capacity rather than through Tsara Tsiky's operating performance*. Such support also reflects

structural constraints affecting productivity: many workers have limited formal education and significant care responsibilities (often as single mothers), which can reduce available time and capacity to prioritize organizational efficiency beyond immediate economic survival. In this context, H4O has not pursued repayable finance options (e.g., concessional or below-market-rate capital), despite the existence of such instruments, because Tsara Tsiky is not yet sufficiently profitable to take on repayment risk. Instead, H4O has relied largely on grant- or donation-based funding without interest obligations.

While this funding approach supports the social mission, it may create a *self-reinforcing cycle*: the organization can continue its social work and pay salaries, but the economic model is not pushed to become financially sustainable. This is not inherently problematic if the mission remains the priority and funding is reliable even with external financing; however, if financial fundamentals are neglected, the organization may struggle to grow or sustain impact over the long term, increasing vulnerability to funding volatility. *Maintaining an effective balance between social mission and economic sustainability is therefore critical*. The objective of imminent scaling at Tsara Tsiky, other than reaching more beneficiaries, will be to reduce costs by optimizing production lines (through saturation and scales economies) and strengthening the commercial sector, thereby enhancing its financial sustainability and covering its operational costs. After scaling, the goal will be to phase out external H4O funding for basic operations expenses (e.g., salaries, rent, day-to-day production inputs) and redirect these resources towards larger, strategic investments rather than basic continuity.

From this perspective, an important strategic concern is *whether scaling and business growth alone are a sufficiently robust path to break-even*. In this context, Tsara Tsiky wants to achieve "*breadth-scaling*", which refers to expanding the organization's activities and/or its scope, aiming to reach more people and cover a wider geographic area, providing services to beneficiaries who have not yet been served or in new locations [121]. While breadth scaling, combined with an increase in size, may theoretically reduce unit costs, it is uncertain whether the *current mindset of the employees and the organizational culture can effectively adapt to this change*. Increasing production volume without addressing existing productivity challenges and a lack of proactivity within the team may not result in meaningful progress. While this expansion may seem appealing, it does not address the critical issue of *strengthening the intrapreneurial culture and workforce capabilities*. Since the current workers will be responsible for introducing and supporting new employees, the organizational culture currently embedded in Tsara Tsiky cannot be expected to change rapidly as the business grows. Rather, cultural change is a gradual process that requires a slow and carefully managed transition. *A solid cultural and financially sustainable foundation should be established first*, prioritizing cross-training and the empowerment of the current workforce before pursuing large-scale expansion, as they constitute the basis for the

company's future growth. Although economies of scale may seem like an ideal solution on paper to reduce costs and amplify the beneficiaries market, introducing additional complexity to an already financially unsustainable situation may not be the most effective course of action. Therefore, Tsara Tsiky should focus on covering its costs within the current framework and reinforce the intrapreneurial culture, and once this is achieved, size and breadth scaling should be used to generate the necessary profits for reinvestment into the organization's projects, ultimately driving its growth and increasing its social impact.

Indeed, dependence on *external funding* can allow for a *medium-term perspective* and *provide the opportunity to scale*, even in the absence of a fully developed internal entrepreneurial culture. However, for both aspects to work effectively, the growth of *intrapreneurial culture* and *the business must proceed hand in hand*. As demonstrated, *informal institutions are stronger when there is internal misalignment*. Scaling without strengthening internal skills and culture can lead to inefficiencies and the risk of organizational drift. A typical tension in hybrid organizations is the internal capacity in terms of skills and human resources, which must be developed to ensure sustainable growth. In these contexts, the challenge is to integrate profit and social impact logic, where organizations seek to achieve operational scale and profits, while simultaneously promoting social equity and empowerment.

Importantly, before embarking on "*breadth-scaling*", it is necessary to develop "*depth-scaling*" (used in tandem with the "*scaling deep*" concept). *Depth-scaling* focuses on improving and enriching existing processes to increase the impact on current beneficiaries, intending to influence individuals' cultural roots by changing relationships, values, and cultural beliefs [121]. This aspect is particularly important in contexts characterized by *strong institutional voids*, where *entrepreneurial culture must be nurtured internally to achieve local autonomy*. In this case, a "*depth-scaling*" approach should be prioritized before embarking on "*breadth-scaling*" that Tsara Tsiky wants to pursue, since it could also help Tsara Tsiky to reach internal financial sustainability.

On a positive note, Tsara Tsiky does not face barriers related to a values-based strategy, nor to obstacles in business models or institutions, but it must ensure that *cultural change is fostered within the organization* before proceeding with expanding its impact to other beneficiaries. Only in this way *local autonomy will be ensured in the long term*. The methods for developing this cultural change and strengthening the workforce composition are addressed in the next section, dedicated to "*work-force composition*".

Finance Key Findings and Implications

"Reinvestment of profits in the social mission, multiple revenue streams, differentiated pricing strategies, and cross-subsidization help social enterprises financially survive and scale

in fragile contexts. However, prioritizing the social mission may result in low internal revenues that are insufficient to recover costs, while also limiting access to repayable financial resources (such as lower-than-market-rate capital) due to concerns about repayment. To reduce dependence on external funds, in contexts characterized by severe institutional voids, achieving sustainable growth requires first focusing on "depth-scaling" to foster an intrapreneurial culture and cover costs without overreliance on external financing, thereby building the foundation for a strong, growth-oriented business. Once this foundation is established, "breadth-scaling" can be pursued to expand the reach of beneficiaries, secure the organization's social mission and financial sustainability, and ultimately achieve local autonomy, further reducing institutional voids."

5.1.3. Workforce Composition

To make the organizational structure clearer and more immediate, the following organizational chart in Figure 28 is proposed, which visually represents its main components using Mintzberg's configuration framework [181]. This diagram summarizes the current configuration of Tsara Tsiky, highlighting the centrality of the apex, the short hierarchy, and the operational distribution of functions, consistent with *simple and informal structure* connections [182].

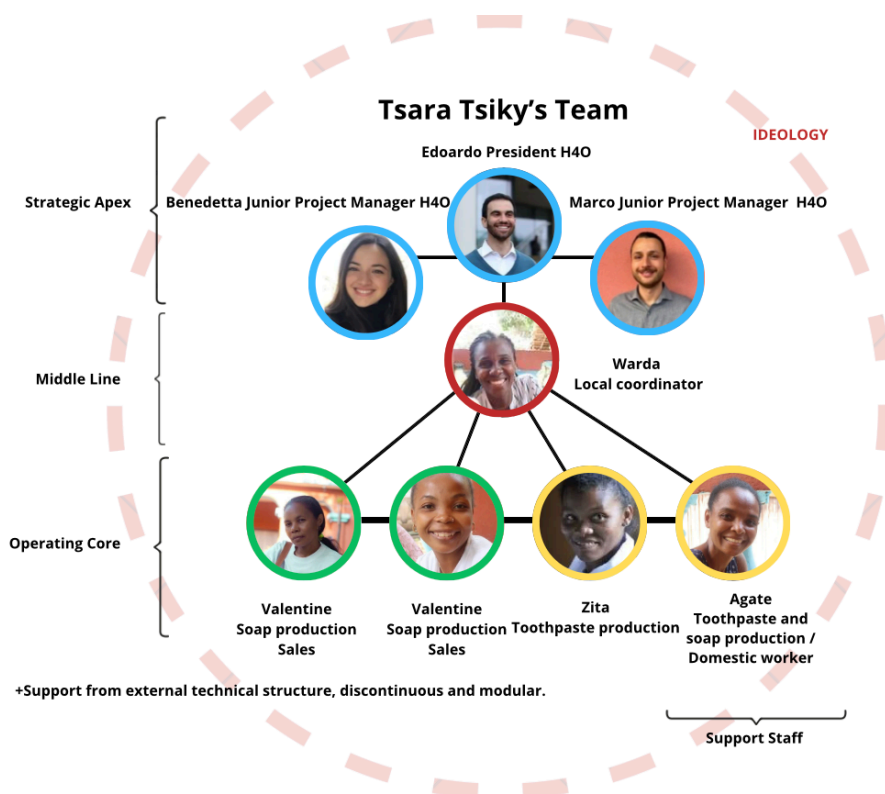


Figure 28: Tsara Tsiky Organizational Chart 2025

- The *operational production* core is composed of Corine, Valentine, Zita, and Agate, who work in the laboratories of Nosy Be and are at the base of the organization as the operators, who carry out the essential production and selling activities [182].
- Alongside the local operational team, Tsara Tsiky is supported by a strategic and project support core, consisting of three key figures from H4O: Edoardo Bono, Benedetta Malquori, and Marco Testa. Although not part of the internal production team, these professionals play a critical role in ensuring sustainable growth, strategic planning, and strengthening the social enterprise's autonomy. They represent the *strategic apex*, who ensures that the company effectively pursues its mission, addressing the needs of all relevant stakeholders [182]. In this organizational configuration, there is a clear separation between those who perform the work and those who manage it.
- The strategic apex is linked to the operational core through the chain of *middle managers*, who hold formal authority. For Tsara Tsiky, the *middle management* is represented by the local coordinator, Warda, who has worked with H4O since its foundation in 2014. She is a key figure for Tsara Tsiky due to her multilingual skills (Malagasy, French, and Italian), which allow her to manage relations effectively with local suppliers and the strategic support team. Warda possesses solid accounting skills and is further developing her managerial abilities.
- The *support staff* includes those who assist with the organization's workflow from an external perspective. They do not engage in standardization tasks and carry out specific functions [182]. In the case of Tsara Tsiky, the support staff consists of only one employee, Agate. This individual primarily performs domestic tasks such as cleaning and food preparation, but also serves as a support figure in the laboratory, thus not always adhering to a rigid support role in the traditional sense.
- In the organizational structure, the *technostructure* is formed by analysts, who focus on standardizing the process, outputs, and employees' capabilities. They are responsible for designing, planning, modifying, and training individuals to carry out these tasks, but they do not perform the tasks directly [182]. Tsara Tsiky has benefited from the contributions of various academic and professional figures who, through targeted training interventions, have supported the organizational and strategic strengthening of the enterprise.

Tsara Tsiky has undertaken a series of training programs aimed at enhancing the production, management, and commercialization of its products. In 2015, *pharmaceutical technical training* began through a project led by H4O, A.P.P.A. ONLUS, and the University of Torino, focusing on the safe production of toothpaste and disinfectant soaps crafted in Nosy Komba. The main training modules included

laboratory safety, hygiene, basic chemistry, proper use of tools, and operational production. In 2022, following the relocation of the laboratory to Nosy Be, practical-theoretical courses were organized by pharmacists, with in-depth sessions on distillation techniques, dosage, and essential oils from Madagascar. A final test assessed the skills acquired in areas such as safety, equipment usage, and dosage. Additionally, in 2025, training was provided for the implementation of a quality control system in the laboratory to ensure compliance with incoming and outgoing products during the production phase. *Managerial training*, was initiated since 2023, through collaborations with interns from the University of Bologna, Politecnico di Milano, and the University of Torino, focusing on improving managerial skills and organizational support to standardize business management processes. Finally, in preparation for the company's scaling phase, specific *commercial training* on B2B and B2C sales is planned to develop a strong sales network, manage customers, and implement market strategies. This training will be led by a local expert, with particular attention to the dynamics of the Malagasy market and brand positioning strategies.

As described, Tsara Tsiky relies heavily on *external training*, provided by *volunteers* who dedicate their time and skills to support the social mission of the organization. Moreover, the Tsara Tsiky local team is also supported by *H4O's expat team*, which is present on-site from May to October each year, helping Tsara Tsiky achieve its goals while ensuring alignment with its mission. Additionally, as mentioned, H4O provides external financial resources, which are then redistributed across its various projects.

The core of Tsara Tsiky's structure includes a balance between the *social skills provided by the H4O team* and the *commercial skills shared by external volunteers*. Both the trustees and external experts play critical roles in guiding the organization's operations. While the volunteers are not compensated, the trustees of H4O are, yet both groups are united by a *shared commitment to Tsara Tsiky's social mission*. However, there are several challenges. One key issue is that, in contexts with significant institutional voids, where the local women often have limited formal education, there is a *risk of discouragement*. Working in such environments, despite good intentions, can be exhausting and demotivating, as the fieldwork can be difficult *due to the variability of the working conditions*. It is essential to provide *clear, honest communication* about the work environment before expat volunteers and trustees arrive. *Transparency* about the dynamics and challenges within the organization will help ensure they understand the situation fully, without exaggerating the enterprise's successes or downplaying the difficulties. This will foster a *more informed and realistic approach to their involvement*. Moreover, volunteer's informational materials and pre-arrival calls should include a comprehensive understanding of how the *organization functions*. This clarity helps *set expectations* for them, enabling better planning and identifying *critical challenges upfront*. Another significant issue is the high *turnover rate of volunteers*, which can undermine the organization's effectiveness. Volunteers often need time to adapt to the

environment and get to know the Tsara Tsiky team and the organizational context, which is difficult when their stays are short, usually just two to three weeks. The turnover also means that each volunteer brings their *own approach to explaining things*, which may not align with previous training, leading to *discontinuity in the information* given to the Tsara Tsiky team members. This inconsistency can *slow down the learning process*. Furthermore, it takes time for the women to build trust and feel comfortable with new volunteers, further delaying the training process. *This cycle of turnover and adaptation presents a challenge in maintaining an efficient and coherent learning environment.*

Looking at the local team, the women are aged between 25 and 48, with children, most of whom lack external support. Many had to interrupt their secondary education due to economic difficulties and had children at a very young age. Most are single mothers, living primarily with their children, and some also live with other relatives. Regarding past work experience, some have worked in restaurants, administrative offices, or as domestic workers, while others have started unsuccessful businesses. However, all of them still expressed interest in starting their own businesses, but they lack a structured business plan. Furthermore, they faced severe difficulties in finding jobs during the COVID-19 pandemic. While the work of volunteers and expats is largely driven by loyalty and commitment to the cause, it is not surprising that Tsara Tsiky members, who are also primary beneficiaries, are mainly connected to the enterprise through the *financial autonomy and independence they gain*. The primary motivation of these women is not to improve the hygiene of others, but to earn a stable salary that allows them to *live with dignity*. Therefore, expecting the social mission to be their top priority is unrealistic. Instead, the focus should be on *growing and improving the business*, which ultimately benefits the workers themselves. This approach helps foster an entrepreneurial culture, where their *personal growth is aligned with the business's success*, especially with the support of H4O and external volunteers. Therefore, H4O's role is crucial in *keeping the mission of work integration and hygiene promotion central*.

Although Tsara Tsiky's external volunteers and trustees balance social and commercial skills, *the women lack expertise* in both areas and primarily rely on what they learn on the job site. This leads to a significant *strategic dependence on both the H4O team and external volunteers*. The local team does not have balanced social and commercial competencies and struggles to be independent from H4O, reinforcing the centralization of decision-making within the H4O expat team. This tension hinders the local team's autonomy, which is crucial for scaling the enterprise, especially since volunteers are highly variable and H4O is only on-site for a few months each year. This situation *amplifies the company's management challenges and slows down its internal finances* because the women still lack the skills to manage the business. This situation highlights the dependence on external actors for both *day-to-day and strategic operations*, and underlines the importance of having individuals within the local team who can

balance both commercial and social activities internally, as they are key to true empowerment.

For example, *stable, skilled local team members in key managerial roles*, such as in production, sales, or other organizational functions, should be included in the *long term*, since expats and external volunteers, even if part of the team, are not consistently present in Nosy Be. While having expat support is valuable for a social enterprise, it is equally important to *develop internal competencies* that help the women daily and contribute to fostering a strategic, long-term local vision. A stable, experienced and knowledgeable local manager can act *as a role model* and *foster intrapreneurship*. This approach shifts the role of volunteers and the expat team from structural management to organizational assets, enabling them to contribute their expertise to areas of improvement, fostering innovation, and supporting it rather than managing it. Having local team members in key roles also reduces the turnover of volunteers and the reliance on the external H4O team, ensuring *long-term stability* and fostering more *sustainable growth* for the enterprise.

Another structural issue that emerged from the interviews is the way the *local team was set up through personal relationships*, first with the president, and later with the insertion of individuals primarily selected by the local coordinator. Positively, the selection of people is done thoughtfully according to their context, *with all individuals aligned with the association's objectives*. However, many personnel selections are linked to the local coordinator's family connections, which leads to internal work tensions connected with the perception of *relational favoritism*, even when the decisions were made based on work-related criteria. Indeed, a subtle demand for professionalization is emerging: the workers are implicitly, but quite clearly, requesting that the manager's role be carried out with *transparent criteria* (fairness in task assignment, impartial conflict management, clear distinction between family ties and work decisions). TsaraTsiky team members, during the semi-structured interview, underlined the need for meetings to be spaces for open discussion rather than forums for reinforcing alliances. Therefore, it is essential to appoint a manager who not only possesses *both social and financial skills necessary* to drive the business but who is also perceived as a *neutral figure*. Hiring decisions should be based solely on the *intrinsic motivation of empowering women*, not on family relations or personal connections. These factors have led to low mutual trust within the team, which inevitably results in reduced productivity and decision-making driven by good suggestions or well-done work, rather than perceived preferences or biases in personnel choices.

Furthermore, the women at Tsara Tsiky have received *excellent training* in soap production, which connected operations are manage independently, thanks to the guidance of volunteers who have provided them with a structured approach to performing tasks. However, they struggle in areas where they have not received

enough training, which impacts making autonomous decisions and intrapreneurial proactiveness. Interviews revealed that, despite being involved in various processes along the supply chain (raw materials procurement, sales, and marketing), when asked to describe their roles, the women often focus on a single task with little reference to other activities. This suggests a highly *specialized structure*, where roles are perceived as “*making soap*” or “*making Colgate*,” rather than as a combination of interconnected tasks, skills, and responsibilities. This specialization underscores the importance of the training provided by volunteers, which is central to the women’s development. However, it is important to note that production is a highly repetitive task.

In particular, to foster growth and autonomy, it is crucial for Tsara Tsiky team members to develop *cross-functional skills* and *learn to make decisions across dynamic tasks*. This will enable them to tackle a broader range of challenges, leading to a more versatile and independent team. For instance, in the absence of training in commercial areas, such as B2C and B2B sales, the women struggle to be efficient and effective in those tasks. As Tsara Tsiky moves towards scaling, a key focus is not only on providing commercial training but also on developing essential skills in key areas such as leadership, decision-making, and financial management. Additionally, fostering *problem-solving abilities* and *enhancing teamwork collaborations* are crucial to enabling the women to manage the business independently. This holistic approach will empower them to handle various responsibilities, supporting the long-term growth and sustainability of the enterprise.

Indeed, in smaller organizations, *cross-training is vital*, as it allows employees to gain skills in different areas, thereby increasing team *flexibility* and *adaptability*. For example, cross-training workers in both production and sales would provide greater versatility and ensure coverage in the event of absences or work peaks. Cross-training also helps address the top-down flow of information within the organization. In areas where the local team lacks competence, they gather data (such as identifying missing items, product needs, and customer requests) but they regularly seek confirmation before taking any action, especially when decisions have financial implications. While the women at Tsara Tsiky are well-trained in production, the lack of training in other key areas leaves them dependent on external support.

In summary, *cross-training* and a *shift towards greater autonomy* are essential to reducing this dependency, promoting a more flexible and self-sufficient team, and ultimately enabling the enterprise to scale effectively. Moreover, it is essential to avoid creating a specialized structure that becomes rigid, especially in smaller organizations. In such settings, employees must possess *diverse competencies* to reduce *strategic dependence on external volunteers or trustees* for general activity coordination and strategic direction, which could lead to an overreliance on external support. Cross-training is critical in

building the local team's *confidence* by equipping them with the necessary skills to make decisions and enhance local autonomy, allowing a local-driven company's growth. However, cross-training should not solely come from external sources; it is essential that there are *local reference figures in key positions within the organization*. These individuals must be capable of *conducting daily cross-training* and *possess both social and commercially-driven competencies*, and they must be *embedded within the organization*, as training should not be limited to sessions but should be part of a *continuous process*. Moreover, the local coordinator must ensure *transparency and impartiality* in the selection of workers. While connections between workers are important, such relationships can negatively impact productivity if the work environment is not perceived as *legitimate*. The expat volunteer and trustee should be supported by more information prior to their arrival in order to support the company with their expertise in updating sessions in a more efficient way; however, the core responsibility for *cross-training should rest with stable, on-site figures*. The turnover of skills must be consistently managed to ensure foundational stability.

This type of intervention can *foster local empowerment, strengthening the capabilities and proactivity of the women, and facilitating the emergence of a scalable business in the long term*. It also promotes an *entrepreneurial culture based on local autonomy*, with clear role models and a *supportive internal structure that encourages intrapreneurship*.

Workforce Composition Key Findings and Implications

“Volunteers and the expat team are crucial in providing their expertise and training in social enterprises, as they play a key role in fostering growth and complementing each other by balancing social and commercial skills. Social enterprises may attract volunteers mainly through non-pecuniary motivations, whereas the local team is primarily driven by financial benefits and autonomy. In any case, social enterprises must be transparent with volunteers about the context and challenges they will face, rather than merely attracting them with a socially driven motive. This helps them to understand what to expect, making their contributions more effective, as they will be better informed. It also ensures that volunteers who are not suited to the environment are filtered out early on. Volunteers and expat team contribute to the cross-training of skills, which is vital for the social enterprises' development.

Cross-training is essential to avoid creating a specialized structure that becomes rigid, especially in smaller organizations. In such settings, local employees must possess diverse competencies to reduce strategic dependence on external volunteers or trustees for general activity coordination and strategic direction, which could lead to an overreliance on external support. Therefore, cross-training is critical for building the confidence of the women by equipping them with the necessary skills to make decisions and enhance local autonomy, which is essential for the social enterprise long term growth. However, it should not rely solely on external sources; skilled and knowledgeable local reference figures in key positions within the organization must be capable of conducting daily cross-training and possess both

social and commercially driven competencies. These individuals must be embedded within the organization, as training should not be limited to sessions but should be an ongoing, day-to-day process. Moreover, the local coordinator must ensure transparency and impartiality in the selection of workers and alignment with the social mission, since team members' motivation is driven primarily by financial autonomy, given their beneficiary position. While connections between workers are important, such relationships can negatively impact productivity if the work environment is not perceived as legitimate. The volunteer and expat teams should support the company with their expertise in update sessions; however, the core responsibility for cross-training should rest with stable, on-site figures. The turnover of skills must be consistently managed to ensure foundational stability. To summarize, cross-training is fundamental enabling factor for the survival and growth of social enterprises, but it must be locally managed by stable, on-site individuals with both social and commercial skills. This approach fosters local empowerment, strengthening the capabilities and proactivity of team members, while facilitating the emergence of a scalable and growth-oriented business in the long term. It also promotes an entrepreneurial culture based on local autonomy, with clear role models and a supportive internal structure that encourages intrapreneurship."

5.2. Change-Oriented Capabilities

5.2.1. Bricolage Mindset

Tsara Tsiky does not use bricolage for raw materials, which are of high quality and sourced from the local market. This choice not only ensures the use of resources that are abundant in the area but also allows the company to differentiate itself from competitors. However, for certain chemicals that are not available or certified locally and are required for certifications, the company relies on external suppliers. As sanitary products, both the toothpaste and the soap must meet strict hygiene and safety standards.

The *production*, however, is based on unconventional methods, which are clear examples of bricolage. For instance, Tsara Tsiky uses silicone molds for making soap and fans for the cooling system. Additionally, water is collected in buckets to ensure continuous availability, addressing interruptions in the water supply. These approaches are practical and adaptable solutions that allow the company to solve daily operational challenges with limited resources, demonstrating the creativity and resourcefulness characteristic of bricolage. These systems were designed to maintain production even in the absence of electricity or water, and also because standard production machineries are expensive and difficult to acquire, primarily being sold

abroad. This artisanal production allows the women of Tsara Tsiky to develop *high-quality products despite limited resources*.

Another example is the soap storage system, which uses perforated plastic crates to ensure air circulation around finished soaps during the post-production storage phase. This replaces traditional storage methods that are better suited for long-term storage.

However, manual production also presents challenges: the *process is slower*, and despite a good management system in place, soap storage can lead to *quicker rancidification*. Although these soaps may deteriorate aesthetically, they are donated to the local community or charitable organizations. The use of manual production methods and the adaptation to available resources represents a clear example of bricolage, where practical solutions are created with simple and suboptimal yet effective resources.

Another example of bricolage can be observed in the way Tsara Tsiky team *sells its products at local markets*, using a branded tuk-tuk and a megaphone. Lacking personalized stalls, which are common in local markets, they manage to sell their products by attracting attention with the megaphone while moving around markets with the tuk-tuk. This marketing and sales approach, based on it is made to adapt to the local market, is also an example of bricolage. Tsara Tsiky does not have a formal marketing department but instead adopts creative solutions to promote its products, *experimenting with different approaches based on the market's response*.

This illustrates the *creative and flexible use of limited and suboptimal resources to solve problems and develop new solutions, without relying on external structures or formal resources*. However, in the context of Nosy Be and Tsara Tsiky, bricolage is a process of practical learning and adaptation to continuously changing situations, which is essential for *business survival*. Nosy Be is an island where industrial supplies are difficult to obtain, machinery is limited, and electricity is intermittent, with scarce investment capital. The solutions adopted are often "*emergency*" measures, primarily aimed at ensuring *business continuity*, but that could lead in the long-run to a *lack of standardization and inconsistent quality, preventing the enterprise from growing and consequently to scale its impact*.

These solutions are certainly effective in *keeping the business alive and stimulating creativity and a flexible approach to daily challenges*. However, it is important to note that, *without this approach, it would be difficult to survive in such an unstable environment*. In the case of Tsara Tsiky in Nosy Be, there is no evidence that *bricolage has a significant impact on reducing institutional voids, promoting an entrepreneurial culture, or fostering a growth-oriented business*.

Bricolage Mindset Key Findings and Implications

“Bricolage is essential for the survival of social enterprises in contexts characterized by institutional voids, as it allows organizations to creatively solve problems and adapt to the limitations of their environment. However, while bricolage enables these enterprises to continue operating under challenging conditions, it does not necessarily reduce or eliminate institutional voids. Instead, it provides a temporary solution to the lack of formal structures and resources, allowing the business to function in the short term, but it does not address the deeper systemic challenges that may hinder long-term growth and sustainability.”

5.2.2. Social innovation

H4O is the only organization working in the WASH sector in northwest Madagascar, including Nosy Be, and integrates water access, hygiene, and sanitation infrastructure. Nosy Be’s access to water remains unequal, with the public company JIRAMA providing tap water mainly in central urban areas. In densely populated regions such as Hell-Ville and Djamandjary, residents access water through public taps or boreholes, but distribution is inconsistent. Despite these challenges, Nosy Be’s residents generally experience less severe water scarcity compared to neighboring islands, relying on various water sources like boreholes and the public supply. Tsara Tsiky, which originated from H4O, complements its impact in improving hygiene habits and preventing diseases.

As already outlined in the results of the dual value propositions and the introduction of Tsara Tsiky, the enterprise is able to *integrate the resolution of both social and economic challenges through its business model.*

- The main issues identified are: (I) *Public Health*: Handwashing with soap and cleaning teeth with toothpaste and water are rarely considered essential for disease prevention, as the high cost and poor quality of hygiene products are significant barriers. (II) *Women*: In Madagascar, women are central to family life, managing domestic tasks without compensation. This lack of economic independence makes them vulnerable to discrimination and domestic violence. Furthermore, limited economic resources and social stigma surrounding unmarried women and pregnancies outside marriage contribute to early marriages, pushing young girls and their families to seek marriage as a solution. (III) *Training and Employment*: Young Malagasy women face barriers to accessing fair employment opportunities due to persistent economic, social, and institutional obstacles. They lack the necessary skills and resources to translate their professional aspirations into viable, remunerative activities. (IV) *Economics*: The economic situation in Nosy Be mirrors that of Madagascar as a

whole; the majority population lives on less than US \$2.15 per day. An economy dependent on the export of raw materials results in a lack of productive industries. Consequently, the country relies heavily on imports for most goods, increasing costs due to international transport [183].

- Tsara Tsiky, driven by H4O value, addresses these social needs, which other local organizations and institutions are not able to provide. (I) *Public health*: Tsara Tsiky provides affordable, high-quality soap made from local ingredients and sustaining the local economy, making hygiene products accessible and sustainable while addressing financial barriers to proper hygiene. (II) *Women*: The team is composed entirely of local women, focusing on fair wages and promoting economic independence, allowing women to take leadership roles. (III) *Training and Job*: Ongoing professional development ensures new skills and job creation, strengthening local expertise. (IV) *Economics*: By adding value to local raw materials, Tsara Tsiky stimulates the local economy, with revenues from soap and toothpaste sales covering costs and funding other social impact projects, while creating a supply chain that benefits all stakeholders [183].

The social innovation associated with the Tsara Tsiky project can be considered *incremental, institutional, and disruptive*.

The social innovation behind Tsara Tsiky is *incremental*, since it offers high-quality, locally produced products at affordable prices. Tsara Tsiky enhances existing local products, using natural local ingredients and selling them at accessible prices, making a positive impact on local hygiene conditions without radically altering the basic products on the market. The soap production process follows a traditional artisanal methodology, combining ingredients such as coconut and palm oil with fragrances derived from local essential oils like ylang-ylang or premium raw local materials like vanilla, cloves, turmeric, or coffee. The saponification process using sodium hydroxide (lye) is a traditional technique that transforms oils and fats, maintaining a strong connection to artisanal traditions. In Tsara Tsiky's laboratory, professional equipment is used to enhance the quality and safety of the final products, balancing tradition with innovation. In Nosy Be, being an island, most soaps and toothpastes are imported. High-quality imported products are sold in supermarkets at exorbitant prices, while cheaper alternatives found in local stores, such as *épiceries*, are often low-quality, highly chemical, and not suitable for specific purposes like body or facial washing. Additionally, affordable toothpaste is rarely available. Tsara Tsiky addresses these unmet needs, providing high-quality, affordable soap and toothpaste to the local market. It does so more effectively, efficiently, and sustainably than existing alternatives, with the value created benefiting society as a whole, often through new social relationships and collaborations with local retailers, NGOs, and clients.

Tsara Tsiky *Institutional innovation* aims to reconfigure existing *market structures and relationships*. Tsara Tsiky contributes to institutional innovation by influencing the *perception, empowering, and participation of women in the Nosy Be local market*. Moreover, Tsara Tsiky contributes to reshaping *resource distribution* and creating *local value chains*. Indeed, Tsara Tsiky provides locally made toothpaste and soap, 100% produced in Madagascar, developed after a feasibility study highlighted the need for locally produced alternatives to imported low-quality products. By producing locally and sourcing resources from the community, Tsara Tsiky supports local economic resilience and sustainability. This approach transforms *market dynamics* by *prioritizing local production* and *reducing dependence on incumbents' imported goods*. It demonstrates that, through a smart business plan, high-quality products can be sourced locally even in challenging contexts where raw materials are not always available, and still be offered at low costs.

Although Tsara Tsiky is not a *disruptive innovation* in the full sense of the term (such as a technology replacing an entire industry), it acts as a disruptor on a *social level*. Tsara Tsiky challenges traditional market structures and local power hierarchies related to *women's roles in work*, promoting social change through its business model that encourages female participation. If this model expands and transforms more sectors in the future, it could lead to disruptive change in the local culture and economy. In a sense, Tsara Tsiky is an example of disruptive innovation characterized by a *system-level change*. In Nosy Be, many women work in small shops selling basic goods such as food and clothing, often in subsistence businesses or in the tourism sector. However, it is rare for them to be primary business owners. Additionally, there are a few high-growth companies outside the tourism or telecommunications sectors, and even fewer that offer training and growth opportunities. Tsara Tsiky, by employing women who are typically excluded from the job market and relegated to domestic work with limited employment opportunities, provides them with continuous training, ownership, and financial support, resources that are rare in Malagasy businesses. The women of Tsara Tsiky can *legitimize the social perception of female entrepreneurship* and foster it as a *viable career choice*. By becoming *role models*, they not only empower other women but also demonstrate how value can be created, and businesses can grow using local resources while leveraging *gender inclusivity* in entrepreneurship. The women work primarily in Hell-Ville and Djamandjary, the main hubs of the local population, using a branded tuk-tuk and a megaphone to promote their products. People are often surprised to see them and show great interest in the products, making them a *visible example of how social innovation can reshape local power structures*. Tsara Tsiky, even on a small scale, is creating a structural change in the formal and informal institutional work dynamics in Madagascar regarding the role of women. The women working in Tsara Tsiky have the opportunity to influence *societal mindsets* and *challenge entrenched cultural norms*. They represent a *visible example of change*, addressing broader societal challenges and promoting social reforms for a more participative society where

empowerment, learning, development, and discovery are central. These innovations, while slow and requiring time and effort to *reshape the local context and mindset*, are vital steps toward fostering a *conducive entrepreneurial culture*.

These *social innovations*, though gradual, *are an essential part of Tsara Tsiky's approach*. The project creates lasting change through a market-based approach, building networks as part of social value creation, and making solutions accessible to communities that previously lacked such access. The social innovation is *co-created and co-produced* by the Malagasy team at Tsara Tsiky and supported by H4O, which played a key role in the strategic phase, helping the team to develop a business model capable of driving these changes. Therefore, the local team was supported by experts in the early stages to help implement these ideas.

Tsara Tsiky's success in social innovation is achieved through the *actual operationalization of the team's vision*, which enhances *internal entrepreneurship* by shifting the mindset of the women involved, legitimizing their decision-making power and autonomy, and challenging *cultural and social norms regarding women's roles in work and the economy in Nosy Be*. However, this operationalization relies heavily on the support from H4O, raising questions about *whether the risk-taking and failure attitudes of the team have truly shifted, as they are backed by H4O's financial support*. Nevertheless, this support mitigates the social capital gap and the lack of relational support often encountered when opening a business.

Social Innovation Key Findings and Implications

“Social enterprises, through social innovation, especially disruptive innovation, can reduce both formal and informal institutional void. When focused on inclusivity, they can transform the perception of entrepreneurship among marginalized groups and the local society, acting as role models and changing the mindset of the local stakeholders within the community by setting an example for local individuals. However, it remains unclear whether the social innovation, supported by strategic and external guidance and financial assistance, truly shifts the risk-taking and failure attitudes of the local people involved in the social enterprise.”

5.2.3. Proactiveness

As outlined in the previous section, Tsara Tsiky emerged from a feasibility study that identified a clear need for locally produced, affordable hygiene products to replace imported, low-quality alternatives. With the support of H4O, the initiative was able to detect both social and market gaps *before* the entry of commercial competitors or other NGOs operating in the area. H4O remains the only organization working in the WASH sector in north-west Madagascar, and Tsara Tsiky complements its infrastructure

interventions by producing the first 100% Malagasy toothpaste and locally manufactured soaps at affordable prices. Unlike existing quality products sold primarily to tourists at high prices, these goods are designed for local consumption and rely on locally sourced ingredients, thereby supporting the regional economy.

H4O's proactive approach in establishing Tsara Tsiky addressed *both market and social needs through multiple mechanisms*. As a social enterprise, Tsara Tsiky pursues a primary social mission; however, proactiveness in this context extends beyond addressing social needs. It also entails identifying *feasible solutions that integrate social impact with financial sustainability*. Before the creation of Tsara Tsiky, a feasibility study revealed significant shortcomings in soaps currently distributed in the territory, including an excessively strong odor due to animal fat and low foaming capacity caused by insufficient surfactant content. These characteristics require large amounts of water for rinsing, which is problematic in water-scarce contexts. In response, Tsara Tsiky developed *high-quality soap produced with locally available ingredients and offered at a competitive price*, thereby addressing hygiene needs while strengthening the local economy. Moreover, Tsara Tsiky includes *cross-subsidization strategies*, such as revenue generated by its boat to cover operational costs, and *continuous engagement with local stakeholders and international academic partners*. These networks facilitate the contribution of volunteers and experts who provide knowledge and technical support without remuneration. Through the business model designed by H4O, Tsara Tsiky aims to *scale its impact* by employing more local women, increasing economies of scale to reduce operating costs, and expanding its commercial network. This expansion benefits not only the Tsara Tsiky workers but also the *broader community*, which gains improved access to hygiene products, local suppliers, and internship training opportunities.

Tsara Tsiky's *proactiveness is therefore essential to mitigate the effects of formal voids*, such as weak distribution systems and limited vocational training infrastructures that constrain access to hygiene products and skills development, *and informal voids*, including cultural norms surrounding hygiene practices and the social legitimacy of female entrepreneurship. By promoting economic participation among marginalized women who would otherwise be excluded from the labor market, Tsara Tsiky contributes to *reshaping local norms*. This behavioral orientation toward proactiveness, pursuing both social and commercial objectives, is necessary for survival and growth in environments characterized by institutional voids.

However, a critical reflection is required regarding *proactive intrapreneurship within the local team*. The idea for locally produced toothpaste was originated from a collaboration between local beneficiaries, the president of H4O, and a master's thesis from the University of Turin's Faculty of Pharmacy. Although the concept emerged through *co-creation* with Tsara Tsiky beneficiaries, the business model and operational

implementation were largely developed by H4O. Consequently, the proactive “*first-mover*” or the “*acting initiative*” orientation was effectively driven by H4O rather than by the local team. Entrepreneurship, as discussed in Section 1.1, involves *pursuing opportunities regardless of currently controlled resources* [6] and is *shaped by the socioeconomic environment* [2],[6], ultimately contributing to economic growth and human welfare. From this perspective, the limited entrepreneurial initiative observed among the workers cannot be interpreted solely as a *lack of entrepreneurial spirit*. Rather, it reflects the *constraints imposed by their socioeconomic context*.

Most members of the Tsara Tsiky team did not complete secondary education, became single mothers at a young age, and have had limited work experience outside the organization. Their schooling provided few transferable skills, and their primary concern is economic survival and family security rather than the risks associated with starting a business. During the interview, they express interest in small commercial activities, such as selling clothes, perfumes, food, or currency exchange; these aspirations align with *necessity-driven micro-enterprises* that are common in the local economy. Their *entrepreneurial models* are shaped by *close social networks*, where family and friends operate in similar small-scale businesses. Consequently, they do not perceive significant barriers to entering such activities beyond the *lack of initial capital and time constraints related to childcare responsibilities*. *Institutional voids further complicate entrepreneurial pathways*. Interviewees reported practices such as paying human resources personnel to consider job applications, indicating corruption and barriers to formal employment. Additionally, financial success among local actors is sometimes associated with sex tourism, undermining perceived legitimacy.

The 3.2.4 section “*Understanding Entrepreneurial Culture in Madagascar: GEM Perspectives*” underlines that, despite a positive self-perception, “*low awareness of entrepreneurial opportunities and the perception of an unfavorable environment reduce the likelihood that Malagasy people will actually engage in entrepreneurial activities. Typical entrepreneurial traits, such as risk-taking and proactivity, are not fully developed within the population*”. In this complex environment, where the population is very poor, their aspirations focus primarily on securing housing and education for their children, reflecting the *prioritization of basic needs over entrepreneurial risk-taking and proactiveness*.

Moreover, *social support from close-knit worker networks of opening one’s own business varies among workers*: some Tsara Tsiky workers receive encouragement from family or friends, while others prefer not to seek support. Interviewees did not frame the lack of support as primarily gender-based. Rather, they emphasized interpersonal and community dynamics, such as rivalry, envy, and distrust, as key factors shaping whether family and friends provide encouragement or not.

A key question, however, is *what happens when these women gain greater security through a stable salary, continuous support and encouragement from the H4O team, and family-friendly arrangements, such as the possibility of bringing their children to the workplace, conditions altogether that, in principle, should reduce the structural constraints previously identified.*

Even within this support, the Tsara Tsiky team, in their daily operations, reveal *limited initiative*. Workers often wait for explicit instructions and production, and sales intensify mainly when the H4O team is present on site.

As noted before, their primary motivation for joining Tsara Tsiky was *employment and income stability*. Most women working at Tsara Tsiky were recruited because they were excluded from the labor market and faced severe economic hardship, making them the first direct beneficiaries of the organization's mission. Their selection and legitimization within the team have been strongly shaped by personal trust and ties with the founder and the local coordinator. Within this context, current workforce engagement is mainly sustained by *salary and internal relationships*. In addition, the workers perceive the Tsara Tsiky project started through *their contribution*, which strengthens their emotional commitment together with *trust* in the local coordinator and expatriate team, along with a *sense of autonomy in production activities*, where they received adequate training. With the expatriate H4O team working alongside them, the women report feeling protected and supported.

However, it remains unclear whether they fully recognize that the growth of the social enterprise *primarily benefits them as workers*, and whether Tsara Tsiky is perceived as *an opportunity for career or professional growth*. This limitation is reinforced by the *weak formal competencies outside production, clear roles, and accountability mechanisms*, which reduce the space for workers to develop a *structured professional identity and a coherent self-narrative*. This becomes a critical constraint if the organization aims to scale and to reduce dependence on the expat team H4O. In operational terms, *fostering intrapreneurship* should rely on a *set of consistent practices to progressively increase autonomy*: (I) *clear role allocation and responsibilities based on job–skills matching*, (II) *structured opportunities for training and progression*, (III) *recognition and incentives linked to performance and learning*, and (IV) *continuous feedback*. Therefore, the local coordinator should connect the social mission and business growth to workers' *concrete operational tools and benefits*, while explicitly *building pathways toward greater independence*. With the support of H4O and external volunteers, these mechanisms can align workers' personal development and career aspirations based on personal talents in order to foster the organization's performance, strengthening both mission delivery and long-term sustainability.

Several organizational factors constrain Tsara Tsiky's *intrapreneurship*.

Although workers retain 20% ownership, revenues are managed by H4O and reinvested into the organization. While this ensures alignment with the social mission, it limits financial autonomy and reinforces dependence on managerial approval for expenditures. *Decision-making is highly centralized*: operational independence is limited to task execution, while decisions with financial or strategic implications require authorization from the local coordinator or H4O. Workers express a desire for greater autonomy but recognize barriers, including authorization requirements. This creates a rigid distinction between execution and authorization and reveals a contradiction between the discourse of independence and actual decision-making constraints. The organizational structure reflects a *top-down information flow*. Workers collect operational data but must seek confirmation before acting, particularly when actions have financial consequences.

Overall, the findings reveal mixed outcomes. *Workers perceive themselves as independent in operational tasks, yet strategic decisions remain centralized within H4O*. While training has increased confidence and stimulated idea generation, *proactiveness in production and sales remains limited, reinforcing a predominantly transactional and hierarchical leadership approach exercised by the H4O when present in loco*. As already mentioned, in the early stages, transactional leadership can be functional because it provides clear instructions, close monitoring, and immediate feedback, thereby enabling workers to learn routines and build cross-functional capabilities across production, inventory, sales support, and basic administrative tasks. However, for this learning to translate into sustained autonomy, it must be complemented by consistent *day-to-day operational support* delivered by a qualified local manager. A *locally present manager with technical and managerial expertise* is therefore essential to coach the team in daily problem-solving, accelerate operational decision-making, and progressively decentralize responsibility, ultimately strengthening local independence. This is also an important strategy because *peer problem-solving appears limited*: colleagues are not perceived as competent sources of solutions, which reinforces reliance on hierarchical authority within H4O. As a result, the operational core remains focused on execution, while key decisions along the value chain tend to stay centralized at the management level. Interviews confirmed this pattern, showing that issues are typically escalated to higher-level figures rather than addressed collaboratively among peers.

A further limitation is the *lack of business and economics education and exposure to high-growth enterprises*, which restricts understanding of scaling processes and reduces the availability of local role models. The local actors indeed are *subject to the "Culture-Growth Co-evolution paradox"* identified in the thesis: the absence of entrepreneurial culture constrains the emergence of growth-oriented enterprises, while the absence of such enterprises perpetuates weak entrepreneurial culture.

Despite these constraints, local team interviews reveal the *recognition of key challenges*. Workers identify low sales as the primary obstacle to sustainability. They propose increasing local marketing through radio, events, and school outreach; involving foreigners in sales to attract customers; leveraging social media and online learning to improve products; expanding the product range; and strengthening teamwork through regular meetings. These suggestions indicate *latent innovative capacity* that has not yet translated into *concrete actions* due to perceived operational difficulties and strategic dependence on H4O. A concerning aspect is the perception that *future success depends heavily on the presence of foreign actors*. Rather than envisioning autonomous partnerships, some workers associate growth with continued reliance on expatriates, risking long-term dependency and limiting the development of local capabilities.

However, *training* has played a crucial role in fostering confidence and, in some cases, intrapreneurial behavior. All interviewees valued positively the training programs, which enhanced both technical skills and future employability. In one notable example, a worker proposed and tested independently charcoal-based soap and toothpaste, demonstrating bottom-up innovation, personal risk-taking, and a prototyping–testing–scaling logic. The H4O founder recognized and supported this initiative. This example is important for illustrating how *recognition, skill development, a positive work environment, and the progressive delegation of responsibility and feedback processes may foster slowly but visible intrapreneurial behavior inside the organization*.

Overall, the *proactiveness of social enterprises is essential to mitigate institutional voids*, as illustrated in the case of H4O and Tsra Tsiky collaboration. However, *fostering intrapreneurial proactiveness within the local team is more challenging*, as workers directly experience the consequences of these voids and operate within the dynamics of the “*Culture-Growth Co-Evolution Paradox*”, which constrains the development of entrepreneurial agency at the organizational level. While workers perceive themselves as independent in operational tasks, strategic decision-making remains centralized among external actors, who ensure operational continuity and safeguard the social mission and financial sustainability when local proactiveness is limited. At the same time, this strategic control restricts the space for intrapreneurial initiative, as workers feel insufficiently legitimized to act autonomously. *Training* has increased confidence and stimulated idea generation, and bottom-up proposals are implemented when validated by H4O, contributing to a *learning-oriented decision-making culture*; however, approval processes slow experimentation and limit rapid iteration. Establishing an *experienced and knowledgeable local managerial figure could accelerate decision-making, strengthen bottom-up intrapreneurship, and progressively reduce dependency on expatriate leadership* by operationalizing sustained mechanisms such as *recognition and incentives, training and skill-development opportunities, a supportive work environment, and the gradual delegation of autonomy and responsibility, reinforced through continuous feedback processes*.

Ultimately, proactiveness in this context is closely linked to the *freedom to experiment and learn from failure*, a condition that will be examined in the following section.

Proactiveness Key Findings and Implications

“In contexts characterized by institutional voids, the proactiveness of social enterprises can help mitigate them; however, fostering intrapreneurial proactiveness among local teams remains challenging when workers directly experience such voids and operate within co-evolutionary dynamics of the ‘Culture-Growth Co-Evolution paradox’ that limit agency. Recognition, incentives, training, a supportive work environment, and the gradual delegation of responsibility, reinforced through continuous feedback processes, can enhance workers’ confidence, cross-functional skills, and idea generation, enabling bottom-up initiatives; yet, when validation processes remain highly centralized by external stakeholders, experimentation and rapid learning are constrained. Therefore, coupling capacity-building with the gradual decentralization of decision-making and the development of local managerial leadership emerges as a critical condition for enabling sustainable organizational autonomy across resource-constrained settings”.

5.2.4. Uncertainty Tolerance

Uncertainty tolerance is a critical capability for social enterprises operating in contexts characterized by pervasive institutional voids. Like commercial firms, social enterprises must undergo a *continuous learning process* to understand and approach the market; however, in Madagascar, this process is complicated by *structural constraints* that make *daily operations highly unpredictable*. As an island, the country faces limited access to materials and supplies compared to mainland markets, while inadequate road infrastructure and climate-related disruptions, such as flooding, frequently hinder transportation and distribution. In addition, inconsistent access to electricity, water, and other basic resources can significantly constrain production. These conditions, illustrated in the bricolage practices discussed earlier, require constant improvisation to maintain operations.

Under such circumstances, *producing reliable business plans is inherently difficult*. The scarcity of accurate and up-to-date data (e.g., retailers’ counting, precise population figures, or local demand patterns) further increases uncertainty. Social enterprises also face sector-specific challenges, including unstable funding streams and seasonal fluctuations in sales, which compound operational risks. Even well-planned initiatives may fail due to factors beyond organizational control. For instance, Tsara Tsiky produced 11,000 soaps for an international client, but delays in export permits led to the order cancellation, leaving unsold inventory. Such events illustrate *how projects may collapse more easily than in contexts with stronger institutional infrastructures*.

These conditions foster a form of *resilience supported by the social mission*, which sustains motivation in ways that purely commercial ventures might struggle to maintain. Problems become part of the *operational routine* rather than exceptions, and each disruption provides *experiential learning for future challenges*. Operating in this environment requires strong emotional, absorptive, adaptive, and transformative resilience to ensure continuity despite frequent interruptions. However, the *normalization of crisis management can also discourage structural improvements*: once a temporary solution proves effective, it may persist without further optimization, as new emergencies are expected to arise. This dynamic risks producing *fragmented organizational practices*, where improvisation substitutes for planning and may even justify low local proactiveness when problems deviate from previously encountered situations.

Within the Tsara Tsiky team, *attitudes toward improvement and change vary among workers*. While many express a willingness to learn and experiment, some display resistance when change is proposed internally rather than by foreign experts. This reflects a perceived *hierarchy of knowledge* in which externally sourced expertise is considered superior to local knowledge. Such internalized perceptions can generate structural dependence on external actors and undermine the valorization of endogenous capabilities. Conversely, other workers demonstrate a more entrepreneurial orientation, engaging in continuous learning, testing new processes, evaluating quality, and selectively adopting improvements independently of those who propose the change. This openness suggests significant *potential for future organizational autonomy*, provided that training programs reinforce the legitimacy and value of local knowledge.

Another constraint relates to *fear of failure*, particularly concerning minor operational errors. Workers do not fully perceive Tsara Tsiky as their own enterprise but as belonging to H4O, contributing to a climate of *low psychological safety*. Even small mistakes are associated with anxiety and potential negative consequences, limiting initiative and autonomous problem-solving. This pattern aligns with GEM findings in paragraph 3.2.4, indicating that “*although many Malagasy adults believe they possess the skills to start a business, fear of failure discourages more than half from taking action*”. In this context, the *hybrid nature of social enterprises*, supported by external funding and a strong social mission, can partially counteract this dynamic by *framing failure as a learning opportunity rather than a catastrophic event*. This dual value proposition sustains motivation and encourages the pursuit of opportunities despite high uncertainty and institutional constraints.

Uncertainty Tolerance Key Findings and Implications

“Uncertainty tolerance emerges as an essential organizational capability in hostile and volatile environments. While the social mission and external financial support enable resilience and experimentation, fostering entrepreneurial culture and the possibility of business growth, long-term sustainability requires balancing adaptive improvisation with deliberate structural improvements, strengthening psychological safety, and fostering confidence in local knowledge and decision-making.”

5.3. Networking Engagement

5.3.1. Local Engagement

H4O has developed through long-term engagement in rural communities in north-west Madagascar, progressively building context-specific knowledge of *local norms, practices, and needs*. As the only organization operating in the area with a primary focus on *WASH*, it adopts an integrated approach that links water and sanitation interventions to health, education, livelihoods, and broader *community development*. Operationally, H4O combines “*hardware*” components (e.g., water and sanitation infrastructure such as aqueducts/tap-water systems, toilets and latrines for households, schools, and health facilities, plus handwashing points) with “*software*” components (e.g., hygiene promotion and behaviour-change activities such as hygiene and nutrition-oriented awareness campaigns), aligning physical service provision with community education to foster sustained uptake, local ownership, and durable outcomes. In parallel, H4O has supported the creation of Tsara Tsiky, a local social enterprise in order to *embed development efforts within the local economy*. Tsara Tsiky aims to valorise *local natural* resources while economically *integrating local women* who are often excluded from the formal labour market through paid employment, skills training, and structured opportunities for responsibility and initiative. Profits generated by these ventures are reinvested to strengthen and expand hygiene and sanitation promotion activities *directly within the local community*. Across both *WASH* projects and *SE* development, capacity building is systematically incorporated through the training of local staff, supporting replicability, long-term operational continuity, and financial sustainability.

Overall, the joint design of H4O and Tsara Tsiky reflects a *community-embedded model* oriented toward empowerment through capability development, income generation, and locally anchored entrepreneurship.

Tsara Tsiky can be interpreted through the lens of *community-focused growth*, understood as an orientation in which growth is motivated and guided by community needs and designed to consolidate existing client relationships in support of the social mission. In this configuration, geographic proximity becomes a relevant enabling condition, and the *client base remains primarily local or domestic*. Consistent with this logic, community-focused growth prioritises deep, long-term relationships over rapid expansion of the client base and relies on high client involvement in training and operations, often in collaboration with community organisations that facilitate recruitment [184].

This orientation is reflected in Tsara Tsiky's distribution and engagement practices. The team sells in the island's *main local markets*, particularly in Hell-Ville and Djamandjary, which represent key nodes of everyday social interaction. The team often sells and moves across local hubs using tuk-tuks (Bajaj), bringing products into the spaces where the community most frequently gathers. Sales are also conducted through *local épiceries* (small neighbourhood shops functioning as informal supermarkets for essential goods), where partnerships are typically relationship-based and supported by trust built over time. In addition, many customers who first encounter the products in markets or local shops subsequently purchase directly from the organisation's *local headquarters* in central Hell-Ville.

As mentioned, beyond commercial reach, local engagement produces a visible social effect. In Nosy Be, most low-cost hygiene products available in local markets are imported and tend to be generic, multipurpose soaps intended for both laundry and body use, while products specifically designed for personal care are often priced beyond the reach of many households. By selling affordable, higher-quality, *locally produced soaps and toothpaste* through *highly visible community channels*, Tsara Tsiky generates a strong *demonstration effect* and *embedness in the territory*. Mobility around these locations plays a practical and cultural representational function, where the figure of the Tsara Tsiky team, composed of women, generates a symbolic example of a female entrepreneur's role model. The presence of local mothers with significant economic constraints, actively selling Malagasy-made products in central markets, creates a credible and relatable narrative of possibility. This "*seen in the street*" legitimacy matters: customers tend to trust sellers who share the same language, social codes, and living conditions, and repeated interactions in shared spaces reinforce familiarity. Indeed, markets at an early stage of development are often characterized by exchanges grounded in mutual trust and information sharing among informal contacts, where personalized transactions are the norm and commercial relationships tend to be long-term [185]. In practice, this facilitates *word-of-mouth diffusion*, *trust strengthening*, *informal support*, and *relationship-based access to knowledge and contacts*, including links to additional customers, suppliers, and potential resellers.

Moreover, the *procurement of raw materials is locally embedded* through sourcing from local actors and suppliers. Tsara Tsiky strongly emphasizes that “*made-in-Madagascar products*” can match or overcome the quality of imported goods, thereby challenging a belief that emerged clearly from the interviews, namely that anything “*from abroad*” is automatically considered superior to what is local.

At the same time, *deep local embeddedness* creates *operational and governance vulnerabilities*. First, the *supply of raw materials* for soap and toothpaste production is not *always stable*. Availability is affected by seasonality and by variable input quality, which can generate rework, waste, and additional costs. When inputs are unavailable, production can slow or stop, especially if key suppliers prove unreliable. Ordering inputs from the mainland or from Italy may reduce quality uncertainty but introduces lead-time risk and can interrupt production. Some essential inputs are not readily available on Nosy Be (for items such as glycerine and caustic soda), and import dependence can therefore become a bottleneck. Second, engagement with *local retailers* can create *mission–market tensions*. Retailers need a margin, yet incentives may shift pricing upward when products are sold into tourism-oriented channels. In these cases, local resellers may set prices at levels attractive for tourists but unaffordable for local households, directly challenging Tsara Tsiky’s commitment to affordability and accessibility. This illustrates a classic *performance tension in a diverse stakeholder environment*: some actors align primarily with social objectives (e.g., donors and mission-driven partners), while others are driven by commercial objectives (e.g., resellers or retailers), and alignment with the social mission can become contested.

Worker embeddedness is similarly *double-edged*. Local staff are well-positioned to navigate market dynamics and cultural expectations, and over time, they can expand networks of customers and beneficiaries. *Network-based recruitment* can also be functional in early-stage social enterprise creation, where purpose-aligned “*close ties*” are often mobilised first and broader partnerships are added as the enterprise grows. However, the same close-knit ties can generate drawbacks, including perceptions of favouritism, reduced transparency, and internal conflict, particularly if recruitment or role allocation is interpreted as being shaped by personal proximity to the local coordinator rather than by merit or organisational need. When positions are limited, reliance on personal networks may also *unintentionally exclude other vulnerable women* who lack connections to existing members. In this respect, *managerial impartiality* and the perception of *selection fairness* become strategic governance requirements, not merely interpersonal concerns.

Tsara Tsiky’s engagement also extends beyond markets and retailers into *local institutions* and *peer networks*. The workplace has informally become a space where workers can bring their children, who spend time together and sometimes interact with other local children in the area. This creates a *social support infrastructure* that can

reduce childcare constraints and strengthen community ties. Institutionally, Tsara Tsiky engages *schools for hygiene promotion*, contingent on authorisations and coordination with the local education authority (Sisko) that oversees access to schools. The organisation also collaborates with *local women-led initiatives* such as Blossom, a female-focused marketing and business network that organises entrepreneurial events in the city. This partnership exposes Tsara Tsiky's team to local "*success stories*" and *role models* and can reinforce *intrapreneurial attitudes* through training and peer learning. At a civic level, Tsara Tsiky participates in *municipal events and parades*, where it is often perceived less as a "*social enterprise*" category and more as a "*local association*" embedded in the city's collective life; these occasions also enable networking with a broader ecosystem of local groups beyond the NGO sphere.

Morover local engagement occurs with foreign-led *local hotels* as well, where partnerships may value not only product quality but also the social dimension of women's employment. In this context, the local coordinator emerges as a pivotal boundary-spanning role. Her multilingual capabilities (Malagasy, French, and Italian) support day-to-day relationship management with local suppliers, interaction with the external strategic support team, and communication with hotels and other partners. More broadly, this example underscores the organisational value of a *locally embedded manager with cross-functional capabilities*, commercial, operational, and relational, who can coordinate daily activities while enabling cross-training across tasks.

Overall, *Tsara Tsiky is deeply embedded and recognised within the local community of Nosy Be*. Such embeddedness is not incidental: it requires deliberate practices that respect local norms and actors, build trust, and adapt the business model to the cultural and institutional environment. This aligns with an *inclusive business logic* in which products, pricing, channels, and partnerships are iteratively tested and adjusted to fit local constraints and expectations. In the scaling phase, the strategic objective will be to convert dependence on external resources into operational and decision-making autonomy, ultimately reaching a mature stage in which the social enterprise is *fully managed by local actors* and *local leadership assumes full organisational control*, potentially through more horizontal or cooperative governance forms.

Finally, Tsara Tsiky's local engagement is substantially grounded in *reciprocity-based relations*: exchanges of goods and services that rely on interpersonal trust, loyalty, and strong ties, where collaboration is sustained by perceived mutual benefit, which further *motivates Tsara Tsiky's employment to engage with the local stakeholders*.

In contexts where education, healthcare, infrastructure, and reliable supply systems are uneven, organisations often face additional operational costs and coordination burdens. By combining capability building, relationship-based distribution, local role modelling, and adaptive partnerships, the joint H4O–Tsara Tsiky model can generate

positive spillovers for the local entrepreneurial ecosystem and contribute to mitigating institutional voids, while remaining exposed to concrete tensions around supply reliability, pricing discipline, and internal governance fairness.

Local Engagement Key Findings and Implications

“Social enterprises that are locally embedded and able to foster local engagement can act both as an operational enabler and as a source of social legitimacy. Proximity-based channels and repeated close interactions can reduce transaction costs, speed up word-of-mouth diffusion, strengthen trust, and enable faster learning loops. At the same time, SE, through these proximity-based interactions, can build local capabilities and social capital that spill over into the broader ecosystem. This can reduce both formal and informal institutional voids, strengthen the local ecosystem, and make the Culture-Growth co-evolution paradox less likely to emerge. However, embeddedness also creates structural tensions that social enterprises must actively manage, including exposure to volatile local supply and inconsistent quality, dependence on a few key intermediaries, pricing drift and mission–market misalignment across distribution channels, and fairness risks linked to network-based recruitment and informal decision-making. Local engagement should therefore be bound by a limited set of explicit rules, routines, and accountability mechanisms, introduced only where informality generates fragility. In practice, this means setting non-negotiable standards for product quality and sourcing (to reduce variability, waste, and supply disruptions), building redundancy in critical roles and relationships (so operations do not rely on a single person or supplier), and enforcing clear governance over channels and pricing (to prevent intermediaries from shifting the offer toward high-margin segments at the expense of affordability and mission). It also requires transparent people processes, including basic criteria for recruitment, role allocation, and responsibilities, to reduce perceptions of favoritism and the exclusionary effects of closed local networks. With these minimal safeguards in place, trust-based and relationship-driven systems can scale while remaining resilient, inclusive, and aligned with long-term objectives, rather than being destabilized by operational shocks or captured by short-term incentives”.

5.3.2. Non-target Stakeholders Engagement

Tsara Tsiky engages with multiple non-target stakeholders whose roles are essential to its sustainability and growth. First and foremost, *Help for Optimism (H4O)*, the Italian OdV that initiated the project, continues to play a central role in supporting Tsara Tsiky’s survival and future scaling. The H4O team provides *strategic guidance in both social and commercial directions* and facilitates access to external funding through grant applications, private donations and in-kind contributions. Leveraging its deep knowledge of the Malagasy context and its extensive networks in both Madagascar and Italy, H4O connects Tsara Tsiky with *academic institutions*, including the Politecnico di

Milano and the Universities of Turin and Bologna. Through these partnerships and the engagement of other independent professionals, the organization attracts interns, volunteers, and sector experts who contribute *technical, managerial, and social expertise*. These exchanges support *continuous improvement in workforce training and business management* while fostering a *reciprocal flow of knowledge* that strengthens both the *social mission and long-term commercial viability*. H4O also organizes *fundraising events in Italy* where Tsara Tsiky is presented to donors, with the funds reinvested in its projects. This intermediary role is necessary because Tsara Tsiky does not hold legal status in Italy.

At the *local institutional level*, H4O maintains relationships with the Comune of Nosy Be, requesting supporting project letters for H4O funding applications. Local authorities primarily interact with H4O rather than Tsara Tsiky, whose formal recognition is that of a for-profit enterprise, legally registered as Société à Responsabilité Limitée, and whose institutional relations are therefore limited to operational permits, product distribution authorizations, and product safety and hygiene compliance.

Moreover, Tsara Tsiky collaborates with several *local NGOs* whose activities are complementary rather than competitive. For instance, Buky Mamiko (education-focused, providing scholarships for women) sends students to complete internships at Tsara Tsiky; in return, the association uses Tsara Tsiky's boat services and purchases its products. Similarly, Sunrise OdV supports community development in Nosy Be through education, healthcare, and social inclusion initiatives and acts as a project partner by co-financing the construction of Tsara Tsiky's new headquarters. In exchange, Tsara Tsiky conducts hygiene promotion activities and provides free soap and toothpaste to Sunrise-supported programs. These relationships are based on *reciprocity and functional complementarity rather than competition*, as the organizations operate in different sectors and territories. In general, the hybrid nature of social enterprises increases the complexity of management processes, as each partner tends to pursue both the partnership's objectives and the goals of its own organization. However, in the case of Tsara Tsiky and H4O, the partnership builds on *resource complementarities*, with the intended outcome that *both parties benefit*. Partnerships may take the form of commercial relationships within the supply and distribution chain of either the social enterprise or the partner (i.e., vertical alliances), or they may be primarily oriented toward *advancing the social mission* of one or both partners, as in the Tsara Tsiky case [121].

Overall, these strategic partnerships are fundamental to Tsara Tsiky's ability to operate in a resource-constrained environment. They facilitate *access to funding streams unavailable in the local market, enable the transfer of technical and managerial know-how, support organizational structuring, and contribute to a long-term strategic vision*. Through these networks, Tsara Tsiky strengthens *its institutional legitimacy, enhances operational*

capacity, and embeds itself within a collaborative ecosystem that is crucial for sustainability in contexts characterized by institutional voids.

These partnerships reinforce *regional and global networks* and support the scaling of social enterprise activities across multiple domains (e.g social support, education, and the promotion of human values).

Non-target Stakeholders Key Findings and Implications

“Taken together, non-target stakeholders partnerships demonstrate how coordinated collaboration among local and international organizations, such as NGOs, academic institutions, and public authorities, can generate cumulative synergies that mitigate institutional voids. By aligning resources, expertise, and activities toward shared objectives, this ecosystem strengthens a social enterprise operational resilience and contributes to the gradual consolidation of local capabilities, market infrastructures, and social norms, thereby fostering more enabling conditions for inclusive and sustainable development toward the condition that may foster a conducive culture and growth-oriented enterprises by lowering institutional voids altogether.”

5.3.3. Customers and Beneficiaries Engagement

The products developed by Tsara Tsiky originate from a process of *co-creation* and *co-production* between H4O and the local team.

The initiative itself emerged from the production of locally made Malagasy toothpaste, an idea proposed by the Tsara Tsiky women workers and realized through a *bottom-up approach* with the support of H4O’s leadership. The raw materials used in production for both toothpaste and soaps are locally sourced and reflect the team’s knowledge of *available local resources* (e.g., ylang-ylang, coffee, turmeric, and charcoal), which are procured from *local markets*. Tsara Tsiky beneficiaries are not merely employees but integral actors in the entrepreneurial model. *Social bottom-up innovations* enhance their engagement and participation in decision-making, while their familiarity with the local market and networks of suppliers strengthens the enterprise’s embeddedness.

Tsara Tsiky serves a predominantly *local customer base*, including individual consumers (B2C), small retailers such as *épiceries*, and potential segments linked to tourism, such as hotels. Customers themselves function as part of a *socially embedded community* that contributes to the *local legitimacy* of Tsara Tsiky. *Direct beneficiaries* include the women employed by Tsara Tsiky, the local community that gains access to affordable hygiene products, and student interns. *Indirect beneficiaries* include local retailers, suppliers, and the families of the workers, who benefit from income generation and contribute

all together to value creation through *distribution, word-of-mouth promotion, and participation in the local supply chain*

This co-creation and co-production between beneficiaries and customers generates multiple spillover effects. (I) Economic spillovers include increased demand for local suppliers, greater circulation of income, and the emergence of micro-activities related to transport, resale, and packaging. (II) Social and health spillovers include improved hygiene practices, reduced infections, and the normalization of soap and toothpaste use. (III) Institutional and cultural spillovers include the growing legitimacy of female entrepreneurship and the emulation of new organizational and work models. Through an integrated approach, these spillovers contribute to mitigating institutional voids by strengthening both formal and informal networks of mutual support among customers, direct beneficiaries, and indirect beneficiaries.

However, distributing soap within the community often requires selling products at *cost or with minimal margins*, which can reduce short-term profitability and challenge financial sustainability. At the same time, this constraint incentivizes *cost reduction, continuous learning, and scaling and growth strategies* aimed at achieving economies of scale while *augmenting the social impact*.

The close involvement of the local population ensures that Tsara Tsiky, in collaboration with H4O, remains *deeply embedded in the territory, maintaining alignment with its social mission while identifying local problems and emerging opportunities*. This embeddedness fosters *ongoing co-production and co-creation with both customers and beneficiaries, strengthening their loyalty to buying the products*. In low-income contexts, however, repeat purchases are driven primarily by *quality, affordability, and the value of locally made products* rather than by social mission alone. *Socially driven loyalty* is more evident in partnerships *with hotels serving tourists*, where the social impact of the enterprise aligns with both ethical considerations and practical benefits.

By contributing to improved hygiene, local economic development, and social stability, Tsara Tsiky helps create a *more attractive and resilient environment not only for tourism but also for other potential growth-oriented enterprises*, which in turn supports communities, enhances destination reputation for businesses, and more reliable local supply chains. High-quality public education, healthcare, and infrastructure (e.g., roads, ports, and reliable electricity) provide companies with skilled workers, a healthy and productive workforce, and efficient logistics. When one or more of these elements are missing, firms operating in that area face additional costs and operational constraints. As a result, local actors, both Malagasy and foreign, are incentivized to *emphasize social value and community development*. This often leads to value-based selection of partners and clients, active shaping of the value chain, and efforts to encourage and support partners' engagement in initiatives that generate broader local spillovers and multipliers [121].

The Tsara Tsiky model can be summarized and understood through the *4As framework*, which reflects a context-specific and impact-oriented approach in the communities of Nosy Be. *Acceptability* is ensured by product quality and local origin: soaps are 100% made in Madagascar using high-quality, locally sourced ingredients, and are preferred over imported alternatives made with animal fat and limited saponification properties. *Affordability* is achieved through pricing strategies tailored to the local population, with product lines that maintain zero or minimal margins. *Accessibility* is supported through multiple distribution channels, including itinerant B2C via a branded tuk-tuk operating in central markets such as Hell-Ville and Dzamandjary, local B2B retailers such as épiceries that sell essential goods, and direct sales at the Tsara Tsiky headquarters in central Hell-Ville. *Awareness* is promoted through tuk-tuk mobile sales accompanied by microphone announcements, which not only market the Tsara Tsiky as an authentic brand, deeply rooted in Madagascar's natural and cultural resources, but also convey a strong social message by visibly legitimizing female entrepreneurship. Additional awareness activities include participation in NGO and institutional events and hygiene education programs in schools, where children are taught handwashing practices to prevent disease.

Overall, *the 4As framework* enables Tsara Tsiky to adopt an *inclusive and adaptive approach* to reaching populations that are *marginalized or excluded from conventional markets*, thereby supporting *both social impact and organizational sustainability in challenging environments*.

Engagement with hotels and tourists is often facilitated by H4O, which leverages both the commercial and social value of Tsara Tsiky. Indeed, the message conveyed to them emphasizes, beyond the quality of raw materials, the role of women's empowerment and economic support to local communities that the social enterprise aims to achieve.

Customers and Beneficiaries Engagement Key Findings and Implications

“Social enterprises can build inclusive markets in fragile contexts by combining co-creation and co-production with beneficiaries, local sourcing, and diversified distribution channels. Solutions that are co-designed and co-led by local people over the long term are more likely to catalyze tangible results and sustained positive change. Through a bottom-up approach based on continuous dialogue with communities, problems and priorities for intervention are identified, along with innovative and replicable ways to address them. By integrating workers, customers, retailers, and suppliers into the value chain, this model generates (I) economic (local income circulation), (II) social and health (improved hygiene practices), and (III) cultural and institutional spillovers (greater legitimacy of female entrepreneurship), which contribute to mitigating institutional voids. These spillovers have the potential to strengthen the entrepreneurial ecosystem, which in turn can attract additional social enterprises and growth-oriented businesses, further generating new spillovers in a reinforcing

cycle. At the same time, maintaining affordability often implies minimal margins and operational constraints; however, these pressures can positively stimulate entrepreneurial capacity within social enterprises by requiring continuous learning, cost reduction, scaling, and growth strategies, and strategic partnerships that enhance organizational resilience. The 4As framework (acceptability, affordability, accessibility, and awareness), therefore, offers a transferable approach for organizations seeking to combine market penetration with measurable social outcomes in low-income environments. However, for local customers, the social mission is often less influential than for stakeholders linked to the tourism sector; consequently, delivering clear commercial value to local markets remains essential for ensuring financial sustainability while sustaining the social mission.

6 Conclusion

This thesis investigated whether and how social enterprises, operating in weak entrepreneurial ecosystems characterized by severe institutional voids, can survive, scale, and contribute to weakening the Co-Evolution Paradox between entrepreneurial culture and growth-oriented firms.

The literature review suggests that social enterprises can be interpreted as a potential “*exit mechanism*” from the focus paradox since they do not merely operate despite institutional voids, but often treat them as opportunity spaces for intervention. However, the same institutional context that creates demand for social solutions also generates persistent constraints that make survival and scaling structurally difficult. Consequently, the contribution of social enterprises to ecosystem strengthening is plausible but neither automatic nor costless.

Building on a two-step research design combining a Systematic Literature Review and an Ethnographic research conducted at the social enterprise Tsara Tsiky operating in Nosy Be, this thesis addressed two research questions: (I) *which distinctive enabling factors allow social enterprises to survive and scale in such contexts*, and (II) *which of these factors, and through which mechanisms, help reduce institutional voids and thereby weaken the paradox over time*.

In this settings, Tsara Tsiky is configured as an embedded, employment-based social enterprise (WISE), aiming to improve public health and women’s empowerment through locally produced hygiene products and paid work opportunities for women excluded from the labor market.

Based on the Systematic Literature Review, this thesis clustered a set of Distinctive SE Enabling Factors around the organization’s capacity to govern trade-offs linked to *hybridness characteristics, change-oriented capabilities, and networking engagement*. Empirically, the Tsara Tsiky Case Study illustrates both the potential and the limits of this mechanism.

Across the theoretical and empirical components, a central implication emerges:

Social enterprises contribute to weakening the Co-evolution Paradox and strengthening the local ecosystem when local embeddedness and community engagement operate as both operational enablers and sources of legitimacy. These Distinctive Enabling Factors not only

support survival and scaling but can also help reduce formal and informal institutional voids and, in turn, reinforce the entrepreneurial ecosystem. However, they may generate internal and external tensions that slow down or undermine the intended impact, thereby reducing their effectiveness in lowering those voids.

The findings indicate that enabling factors can be functional not only for strengthening the social enterprise itself, but also for shaping entrepreneurial culture and entrepreneurial mindset beyond the organization, through spillover effects within the entrepreneurial ecosystem of Nosy Be. However, these effects are conditional: *they depend on how enabling factors are operationalized and on whether the tensions they generate are addressed rather than left to accumulate.* In other words, the same mechanisms that enable impact, survival, and scaling may also generate trade-offs that slow down growth, constrain organizational learning, or limit spillover effects.

In conclusion, the thesis argues that social enterprises can contribute to weakening the Culture-Growth Co-evolution Paradox by reducing institutional voids and building localized capabilities, but only when their engagement mechanisms are coupled with minimal, explicit governance safeguards and with a deliberate transition toward local decision-making and leadership. Under these conditions, trust-based and community-embedded models can scale impact while remaining resilient, inclusive, and aligned with long-term autonomy objectives in resource-constrained settings.

6.1. Theoretical Contributions

This thesis first reviews the main definitions of entrepreneurship, both within and beyond the firm, through an in-depth analysis of the leading theories on entrepreneurial ecosystems. Beyond synthesizing core findings, it highlights key perspectives, debates, and critiques across the literature. It then clarifies the links between formal and informal institutional voids in developing countries and the entrepreneurial forms that tend to emerge in response to such conditions. Building on this foundation, the thesis develops a framework that positions informal institutions as a central component of the entrepreneurial ecosystem and groups the factors most frequently cited as fostering or inhibiting an entrepreneurial culture into five clusters. The main theoretical contribution follows from integrating these streams: by connecting weak entrepreneurial ecosystems, institutional voids, entrepreneurship in developing countries, and the determinants of a conducive entrepreneurial culture, the thesis proposes and conceptualizes the *Co-Evolution Paradox between entrepreneurial culture and growth-oriented firms*, a relationship that has not been explicitly theorized in prior literature. This conceptualization offers scholars an integrative lens to interpret persistent ecosystem underperformance and provides practitioners with a diagnostic

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frame to identify which cultural and institutional conditions are most likely to constrain growth-oriented entrepreneurship over time.

The thesis then examines social enterprises as an organizational response within such contexts, first by unpacking their hybrid nature and related governance trade-offs, and subsequently through a focused literature review on social enterprises operating in weak entrepreneurial ecosystems, framing them as a potential mechanism to weaken the Culture-Growth Co-Evolution Paradox conceptualized in this study.

To ground the analysis, the thesis provides a structured contextual assessment of Madagascar and Nosy Be, enriched by primary field-based observations and complemented by empirical and data-driven studies, which together indicate that the Culture-Growth Co-evolution Paradox is observable both at the national level and within the local ecosystem of the island.

Finally, the literature review identifies a set of *Distinctive Social Enterprise Enabling Factors* associated with social enterprises' capacity to survive and scale, where the paradox is present.

The second major contribution is empirical, yet it offers theoretical relevance by providing grounded insights into the mechanisms and contingencies that shape how enabling factors translate into ecosystem-level outcomes. Indeed, drawing on a two-month field study conducted by the author, the thesis examines *each enabling factor through the Tsara Tsiky case, assessing whether and how these factors contribute to reducing institutional voids and weakening the paradox in Nosy Be, while also identifying the tensions and trade-offs that may hinder their effectiveness.*

6.2. Empirical Contributions

Throughout the Results Discussion, clear empirical implications for practitioners were highlighted.

By describing Tsara Tsiky's business model and how it operates through local embeddedness in Nosy Be, a context marked by severe institutional voids, the thesis provides a grounded empirical case that can be used as *a point of comparison for similar initiatives in other fragile environments*. Beyond the case itself, the findings offer *practical guidance* for each distinctive SE enabling factor, showing both the positive contributions to mission achievement and the tensions that can emerge while pursuing it in such fragile contexts. These insights help clarify how social enterprises can

increase their impact while simultaneously contributing to the reduction of institutional voids.

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.

6.3. Limitations

First, the empirical evidence is based on a *single in-depth case study*, which constrains generalizability. In particular, the political, social, economic, and cultural environment in which social entrepreneurs operate can differ substantially across settings, because institutional voids vary in intensity and take different forms. As a result, each social enterprise must define its own strategy and growth path in response to local constraints, which can affect goal attainment, access to finance, and community acceptance. Indeed, the specific local embeddedness of different social enterprises can vary greatly. The value of the study lies precisely in showing how the enterprise navigates a specific configuration of institutional voids. For this reason, the findings should not be treated as broadly generalizable “rules”, but as empirically grounded insights that can inform interpretation and decision-making in comparable fragile contexts.

Second, *the number of participants* in the empirical study is necessarily *limited* since Tsara Tsiky is a small social enterprise with five stable employees. That is why a *qualitative study* was chosen, since it prioritizes depth and contextual understanding over large samples. The study pays close attention to the context, the social relationships within it, and the perspectives of the participants. Its validity, therefore, does not rest on sample size or strict repeatability, but on the richness and credibility of the accounts provided by the people involved, who become the main protagonists through which the phenomenon is observed and interpreted [186].

Third, the analysis captures dynamics within a *specific time horizon*; many spillover effects and cultural shifts are gradual and may become visible only longitudinally. However, this limitation was partially mitigated through continuous comparison and validation with the H4O team, which has been working on the ground for over a decade.

Fourth, participant observation triangulated with interviews and documentation provides high contextual richness but may introduce *interpretive bias*. Future studies

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could mitigate this limitation through multi-site triangulation and complementary quantitative indicators.

Fifth, several methodological limitations are connected to the *semi-structured interviews*.

Semi-structured interview focus was on getting insights related to an entrepreneurial conducive culture in Nosy Be, and although they were conducted in depth, only six interviews were carried out, a very *small number* to have a representative sample. This limited number was complemented by the quantitative results provided by the Global Entrepreneurship Monitor [147] (shown in paragraph 3.2.4), which surveys almost 2,400 people.

Moreover, during the interview period, the local coordinator was not present; *her perspective is missing*, despite its potential to provide important insights. To reduce this gap, the interview results were discussed with the H4O team, which offered an additional viewpoint and partially mitigated the absence of the local coordinator's point of view.

Lastly, the interviews were mediated by a local tourist guide named Priska, who functions as a local interpreter. Priska was not a professionally trained interpreter, and in this context, she effectively became the *main gatekeeper of the field*: ultimately, she was the one who decided what was shared or not. It is possible that she emphasized details she considered important and obscured others that may be crucial. Moreover, Priska acted as a *cultural filter*, translating the questions in a way that the Tsara Tsiky workers could understand, likely drawing on her own examples, and conveying the answers back to me with her own emphasis. As a result, what was conveyed is not an exact quotation of what Tsara Tsiky members said, but rather *the meaning of what they intended to communicate*. One factor supporting her involvement as an interviewer was that she was external to Tsara Tsiky and did not know any of the workers before the study. This *reduced the risk of bias* stemming from pre-existing relationships and enabled her to convey the content and intent of participants' answers without being influenced by personal dynamics within the organization.

However, introducing an intermediary between the researcher and the informants raises several methodological challenges, including *representation issues, potential loss of meaning, and threats to the validity of the interview findings*. The literature also often fails to problematize the fact that the researcher may not be a native English speaker, or that the study takes place in a country where English is not the only official language. To address these criticalities, beyond linguistic proficiency, interpreters should ideally have cultural competence, research experience, and specific training in the relevant field of study [187]. It is important to highlight that the interviews were conducted in *English*, which is neither my native language nor Priska's. Language profoundly

shapes how we interpret and construct reality; therefore, linguistic barriers increase the risk of distorting the phenomena under study. An elevated level of *researcher reflexivity* is crucial to mitigate this risk as much as possible [179]. During the interviews, the goal was to obtain a translation that was as technically accurate as possible. In this thesis it is acknowledged that the translator's epistemological role within the research process can introduce bias into the findings, because potential effects on the data are not always explicitly accounted for. From this perspective, it is important to consider how the translator's gender, social class, and other demographic characteristics may shape the way qualitative data are translated [188]. Indeed, "*Conceptual equivalence*" may be compromised since the meaning of participants' words may be altered due to how the interpreted convey the translation.

6.4. Future research

Further research is needed to *test and refine the conceptualization of the Culture-Growth Co-Evolution Paradox* and to assess whether it holds *across different fragile entrepreneurial ecosystems*. In particular, future studies should operationalize the paradox more deeply (i.e., specify further observable indicators for "*entrepreneurial culture*" and for the conditions that enable or constrain growth-oriented firms) and examine its boundary conditions.

Moreover, Future research should adopt *comparative and longitudinal research designs across multiple social enterprises operating under severe institutional voids*. Multi-case, cross-context comparison (e.g., across countries, sectors, and degrees of market maturity) combined with process-tracing over time would allow scholars to (I) *extend and validate the set of distinctive enabling factors associated with SEs survival and scaling*, and (II) *clarify which configurations of institutional voids, governance arrangements, and scaling pathways are associated with more robust outcomes*. Where feasible, future studies should use *mixed-method designs* that combine qualitative depth with standardized indicators to link distinctive enabling factors in social enterprises to their outcomes (e.g., performance, legitimacy, and spillover effects), thereby strengthening the robustness of the findings and reducing the risk of overgeneralizing context-specific results.

Estrin et al. [113] investigate how social and commercial entrepreneurship interact across countries. They argue that focusing on participation in large, established social organizations can be misleading, since such organizations may become embedded in the political and social establishment and take on para-state features that contribute little to cooperative norms. In contrast, argue that self-initiated, community-based organizations (rather than government- or NGO-initiated ones) are more likely to

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strengthen cooperation; in other words, the entrepreneurial element of social self-organisation shapes the “*quality*” of social capital since bottom-up social initiatives not only draw on existing trust and cooperation but also reinforce them by signalling that caring about others is socially valued.

In this thesis, instead, the primary distinction is based on the founding and operating motivation of the venture: *size is not central*, and *entrepreneurship also includes intrapreneurship*, because the key unit of analysis is the individual’s motives and behaviour in driving the business, whether it is a start-up or a large firm. Thus, it would be valuable to examine *whether, and through which mechanisms, the size of social enterprises influences their capacity to reduce institutional voids, and to identify the conditions under which growth helps rather than harms this role. In particular, future research should examine how SEs’ growth engages with political and social embeddedness*: while growth can expand reach and social impact, it may also heighten exposure to elite capture, corruption, and co-optation. Under such pressures, social enterprises may adapt to dysfunctional local power structures, weaken their transformative capacity, and ultimately contribute little to mitigating the Culture-Growth Co-Evolution Paradox.

With respect to self-initiated, community-based organizations, it would be useful to examine *differences between social enterprises founded by local actors and those initiated externally*. Although there is no robust cross-country evidence showing that *most* social enterprises in the Global South are foreign-founded, the case of Nosy Be points to a local pattern in which most social enterprises and NGOs appear to be foreign-founded. This highlights the need for future research to *identify which institutional, cultural, and resource mechanisms increase the likelihood that local actors initiate and sustain social enterprises*.

Evidence from Esterin et al. [189] suggest that tertiary education increases entry into social (vs. commercial) entrepreneurship and that prior involvement predicts “*social seriality*”; women and non-employed individuals are relatively more represented, while stricter rule of law may pull experienced founders toward commercial ventures where returns are more protected. However, social entrepreneurship is more prevalent where institutional assets reduce transaction costs and operational constraints, not merely where social needs are high, implying that severe institutional voids can structurally hinder locally led social enterprise initiatives without external support. However, in Madagascar, the GEM [147] reports that youth entrepreneurship often stems from passion for the activity. A testable and an interesting view could be researching *if locally led social entrepreneurship may be catalysed by anchoring ventures in existing passions that naturally align with a social cause and by building small communities around those passions as a culturally compatible entry point*.

Furthermore, this thesis, drawing on the Tsara Tsiky case, emphasizes the importance of pursuing gradual autonomy toward a more locally led approach, regardless of who

the founder is. Locally-led *involves “creat(ing) space for local actors to exercise leadership over priority setting, program design, implementation, and defining and measuring results”* [190]. Locally led development means *“activities in which local partners or local communities lead development efforts, including priority setting, design, partnership formation, implementation, defining results, and measuring results”* [191]. This thesis showed how a locally led approach may foster entrepreneurship and intrapreneurship, strengthen local engagement, better address the community’s social and commercial needs, and support social innovation. However, Tsara Tsiky was founded by H4O, an Italian OdV, which has supported Tsara Tsiky not only in pursuing its social mission but also through managerial expertise, connections with non-target stakeholders, and access to external funding enabled by its networks in Italy.

The assumption that Locally Led Development (LLD) is inherently more effective than traditional assistance in delivering project outcomes lacks unequivocal confirmation, yielding mixed empirical results. While local agencies may enhance certain outcomes, in many instances, there are no substantial differences compared to conventional models; conversely, expert-led approaches sometimes achieve superior technical performance. This demonstrates that local autonomy does not replace specialized expertise but must be integrated with it.

Given the lack of robust evidence on cost-effectiveness, a universal claim for LLD's superiority is unsustainable; its effectiveness remains strictly contingent upon the type of intervention, the context, and the specific outcomes considered [192]. Cross-national involvement can increase access to early-stage resources, such as funding, skills, and volunteers, while being locally led provides advantages in utilizing those resources to build robust local networks and leverage social capital. This synergy, in turn, may generate spillovers that support the emergence of commercial ventures within a conducive entrepreneurial culture, enabling them to become growth-oriented. At the same time, this thesis acknowledges that externally founded initiatives can create unintended consequences for localization, undermining its actual implementation and the achievement of intended outcomes through: (I) *the marginalization of local actors in decision-making processes; (II) operational inefficiencies resulting from top-down program structures; (III) persistent financial dependency and a lack of sustainability; and (IV) donor-driven patron–client relationships* [193].

Indeed, Lashitew et al. [194] argue that Social Entrepreneurship (SE) is often *“constructed”* by intermediaries in developing countries (primarily from the Global North) who introduce rules, standards, funding, networks, and specialized languages to foster its growth and legitimacy. While these actors accelerate the diffusion of SEs, in contexts with weak institutions, they may exert excessive influence, creating friction with existing local economic forms and incentivizing opportunistic behavior, such as *“grant-seeking”* rather than addressing local needs. Future research should examine *the*

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conditions under which cross-national support combined with locally led governance improves social enterprise outcomes in fragile ecosystems, and should clarify whether locally led development carried out by foreign actors or by local founders is more effective in fostering an entrepreneurial culture both within the organization and in the surrounding ecosystem.

Partially, this thesis gives an answer to those question through out the Tsara Tsiky case study. Indeed, it was shown that prioritizing the development of local capabilities and skills is essential to enable effective autonomy for social enterprises. Moreover, to avoid reinforcing a “*low-governance trap*”, equal attention must be paid to aid delivery modalities, coordination, and the implementation of *credible exit strategies* that bolster long-term state capacity. While aid can initially provide essential training and technical assistance, often managed by expatriate personnel, the infusion of these resources should be designed to boost operational efficiency and effectiveness. Ultimately, this approach facilitates a strategic transition from “*outsider-led*” to “*insider-led*” models, ensuring that locally initiated processes are empowered for a sustainable long-term exit [193]. However, the impact of Entrepreneurship Development Programs (EDPs) on *migration intentions* remains debated. In the Nigerian context, evidence suggests mixed results: for some individuals, EDPs reduce the urge to emigrate by providing the skills and opportunities necessary to succeed locally. Conversely, such programs may unintentionally *encourage migration* by enhancing the capabilities and ambitions of participants, thereby making international options more accessible and attractive. Finally, for a third group, the effect is negligible, as structural constraints continue to outweigh the benefits provided by entrepreneurial training [194].

Additionally, in the Tsara Tsiky case, the results suggest that team members’ attachment is driven primarily by financial autonomy and by personal ties with the H4O founder and the local coordinator, while a clear self-perception of “*doing something social*” is less important as a motive of engagement. This matters conceptually: a more robust definition and measurement of social entrepreneurship likely requires both pillars, *self-perception* and *observable mission-oriented practices and decisions*. Prior research on organizations combining profit and social goals shows that many ventures do not self-identify as social enterprises [116]. Moreover, intrapreneurial proactiveness among Tsara Tsiky workers appeared to be low. Future research should therefore investigate *how to foster social-mission internalization and intrapreneurial behaviour within local teams*, especially when workers are also direct beneficiaries, *to reduce the risk that the mission remains externally “owned”, to strengthen local mission stewardship, and to foster local entrepreneurial behaviour.*

A useful lens is the process view of institutional voids as *enacted in practice*: organizational practices embedded in particular institutional logics can collide with social reality (“*void experience*”), triggering reflexivity and experimentation with

alternative solutions aligned with organizational identity (“*void enactment*”), in a cyclical learning loop rather than a one-off “*fix*” [171]. It would be valuable to examine *how social enterprises can foster the internal transition from void experience to void enactment, enabling local SEs to mitigate institutional voids through social and entrepreneurial mechanisms*. Applied to Tsara Tsiky, this perspective invites research on when and *how mission-related frictions are interpreted as obstacles that may trigger void enactment, how the team reflects on them and reinforces a shared sense of purpose, and how this leads to bottom-up practical changes led by local members over time*.

Lastly, building on the finding that tourism in Nosy Be does not automatically translate into broad-based local economic development, future research should examine *how small islands like Nosy Be can capture and retain tourism-related value and spillovers, rather than merely hosting growth appropriated by external actors*.

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A Appendix A: Literature Review

A.1. Summary of Isenberg's Nine Policy Principles for Creating Entrepreneurial Ecosystems [13]

1. *Stop imitating Silicon Valley:* Rather than pursuing a “clone” of Silicon Valley, a region should cultivate its own entrepreneurial ecosystem by building on its existing assets and constraints and by fostering forms of entrepreneurial growth that are credible and sustainable within its specific context, instead of attempting to replicate a historically exceptional case.
2. *Shape the Ecosystem Around Local Conditions:* Governments should shape entrepreneurial ecosystem strategies around local resources, geography, and culture, fostering homegrown pathways to entrepreneurship rather than importing one-size-fits-all models. Every country/region has different “dimensions”, and entrepreneurial drive often emerges precisely from scarcity, which forces people to invent solutions.
3. *Engage the Private Sector from the Start:* Government cannot build ecosystems alone. Only the private sector has the motivation and perspective to develop self-sustaining, profit-driven markets. For this reason, government must involve the private sector early and let it keep or acquire a significant stake in the ecosystem's success. Governments should engage the private sector from the outset and structure interventions with a credible exit (“self-liquidation”) so that market actors ultimately own, and sustain, the ecosystem's growth.
4. *Favor the High Potentials:* Many programs in emerging economies spread scarce resources across large numbers of bottom-of-the-pyramid ventures, but focusing resources there to the exclusion of high-potential ventures is a crucial mistake. When public resources are scarce, spreading support thinly across many micro-ventures is inefficient; policymakers should prioritize high-potential, growth-oriented entrepreneurs because they generate stronger spillovers, wealth creation, role-model effects, skill upgrading, and regional reputation, even though this focus may appear elitist, and high-potential firms are not necessarily technology-based.
5. *Get a Big Win on the Board:* Even a single visible entrepreneurial success can trigger a “law of small numbers” effect, reducing perceived risk, inspiring

- imitators, and catalyzing reforms, so governments should deliberately amplify and celebrate early wins, while adapting the messaging to local cultural norms.
6. *Tackle Cultural Change Head-On*: Changing a deeply ingrained culture is enormously difficult but achievable within a generation. Governments and media can actively shift norms by reducing stigma around failure and elevating entrepreneurs as respected role models, thereby making entrepreneurship socially desirable and widely discussed. Entrepreneurs can learn that it is possible to fail and regroup to try again.
 7. *Stress the Roots*: Governments should avoid “easy money” and instead pace funding to “stress the roots”, imposing early market discipline that builds resilience and filters opportunists. Overly generous subsidies and poorly designed incubators can undermine risk-taking and deliver weak, slow, or negligible ecosystem impact.
 8. *Don’t Overengineer Clusters; Help Them Grow Organically*: Governments should not overengineer clusters from scratch; clusters typically emerge organically where market-tested advantages already exist, so policy should remain sector-neutral and “pave the footpath” by reinforcing and enabling emerging clusters around proven ventures rather than reverting to centralized industrial planning.
 9. *Reform Legal, Bureaucratic, and Regulatory Frameworks*: Legal, bureaucratic, and regulatory reform matters, but it should not be the sole or first policy lever. Because reforms are slow and entrepreneurship can emerge despite frictions, governments should combine barrier-reducing reforms (e.g., bankruptcy and labor-market rules, capital-market access, tax simplification and enforcement) with “softer” ecosystem measures such as cultural change, capability building, and celebrating success.

A.2. Difference Between Clusters and Entrepreneurial Ecosystems explained by three academic papers

“Entrepreneurial ecosystems, clusters, and regional innovation systems (RIS) converge on the idea that much of a firm’s competitive advantage is rooted in place-based regional resources rather than internal firm assets alone. However, they diverge in how entrepreneurial firms benefit from these externalities. Cluster theory distinguishes localisation economies (cost savings from co-location within the same industry, such as shared infrastructure) from agglomeration economies (knowledge-sharing and collaboration benefits), with the latter being particularly valuable for entrepreneurs because it provides a business environment tailored to emerging needs. Firms in clusters benefit from co-location with other firms in the same industry or supply chain because proximity enables cooperation to serve larger clients, shared infrastructure and suppliers, and mutual learning of production techniques and operational know-how. This is not necessarily the case in entrepreneurial

| Appendix A: Literature Review

ecosystems, where entrepreneurs are more likely to share a fundamental technology (such as computer coding) rather than a customer or common market. Entrepreneurs can exchange knowledge about the challenges of growing an innovative business, and the presence of many entrepreneurs in a region helps create a support structure, such as networks of investors, advisors, and mentors. The benefits of an entrepreneurial ecosystem are tied to specific resources to the entrepreneurial process, such as the culture of startups and financing, rather than other types of industrialized benefits present in clusters that extend to firms of all sizes and ages. To illustrate how entrepreneurial ecosystems can take different forms, Spigel compares Calgary and Waterloo (Canada) and shows how each configuration shapes the resources entrepreneurs can access to start and grow new ventures: Calgary is driven by a strong oil-and-gas market that attracts skilled labour and capital, while Waterloo is anchored in a strong entrepreneurial culture, dense networks, and effective public support programmes; despite these differences, both provide meaningful benefits to new firms [18]”.

“What the entrepreneurial ecosystem approach has in common with other established concepts, such as clusters, industrial districts, innovation systems and learning regions, is the focus on the external business environment. The approach differs from these concepts by the fact that the entrepreneur, rather than the enterprise, is the focal point. The entrepreneurial ecosystem approach thus begins with the entrepreneurial individual instead of the company, but also emphasizes the role of the entrepreneurship context. Another significant distinction from other economic policy approaches is that the entrepreneurial ecosystem approach not only sees entrepreneurship as a result of the system, but also sees the importance of entrepreneurs as central players (leaders) in the creation of the system and in keeping the system healthy. This “privatization” of entrepreneurship policy decreases the role of government compared to previous policy approaches, which does not alter the fact that this role maintains its importance, but rather as a “feeder” of the eco- system than as a “leader”. Entrepreneurs with a long-term commitment to the ecosystem are often best positioned to recognize the opportunities and restrictions of the ecosystem, and to deal with them, together with the “feeders” of the ecosystem (such as professional service providers and the financial infrastructure). The government can play an important role as a “feeder”, for example in adjusting laws and regulations. Market failures and system failures are not necessarily rationales for government intervention: even here, entrepreneurs can find opportunities, for example by lifting information asymmetry and organizing collective action to create public goods “[195].

In the paper, Harris and Menzel [196] argue *“clusters and entrepreneurial ecosystems (EEs) share substantial common ground: the EE literature explicitly acknowledges a shared focus on the external business environment, and both concepts can be understood as geographical agglomerations involving inter-organizational networks and broader socio-economic processes, to the extent that both are discussed as forms of regional systems of production and exchange. The EE literature most often distinguishes them along two lines: (1) key actors (clusters are portrayed as more state/institution-led, whereas EEs are framed as*

entrepreneur-led with policy playing a supporting role) and (2) industry boundaries/knowledge bases (clusters as bounded by an industry, EEs as more cross-industry/industry-agnostic). However, the authors caution that these contrasts are frequently over-simplified and do not consistently hold up: entrepreneurs have long been treated as critical actors in cluster research, public policy can be central in EEs as well, and the cluster literature has also engaged with cross-industry dynamics and related notions of variety and differentiation.”

A.3. GEM’s Opportunity-and Necessity-Motivated Entrepreneurship Measures [76]

The GEM Adult Population Survey (APS) is a standardized, nationally representative survey administered by GEM National Teams, with at least 2,000 respondents per country. Although the APS is collected at the individual level, researchers often use country-level aggregates to examine links between entrepreneurship and economic growth. Key APS measures include TEA (Total Early-stage Entrepreneurial Activity) and its two motivational categories: opportunity-motivated entrepreneurship and necessity-motivated entrepreneurship. Specifically, *opportunity-motivated entrepreneurship (OME)* is the share of individuals involved in TEA who start a business to pursue a perceived opportunity. *Necessity-motivated entrepreneurship (NME)* is the percentage of individuals involved in TEA who start a business out of necessity.

A.4. Describing the Conventional Tripartite Economy by Ownership, Governance, Resource base, and Purpose [98]

- *Private-sector organizations* are typically defined by share ownership oriented toward profit generation. They are primarily governed by market forces and structured to maximize financial returns for shareholders, with decision rights often proportional to equity stakes. Their revenues are mainly derived from sales and fees. They encompass both privately held companies and publicly listed corporations, and are conventionally distinguished from the public sector, which is understood as government entities.
- *Public-sector organizations* are characterized by government ownership and a mandate centred on the provision of public services. Their activities are guided by principles of public benefit and collective choice, and they are funded predominantly through taxation.
- *Non-Profit Organizations* are generally associated with voluntary membership and the pursuit of social benefits for members, communities, or society at large. They are governed through internally defined, typically

| Appendix A: Literature Review

elective, mechanisms of representation, staffed by a mix of employees and volunteers, and supported financially through membership fees, donations, and legacies. Critically, non-profit-distributing organizations are legally constrained from allocating residual earnings to individuals with managerial or ownership interests.

A.5. Explanation of Social-Welfare, Commercial, and Public-Sector Supports and Voids [115]

Voids and support across social-welfare, commercial and public-sector logic

- *Voids and supports embedded in social-welfare logic:* This logic imposes a socially beneficial role for organizations in the solutions of increasing problem in society. It includes the web of relationship with the stakeholders from social sector such as NGOs, charitable funding organizations, and final beneficiaries of activities. The actors can interact with these stakeholders by collaborating on specific projects or mobilizing essential resources such as funds, expertise, and network. Therefore, their absence or existence can create the boundary conditions, which can be in the form of voids or supports, for the success of actors in building their SIP.
- *Voids and supports embedded in commercial logic:* From the lenses of this logic, the goal of an organization is to sell its goods and services in a profitable manner and this goal is pursued by involving the commercial practices of selling products, lending fund, sponsor-ship, etc. The logic leads the actors to interact with a web of commercial stakeholders like clients, business partners, investors or shareholders. The voids and supports in the IC are embedded in these interactions and dependencies within commercial logic
- *Voids and supports embedded in public-sector logic:* The logic focuses on ensuring equality and fairness as an overarching goal for organizations by relying on the bureaucratic principles and, in most countries, a democratic governance system. The actor interacts and enters into some dependency relationship with a set of public-sector stakeholders such as national and local government organizations, international, national or local funding agencies, regulators, and elected officials. These relations can range from obtaining funds or certification to lobbying activities.

B Appendix B: Case Study Context

B.1. Overview of the main GEM Madagascar (2019) variables used to capture individuals' entrepreneurial attitudes, self-perceptions, motivations, and "entrepreneurial talent"[147].

"Attitudes toward entrepreneurship":

- Knowing someone who has started a business. Indicates the percentage of individuals who know a person who created a business in the last two years. This knowledge can increase an individual's awareness of entrepreneurship and can serve, for a potential entrepreneur, as a role model or reference point.
- Perceived opportunities. This refers to the perception that there are good opportunities to start a business in the respondent's area of residence.
- Ease of starting a business. This factor measures how the individual perceives the ease of starting a business in their country.

"Self-perception": the extent to which the individual considers themselves a potential entrepreneur. Two indicators were selected:

- Perceived capabilities. This indicator measures the extent to which the individual believes they have the knowledge, skills, and experience necessary to start a business;
- Fear of failure. This factor indicates that the individual does not start a business for fear of failing, even though they have identified opportunities or possess the necessary skills.

"Entrepreneurial motivations", structured around four new dimensions:

- To make a difference in the world;
- To build wealth and earn very high incomes;
- To continue a family tradition;
- To earn a living, given that jobs are scarce.

“Entrepreneurial talent”, measured by four indicators introduced for this 2019 survey:

- **Opportunism:** indicates the extent to which the individual believes they rarely discover business opportunities;
- **Proactiveness:** refers to the behavior of an individual who identifies an opportunity but rarely acts on it;
- **Innovation:** indicates the extent to which others consider the individual highly innovative;
- **Vision:** considers that all decisions made are part of a long-term career plan.

C Appendix C: Methodology

C.1. Semi-Structured Interview Questions

Table 8: Semi-Structured Interview Questions

<i>Introduction: informed-consent statement</i>	
1	Good morning. I would like to briefly explain the purpose of this interview.
2	I am currently at Tsara Tsiky both to provide work support where needed and to conduct research for my university thesis. The study explores how Tsara Tsiky's women workers perceive and relate to entrepreneurship, drawing on their personal experiences and the broader context in which they live. The overall aim is to generate insights that may be useful in supporting Tsara Tsiky's path toward greater autonomy.
3	Your participation is voluntary and the interview is conducted exclusively for academic research purposes. The content will not be made public, and your identity will remain anonymous: your name will not be linked to any statements you make. My intention is to create a respectful and safe space in which you can speak freely. There are no right or wrong answers; what matters is your experience and perspective.
4	I would like to ask for your consent to audio-record this conversation solely to ensure accurate transcription and analysis. The recording will be accessed only by me and will not be shared with anyone else. Any results will be reported only in aggregated form, without attributing information to individual participants.
5	If you agree, the interview will consist of open-ended questions, and you may choose how much you wish to share.
	<ul style="list-style-type: none"> ▪ <i>Do you consent to proceed and to the audio recording?</i> ▪ <i>Do you have any questions or need any clarification before we start?</i>
<i>Part 1: Demographic Data and Past Experiences prior to Tsara Tsiky</i>	
<i>Demographic Data</i>	
	<ul style="list-style-type: none"> ▪ <i>Can you introduce yourself and tell me your name and age?</i> ▪ <i>Where do you live? How many people live with you? How many children do you have?</i>
<i>Education Level</i>	
	<ul style="list-style-type: none"> ▪ <i>What schools did you attend? At school, did you learn anything that was useful when you started working?</i> <p><i>(Or, Can you tell me about your school experience and whether there is anything you learned that is still useful for the work you do today?)</i></p>
<i>Past Work Experiences</i>	

- *Can you tell me what kind of work did you do before joining Tsara Tsiky?*

Possible Follow up Questions:

- *Why did you do that work? How did you learn to do it? Who taught you?*

Part 2: Tsara Tsiky insights

Role and Identity at Work: Awareness; Locus of control; Intrapreneurship Proactiveness; Fear of Failure; Power Dynamics; Role Models; Uncertainty Tolerance

- *Can you tell me what your job is at Tsara Tsiky? What does a typical day look like for you?*
- *How do you decide what to do during the day?*

Possible Follow up Questions:

- *Do you follow instructions or make decisions on your own? When something needs to be decided, who do you turn to? Do you consult with someone? Who gives directions or makes decisions when you are working? → Awareness; Locus of Control, Power Dynamics; Intrapreneurship Proactiveness; Fear of Failure; Power Dynamics; Role Models; Uncertainty Tolerance insights*
- *In your opinion, who makes the most important decisions in the organization? Do you feel involved? → Power Dynamics insights*
- *Do you prefer when someone tells you what to do, or when you can organize yourself? Why? How would you like decisions to be made? → Locus of control; Intrapreneurship Proactiveness; Fear of Failure; Power Dynamics; Role Models; Uncertainty Tolerance insights*
- *Do you enjoy when there are changes or new things at work, or do you prefer to do things the usual way? → Locus of Control; Intrapreneurship Proactiveness; Uncertainty Tolerance insights*
- *What do you like most about your job? Why? → Awareness; Locus of Control insights*
- *What do you think is important to do your job well? What are your strengths? (Or, In what do you feel confident? What is needed to do your job well?) → Awareness insights*
- *Is there something you would like to learn to improve at work? (Or, Have you received training, and is there something new you would like to learn? Is there something you would like to improve in yourself or in the way you work? What do you think would be useful for your job and for you personally?) → Awareness; Intrapreneurship Proactiveness insights*
- *What is the most difficult thing you have done at work? How did you handle it? (Or, When you face a difficult or unexpected situation at work, what do you do? What happened? For example, if there's something you don't understand, missing materials, undecided customers, how did you behave/react?) → Awareness; Locus of Control; Intrapreneurship Proactiveness; Fear of Failure; Power Dynamics; Role Models; Uncertainty Tolerance insights*
- *Can you tell me about a time you made a mistake at work? What did you do? (Or, If you make a mistake, how do you react? How do you feel when you make a mistake at work? What happens?) → Locus of control; Intrapreneurship Proactiveness; Fear of failure; Power Dynamics insights*
- *Sometimes things at work are unclear or confusing. In those moments, what do you do? Are you able to move forward anyway, or do you wait for someone to tell you what to do? Who is usually the first to suggest what to do? Is it ever you? (Or, Is there someone at Tsara Tsiky you consider a role model? Why? What do they do that's special? Is there someone in the group who helps you improve or whom you consider a guide?) → Locus of Control; Intrapreneurship*

Appendix C: Methodology

Proactiveness; Fear of failure; Power Dynamics; Role models; Uncertainty Tolerance insights
<i>Part 2: Entrepreneurial and Intrapreneurial Spirit and Cultural Context Dynamics</i>
Entrepreneurial and Intrapreneurial Spirit
<ul style="list-style-type: none"> ▪ <i>In your opinion, how could Tsara Tsiky grow or improve in the future? Do you have any ideas?(What do you think should be improved within Tsara Tsiky?)</i> → Have you ever shared these ideas with someone? Yes/No, Why? → Role Models insights → If yes, what happened? → Power Dynamics → Are you able to express your opinion? Do you feel listened to? → Power Dynamics insights ▪ <i>What could you do to help improve Tsara Tsiky? →Locus of Control, Intrapreneurship Proactiveness insights</i> <p>Possible Follow up Questions →Locus of Control; Power Dynamics; Intrapreneurship Proactiveness insights</p> <ul style="list-style-type: none"> ▪ <i>In your opinion, what should Tsara Tsiky do to sell more soap and toothpaste?</i> ▪ <i>Have you ever proposed new ideas to improve the work or the products?</i> ▪ <i>When you notice something isn't working well, do you ever suggest a change?</i> ▪ <i>Have you ever taken initiative?</i> ▪ <i>Do you feel that your opinions matter within Tsara Tsiky?</i> <ul style="list-style-type: none"> ▪ <i>If you didn't work at Tsara Tsiky, what would you like to do? Why? → Entrepreneurship Proactiveness; Social norms and attitudes toward risk and failure insights</i> <p>Possible Follow up Questions:</p> <ul style="list-style-type: none"> ▪ <i>Who would you ask for help? Why? (For example, financial help, work, etc.) → Social capital and close relational support</i> If she answers that she would like to start a business → explore further Barriers
Cultural and Structural Obstacles to Starting a Business
<ul style="list-style-type: none"> ▪ <i>Do you know anyone in your family, among friends or acquaintances, who started their own business? → Role Models and the Presence of Growth Oriented Firms insights</i> ▪ <i>In your opinion, here in Nosy Be, what do people who earn a lot of money do? Why are they successful? → Local narratives, role models, and "success stories" and the presence of Growth Oriented Firms insights</i> ▪ <i>In your area, what do people think of those who choose to work for themselves or open a business? Do you see it as something positive? Why? → Social Perceptions and legitimacy of Entrepreneurship: Status, recognition, and desirability of an entrepreneurial career insights</i> ▪ <i>What do you think are the main difficulties in doing this kind of work or starting a business? (What are the challenges in starting a business? What would be needed to create one?) → Entrepreneurial Cultural and Contextual barriers; Awareness insights</i> ▪ <i>Do you think there are obstacles or barriers in your culture for those who want to start an activity or business? → Entrepreneurial Cultural insights</i> <p>Possible Follow up Questions:</p> <ul style="list-style-type: none"> ▪ <i>What do you think are the main difficulties in doing this kind of work or starting a business? (What are the difficulties in starting a business? What would be needed?) → Entrepreneurial Cultural and Contextual barriers; Awareness insights</i>

<ul style="list-style-type: none"> ▪ <i>In your opinion, how is a person who opens a business here in Nosy Be perceived?</i> → Social Perceptions and legitimacy of Entrepreneurship: Status, recognition, and desirability of an entrepreneurial career insights ▪ <i>What do you think about people who work for themselves?</i> → Social Perceptions and legitimacy of Entrepreneurship: Status, recognition, and desirability of an entrepreneurial career insights ▪ <i>What kind of jobs are considered respectable or well-regarded in the context of Nosy Be?</i> → Social Perceptions and legitimacy of Entrepreneurship: Status, recognition, and desirability of an entrepreneurial career insights
Influence of Social and Family Context on Entrepreneurial Dynamics
<ul style="list-style-type: none"> ▪ <i>When there's an important decision to make, do you talk to someone first (family, colleagues, friends)? Who do you ask? Do you consult with anyone?</i> → Social capital and close relational support insights
Women's Perspective on Entrepreneurship
<ul style="list-style-type: none"> ▪ <i>What does your family think about your work? Do your sisters do the same kind of job? If not, why? What expectations did or does your family have regarding your job or your future?</i> → Gender and Inclusivity in Entrepreneurship <p>6 <i>(Family expectations about work: Does your family expect something from you regarding work? Do you feel under pressure? When you were growing up, what kind of expectations did your parents have for you? What dreams did they have for you? What did your parents think you would become as an adult? If your husband earned a lot of money, would you still do your job? Why?)</i></p> <ul style="list-style-type: none"> ▪ <i>Is there something you think is more difficult for a woman than for a man when it comes to starting a business or finding work?</i> → Gender and Inclusivity in Entrepreneurship <p>Possible Follow up Questions: → Gender and Inclusivity in Entrepreneurship</p> <ul style="list-style-type: none"> ▪ <i>Has anyone in your family or community ever told you that you should only take care of the house or the children?</i> ▪ <i>Have you ever felt the need to "justify" your work outside the home?</i> ▪ <i>Is it easy for you to balance work and family life? Is there someone who helps or supports you?</i> ▪ <i>What does your community think of women who work? Do you feel supported or judged?</i> ▪ <i>Have you ever received encouragement or, on the contrary, criticism from people in your village or neighborhood? (e.g., some jobs are "not for women")</i> ▪ <i>In your opinion, what do people in your community think about women who work or run a business?</i> ▪ <i>If you could change something in your culture or environment to help women, what would you change?</i> ▪ <i>In your opinion, besides money, what else do women need in order to work, start a business, or become independent?</i>
Additional Comments (Any Topic)
<ul style="list-style-type: none"> ▪ Any additional comments on any topic you would like to add? ▪ Are there any questions we haven't asked that you think are important and would like to answer?

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