

MISSION DRIFT IN MICROFINANCE: AN EXPLORATORY EMPIRICAL APPROACH BASED ON IDEAL TYPES

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ABSTRACT

Purpose – In this chapter, I develop a theoretical framework to address the financial–social performance debate in strategy research, drawing on literatures on institutional logics and organizational forms.

Methodology/design – I test the theoretical framework using an exploratory empirical approach based on ideal types with global micro-finance data. A joint consideration of financial and social performances of microfinance organizations (MFOs) helps classify them into four ideal types – self-sustainable, mission-drifting, failing, and subsidized. I examine how an MFO's organizational form and the configurations of institutional logics of the nation within which it is embedded jointly explain which ideal type the MFO falls into.

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Findings – Based on a study of 1455 MFOs in 98 countries between 1995 and 2007, I show that the interactions between national institutional logics and organizational forms add significant predicting power in estimating MFOs' ideal types. Explaining the intricate relationships between the financial and social performance of MFOs thus requires a simultaneous consideration of both the configuration of national logics and organizational forms.

Originality/value – The theoretical framework introduced in this chapter builds on recent developments in the institutional logics perspective and research on organizational forms, extending our understanding of the financial–social performance relationship among organizations. It also advances the social entrepreneurship literature by focusing our attention on various institutions at both national and organizational levels that may facilitate or inhibit social venture efficacy.

Keywords: Institutional logics; organizational forms; microfinance; mission drift

The relationship between the financial and social performances of organizations has been a hotly debated topic for decades and disagreements seem to prevail regarding how the two (causally) relate. Some have found a positive relationship (Orlitzky, Schmidt, & Rynes, 2003), others have found a negative relationship (Vance, 1975; Wright & Ferris, 1997), and still others have found no significant relationship (McWilliams & Siegel, 2000; Patten, 1991) or mixed relationships (Cochran & Wood, 1984; Hillman & Keim, 2001). This raises the question of whether the current evidence is too fractured or too variable to draw any generalizable conclusions and whether there is much value in continuing debate on the financial merits of being socially responsible (Barnett, 2007; Rowley & Berman, 2000).

Scholars have recently tried to reconcile the mixed findings by proposing curvilinear relationships between financial and social performances (Barnett & Salomon, 2006, 2012; Brammer & Millington, 2008) and identifying contingencies such as organizational size, industry effects, time horizon, and performance measurement (Griffin & Mahon, 1997; Orlitzky, 2001; Orlitzky et al., 2003; Waddock & Graves, 1997). Notwithstanding their important insights, these studies continue to theorize the financial–social performance relationship as a purely organization-level strategic decision, which is made based on a rational comparison between the financial returns

and costs of social responsibility (Barnett & Salomon, 2006; Freeman, 1984; Friedman, 1970; Jones, 1995). Little research has looked beyond the organizational-level calculations. In particular, scholars studying this relationship have rarely examined the institutional context within which organizational decisions are embedded and how this context might affect how organizations trade-off their financial and social performances.

In the spirit of extending the research on the financial–social performance relationship and helping solve the debate, this chapter aims to situate an organization’s strategic decision on this relationship within the institutional context where broader value and belief frameworks guide organizational decisions and actions. To this end, the strategic stance is combined with insights from the new institutionalism in organization theory (Oliver, 1997). Drawing on recent theoretical development in institutional theory, this chapter argues that organizations’ strategic decision in trading-off the financial and social performances is profoundly influenced by the institutional context at both the organizational and societal level. Following Oliver (1997, p. 698), I define the institutional context as “rules, norms, and beliefs surrounding economic activity that define or enforce socially acceptable economic behavior.” At the organizational level, the institutional context refers to organizational missions and values as embodied in organizational forms (Carroll & Swaminathan, 2000; Hannan & Freeman, 1977; Pólos, Hannan, & Carroll, 2002; Rao, 1998), at the societal level, national institutional logics that provide basic principles for organizational action (Friedland & Alford, 1991; Thornton, Ocasio, & Lounsbury, 2012).

The premise of this chapter is that institutional factors surrounding organizations shape their decisions in trading-off the financial and social performances. More specifically, I argue that both the national institutional logics and organizational forms serve as orchestrating themes that align an organization’s external context and internal strategy (Miller, 1986, 1996; Miller & Friesen, 1984; Mintzberg, 1983). They provide guidelines for organizational actions and jointly affect the financial–social performance relationship. As such, the financial–social performance relationship is no longer a stand-alone strategic decision but become embedded in broader value and belief systems.

In the next sections, I first establish the importance of both national institutional logics and organizational forms in shaping organizational decisions and actions. To apply this framework to studying the financial–social performance relationship, I choose the microfinance industry as the empirical context and develop a set of hypotheses grounded in this

empirical setting. I then test these hypotheses using a panel of 1455 microfinance organizations (MFOs) in 98 countries between 1995 and 2007. I find that the relationship between the financial and social performances of an MFO is significantly and jointly shaped by the MFO's organizational form (nonprofit vs. for-profit) and the configuration of institutional logics (banking vs. development) of the nation within which the MFO is located. I conclude by discussing the implications of the findings for the future of research on the link between financial and social performances and the synthesis of strategic and institutional perspectives in studying social entrepreneurship more broadly.

INSTITUTIONAL LOGICS, ORGANIZATIONAL FORMS, AND ORGANIZATIONAL DECISIONS AND ACTIONS

Institutions operate at multiple levels of jurisdiction, jointly guiding organizational actions (Haveman & Rao, 1997; Jepperson, 1991; Oliver, 1997; Scott, 2008). At the broadest level, attention to societal institutional logics is necessary to understand organizational behavior (Friedland & Alford, 1991; Thornton et al., 2012). Thornton and Ocasio (1999, p. 804) defined institutional logics as “the socially constructed, historical pattern of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality.” According to this definition, institutional logics provide both “formal and informal rules of action, interaction, and interpretation” (Thornton & Ocasio, 1999, p. 804), structure decision makers' attention vis-à-vis these rules for deciding strategic priority (Ocasio, 1997; Thornton, 2002), and guide and constrain them in accomplishing the organization's tasks. Institutional logics thus serve as the axial principles for organizational actions (Thornton, 2004) and provide the context for organizational decisions and outcomes (Thornton & Ocasio, 2008).

While “society” can be variously construed, I see nation-states as a germane context to capture societal logics because they are jurisdictionally bounded, have unique institutional configurations, and use rituals and symbols to foster a shared identity among their members (Biggart & Guillen, 1999; Guillen, 2001). Reflecting this, studies in economic sociology have shown considerable variation in the organizing principles of different

countries (Biggart & Guillen, 1999; Guillen, 2001; Guler, Guillen, & MacPherson, 2002). Multiple logics may coexist in a nation, but with varied degrees of dominance (Goodrick & Reay, 2011; Greenwood, Diaz, Li, & Lorente, 2010; Scott, 2008; Thornton & Ocasio, 2008). They may either compete or cooperate with each other, allowing for the simultaneous influence of multiple logics on organizational behavior and outcomes (Goodrick & Reay, 2011; Lounsbury, 2007; Marquis & Lounsbury, 2007).

In this chapter, I focus on competing, coexisting logics at the national level. I classify the relationships among multiple competing societal logics into two general categories according to their relative dominance in each nation, each with distinct implications for organizational actions. Some nations are characterized by multiple institutional logics where one is dominant and the other(s) subordinate. In these countries, the dominant logic tends to strongly influence, but does not completely determine, organizational behavior. Subordinate logics are not completely suppressed but often times serve as motors of change and empower challengers to usurp the dominant logic (e.g., Goodrick, 2002; Lounsbury, 2002; Thornton, 2002). Other countries have multiple logics that are all strong and battle for supremacy. Organizations in these countries face conflicting guiding principles and strive to resolve competing expectations. Organizations may choose to either integrate the competing logics in organizational decisions or selectively conform to the one logic they embrace (Pratt & Foreman, 2000).

Organizational decisions and outcomes are not simply guided by the broader national logics; they are also strongly shaped by more specific values and missions attached to individual organizations (Haveman & Rao, 1997; Meyer & Rowan, 1977). These more specific values and missions are typically incarnated in organizational forms (Haveman & Rao, 1997; Rao, 1998). I follow Pólos et al. (2002) in defining an organizational form as “a recognizable social code that possesses rule-like standing and therefore denotes and connotes both cognitive recognition and imperative standing.” Organizational forms group similar entities and demarcate different ones (Romanelli, 1991), encode organizational identities (Ruef, 2000; Zuckerman, 1999), embody tradition and authenticity (Carroll & Swaminathan, 2000), and provide a blueprint for organizational action (Hannan & Freeman, 1977).

Different organizational forms embrace different underpinning values and missions (Greenwood & Hinings, 1996), and are composed of unique combinations of strategy and structure (Miller, 1986, 1996). They tend to have more or less distinctive sources of revenue and different approaches in distributing profits. They are also likely to target different market segments

and to prioritize different sets of consumers (Carroll & Swaminathan, 2000). For example, Moore (2000) proposed that for-profit and nonprofit organizations have notably different visions and sources of revenue and, thus, require different formulation of organizational strategy. As such, different organizational forms tend to adopt distinct configurations of strategy and structure which closely match their values and missions.

Earlier studies in institutional theory went so far as to argue that organizational forms were institutionally derived and thus tended to be homogeneous (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). They embraced a duality of organizational forms and institutional logics, which were recursively constituted (Haveman & Rao, 1997). Thus, institutional logics and organizational forms could not be decoupled. Recent development in the institutional logics perspective, however, has accepted that institutional fields may have multiple logics providing inconsistent cues or signals, leaving room for multiple organizational forms to flourish (Greenwood & Hinings, 1993, 1996; Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011; Marquis & Lounsbury, 2007). Therefore, when multiple institutional logics and multiple organizational forms coexist in a nation, they are not completely determined by one another and should impose distinct influences on organizational behavior and outcomes.

While institutional logics and organizational forms have distinct influences, their effects on organizational behavior and outcomes are not completely independent. When multiple competing logics coexist and offer incompatible prescriptions, in particular when there is no clear dominance of any logic, conflicts arise about which logic should guide the strategy and design of organizations (Friedland & Alford, 1991; Haveman & Rao, 1997). Organizational responses to these competing pressures are unlikely to be uniform. Organizational form acts as an important filter through which organizations with different forms differentially experience the competing pressures and perceive and construct their distinct strategy and structure as a response (Greenwood et al., 2011). Organizational forms, as incarnations of distinct values and missions and embodiments of organizational identities (Carroll & Swaminathan, 2000; McKendrick, Jaffee, Carroll, & Khessina, 2003), shape organizations' discretion when confronted with competing institutional pressures. Certain options are embraced (or excluded) because of their fit (or misfit) with the organization-specific missions, values, and identities. Therefore, national institutional logics and organizational forms should also interactively shape organizational actions and outcomes.

Extending this logic to the study of the financial–social performance relationship, we should expect to observe both independent and joint impact

of national institutional logics and organizational forms on organizations' decisions in trading-off the financial and social performances. To empirically test this effect, we need a context where multiple logics coexist at the national level, organizations take multiple organizational forms, and the financial versus social performance represents a critical strategic decision. The global microfinance industry fulfills all three criteria.

CONTEXT: THE GLOBAL MICROFINANCE INDUSTRY

Despite a gradual improvement in living standards around the world, there were still about 1.4 billion people living below the international poverty line of US\$ 1.25 a day in 2005 ([The World Bank, 2010](#)). These people typically live in rural and semirural areas and suffer from a lack of food, education, healthcare, and financial capital. Although these individuals have a pressing need for financial access, commercial banks tend to view them as high-risk customers ([Armendariz & Morduch, 2010](#)). Impoverished people rarely have appropriate collateral to secure a loan, and banks face high transaction costs because more time and effort is required to gather and evaluate information on these individuals and to enforce contracts once loans are made ([Bhatt & Tang, 1998](#)). For these reasons, loans to impoverished individuals are rare. Alternate sources of affordable credit, such as government programs and rural cooperatives, have proved similarly ineffective as financial instruments for the poor due to partisan lending and a lack of formal management expertise, respectively ([Armendariz & Morduch, 2010](#); [Robinson, 2001](#)).

Due to the limitations of these traditional financial devices, there is a vast unmet demand for capital among the rural poor worldwide. MFOs provide a novel organizational approach to meeting this need. MFOs are professionally run organizations that make small loans designed to help impoverished individuals create small-scale enterprises. A key innovation is that loan repayment is promoted through social mechanisms such as “group lending” where individuals without collateral get together and obtain loans collectively ([Armendariz & Morduch, 2010](#)). Rather than securing a loan with material resources, the group structure encourages members to monitor each other and sanction shirking members ([Anthony, 2005](#); [Laffont & Rey, 2003](#)).

As such, microfinance helps to resolve the difficulties associated with making loans to impoverished populations and is generally considered

a promising approach for alleviating poverty. Most early MFOs were founded as nongovernmental organizations (NGOs) and were regarded as a purely nonprofit endeavor. Due to the limited expansion of microfinance NGOs, there has been a less supply of microfinance to the “bottom of the pyramid” (Prahalad, 2010) than demand. The persistent demand–supply gap for microfinance products and services carves out a potentially large and profitable market space for commercial MFOs. Commercial MFOs typically take the form of banks or for-profit NBFIs. Because of their for-profit nature, commercial MFOs face pressure on double bottom line – generate financial profit as well as positive social impact – which is often very difficult to balance (Ullmann, 1985). Fear of mission drift – MFOs driven by profitability increasingly cater to customers who are better off than their original customers – has always accompanied the microfinance commercialization process (Dichter & Harper, 2007; Drake & Rhyne, 2002). It remains unclear whether the pursuit of financial profits will compromise the social missions of MFOs.

The concern about mission drift is justified given the several notable differences between the two organizational forms of MFOs: nonprofit versus for-profit (Cull, Demirguc-Kunt, & Morduch, 2009). First of all, despite the fact that MFOs now often rely on a mix of revenue sources (Armendariz & Morduch, 2010), the two types of MFOs do have more or less distinctive, defining sources of revenue (Moore, 2000). For example, nonprofits rely more on subsidies and donations as financial sources while for-profit MFOs rely more on operating profits from borrowers and investment from large financial institutions. Second, while nonprofits have to plough profits back into the business to further their social mission, for-profit MFOs can allocate profits at their discretion. These different combinations of strategy and structure may affect how the two types of MFOs pursue their financial and social missions. For example, *ceteris paribus* nonprofit MFOs are expected to focus on social performance in order to fulfill their social missions and maintain their legitimacy, while for-profit MFOs tend to prioritize financial performance so as to be profitable and self-sustainable.

Beyond organizational forms, the variation in the financial–social performance relationship of MFOs may be explained by the broader institutional environment in which they are embedded. MFOs operate in countries with varied configurations of institutional logics. Two national logics coexist and impose competing guiding principles of MFOs’ actions: the banking logic and the development logic (Battilana & Dorado, 2010).¹ The development logic of a nation is embodied in various aspects of

government policy and practices which embrace development and poverty alleviation as the main goal, view the poor as more or less “deserving” of support, and try to maximize the impact of donor funds. Countries with strong development logic emphasize that “people and their capabilities should be the ultimate criteria for assessing the development of a country” (UNDP, 2011). These countries invest more on people’s life expectancy, education, and healthcare, and try harder to improve people’s standard of living than countries with weaker development logic. Strong development logic reflects government policy priorities in enhancing social welfare not economic growth alone. MFOs operating under strong national development logic may adhere to their social mission to gain legitimacy and ensure support from the government.

In contrast, the banking logic of a nation is reflected in the efficiency and independence of its financial sector and the degree to which it is conducive to the commercialization of microfinance. Under strong banking logic, deriving profits and fulfilling fiduciary obligations constitute legitimate goals, the poor are viewed as more or less risky sources of income, and MFOs acquire funding from capital markets. MFOs operating under a strong banking logic are rewarded on market terms and need to survive market competition. Targeting profitable market segments is important for MFOs to continue their business. MFOs are thus likely to prioritize their financial performance under strong banking logic.

Although both logics coexist, their relative strengths tend to vary across countries. Nations exhibit different combinations of the two logics, which allow MFOs with different organizational forms – for-profit and nonprofit – to coexist. Across nations, MFOs with the same organizational form may differ in their prioritization of financial and social missions depending on the institutional environment of their host country. Thus, simply considering either organizational forms or national logics may provide an incomplete picture of how financial and social performances of MFOs relate.

STUDYING THE FINANCIAL–SOCIAL PERFORMANCE RELATIONSHIP IN MICROFINANCE THROUGH IDEAL TYPES

Extant empirical studies on the financial–social performance relationship typically take either financial or social performance as the focal dependent

variable and regress on the other. My aim in this chapter is to incorporate two new constructs – national institutional logics and organizational forms – in explaining this relationship. Because of the coexistence of two competing logics at the national level, following the traditional approach necessitates estimating a four-way interaction term composed of financial (or social) performance, strength of banking logic, strength of development logic, and organizational form. Since multiway interactions become increasingly intractable and difficult to interpret, I adopt an estimation approach which builds on empirically derived ideal types (Doty & Glick, 1994).

Given my interest in this chapter is in explaining an MFO's relative performance on financial and social outcomes, rather than how financial performance causally affect social performance or vice versa, I categorized MFOs into one of four ideal types (see Table 1): self-sustainable (high

Table 1. Four Ideal Types of MFOs.

		Low	High
Financial performance	High	<i>Mission-drifting</i>	<i>Self-sustainable</i>
		This type of MFOs has high financial performance but low social performance. It gives priority to financial targets and may drift away from the original social mission to achieve financial goals.	This type of MFOs achieves high financial <i>and</i> social performances and is considered the most sustainable model for microfinance. It has the greatest potential to eradicate poverty through profits.
	Low	<i>Failing</i>	<i>Subsidized</i>
		This type of MFOs, because of low performances on both financial and social dimensions, is failing and likely to exit the industry if there is no improvement on either dimension.	This type of MFOs performs well on the social dimension but not the financial dimension. Despite the relatively low financial performance, it continues to survive and fulfill the social missions probably due to the continuing inflow of donations, grants, and government subsidies.
		Social Performance	

financial-high social), mission-drifting (high financial-low social), failing (low financial-low social), and subsidized (low financial-high social). Self-sustainable MFOs are those MFOs that achieve high levels of performance on both financial and social dimensions. This type of MFOs is the most sustainable model for microfinance because it allows for the simultaneous achievement of both financial and social missions. Self-sustainable MFOs can reduce their dependence on external funding and donations, which are often limited, and use their self-generated profits to expand their services to people most in need. They are the most promising type that can eradicate poverty through profits (Hart & Christensen, 2002; Prahalad & Hart, 2002). Mission-drifting MFOs have high financial performance but low social performance. It is this type of MFOs that causes the increasing concerns of the commercialization process in the microfinance industry. With priority given to financial targets, MFOs tend to drift away from their initial mission of poverty alleviation. Instead of serving the poor most in need, their products and services cater to richer customers who are more profitable.

Failing MFOs are those with both low financial and low social performances. These MFOs are failing in fulfilling either the financial or social mission and likely to exit this industry in the long run if there is no further improvement on either dimension. The final type of MFOs is called subsidized MFOs. These MFOs perform well on the social dimension but not the financial dimension. Despite the relatively low financial performance, they continue to survive and fulfill their social missions probably through the continuing inflow of donations, grants, and government support. Nonprofit and for-profit MFOs both can fall into each of the four types. Organizational form per se does not seem to universally push one type of MFOs into a specific ideal type. Rather, the ideal type an MFO of a nation falls into also depends on the relative strength of the development and banking logics of that nation.

Similarly, I classified countries into four types according to the relative strength of the banking and development logics: high banking-high development logic, high banking-low development logic, low banking-high development logic, and low banking-low development logic. Using countries with low banking-low development logic as the baseline, I first develop a set of hypotheses by considering how different configurations of the two national logics tend to push an MFO into one of the four ideal types. I also explore how the proposed relationships between the configurations of national logics and the four ideal types vary by the organizational forms of MFOs.

High Banking-High Development Logic and the MFO Ideal Type

In countries with both high banking and high development logics, there are two competing possibilities of how MFOs' financial and social performances relate. On one hand, high banking and high development logics focus MFOs' attention on double bottom line and push them to achieve high performance on both the financial and social dimensions. It implies that *ceteris paribus* MFOs in these countries face the strongest pressure to be self-sustainable. Despite the institutional pressure, self-sustainability is not easy to accomplish. In fact, MFOs in such countries often need to embody incompatible institutional expectations (Greenwood et al., 2011) and must contend with competing external demands (Pache & Santos, 2010) and internal identities (Pratt & Foreman, 2000) associated with the banking and development logics. In order to project at least partial appropriateness to various stakeholders, they may have to incorporate antagonistic practices which may not easily work together (Tracey, Phillips, & Jarvis, 2011). The tensions are further heightened when coalitions representing these competing demands emerge and fight against each other inside the organization (Pache & Santos, 2010). The resultant internal conflicts, if unresolved, are likely to lead to the ultimate organizational collapse. Past studies have suggested that social ventures can become particular arduous because they demand that entrepreneurs fuse together some inherently antithetical elements of different logics (Miller, Grimes, McMullen, & Vogus, 2012; Tracey et al., 2011). Battilana and Dorado (2010), for example, indicated that MFOs that combine both banking and development logics are prone to failure unless they nurture proper hiring and socialization policies to help create a common organizational identity that strikes a balance between the two logics.

On the other hand, when both banking and development logics are strong in a nation, there may actually be more leeway for strategic actions of MFOs. The coexistence of two strong and competing logics provide inconsistent cues or signals, thus "opening the possibility for idiosyncratic interpretation and either deliberate or unwitting variation in practices" (Greenwood & Hinings, 1996, p. 1029). Different organizational forms may selectively conform to the national logic that is most consistent with their value and mission and justifies their legitimacy. In particular, nonprofit MFOs may pay less attention to financial targets as long as they have high social performance, which suggests that they will fall into the subsidized MFO type. In contrast, for-profit MFOs may care less about serving the poor as long as they make profits, because mission drift of for-profit

MFOs may not be seriously questioned in these countries. This second possibility implies a partitioning of different forms of MFOs into different market segments where different logics grant them legitimacy in those segments (Lounsbury, 2007; Marquis & Lounsbury, 2007; Reay & Hinings, 2009). The two possibilities suggest the following two competing hypotheses:

Hypothesis 1 (H1). MFOs operating in countries with high banking-high development logic face the strongest pressure to be *self-sustainable*, regardless of whether they are nonprofit or for-profit, although self-sustainability is challenging to achieve.

Hypothesis 2 (H2). MFOs operating in countries with high banking-high development logic are more likely to be either *subsidized* or *mission-drifting*; in particular, nonprofit MFOs are more likely to be the *subsidized* type while for-profit MFOs are more likely to be *mission-drifting*.

High Banking-Low Development Logic and the MFO Ideal Type

Under high banking-low development logic, the banking logic prevails and becomes the dominant template prescribing appropriate behaviors and practices (DiMaggio & Powell, 1991; Greenwood & Hinings, 1996). Beliefs and values tend to converge towards free market competition in the financial sector, guiding MFOs to focus more on the financial than on the social performance. Financial institutions are not constrained to certain market segments and free to provide various types of financial services to individuals and companies. In prioritizing free market competition and financial performance, MFOs tend to drift away from the less profitable market segment they are supposed to serve toward those richer and less risky customers. Therefore, I propose that:

Hypothesis 3 (H3). MFOs operating in countries with high banking-low development logic are more likely to be *mission-drifting*, regardless of whether they are for-profit or nonprofit in form.

Different organizational forms may vary in the likelihood of falling into the mission-drifting type under high banking-low development logic. For for-profit MFOs, their primary value and mission is embodied in substantive financial targets. To achieve such financial targets, they need to design a business plan to compete in the most feasible and profitable market segments (Andrews, 1980). For-profit MFOs are less likely to be profitable in serving poor borrowers and more likely to drift away from this market

segment under stronger banking logic and weaker development logic. This tendency is reinforced by the fact that commercialized MFOs rely more on profits and less on external donations for their ongoing business. Indeed, recent studies have revealed that there is a decline in poor borrowers, in particular women clients, as MFOs become more commercial (Frank, 2008). For example, one national manager of the FS MFO, a for-profit MFO operating in India, admitted that: “We do not handle ultra-poor. We are handling marginally poor people because ultra poor have no income to repay us so they don’t have the capacity to borrow” (Lok & Gupta, 2011).

On the contrary, the very purpose of nonprofit MFOs is to undertake particular activities to address social problems (Bryson, 2004; Moore, 1995; Oster, 1995). The willingness of donors to support nonprofit MFOs with time and money largely depends on their commitment to social missions. *Ceteris paribus* nonprofit MFOs will be more responsive to social expectations than to profit imperatives (Moore, 2000). They may continue striving to serve the poor even under high banking-low development logic. Indeed, organizations may resist institutional pressures for change when such pressures are inconsistent with their identity and image (Fox-Wolfgramm, Boal, & Hunt, 1998). Therefore, nonprofit MFOs may be less likely to compromise their lending activity to the poor than are for-profits. Accordingly, I expect that the likelihood of falling into the mission-drifting type under high banking-low development logic is lower for nonprofit than for for-profit MFOs.

Hypothesis 4 (H4). For-profit MFOs operating in countries with high banking-low development logic are more likely than nonprofit MFOs to be *mission-drifting*.

Low Banking-High Development Logic and the MFO Ideal Type

Countries may also exhibit low banking-high development logic. In these countries, the financial sector is heavily regulated and intervened by government. In the extreme, the countries can become repressive on the financial sector where supervision and regulation are designed to prevent private financial institutions. Credit allocation is not determined on market terms but controlled by the government. Products and services offered are also heavily influenced by national policy priorities. In such institutional environment, MFOs’ survival and performance depend less on market skills and more on government support. With government embracing strong development logic, MFOs need to prioritize social performance to

gain legitimacy and acquire resources from governmental agencies. *Ceteris paribus* I expect under the low banking-high development logic, MFOs in general are more likely to fall into the subsidized type.

Hypothesis 5 (H5). MFOs operating in countries with low banking-high development logic are more likely to be *subsidized*, regardless of whether they are nonprofit or for-profit in form.

Again, due to the different levels of commitment to the social mission by for-profit and nonprofit organizations, hypothesis 5 may vary between the two organizational forms. Although both forms of MFOs need to prioritize social performance in order to gain legitimacy and government support, the value and mission of nonprofit MFOs are more consistent with this national institutional configuration than those of for-profit MFOs and, thus, likely gain more benefits by taking the subsidized type.

Hypothesis 6 (H6). For-profit MFOs operating in countries with low banking-high development logic are less likely than nonprofit MFOs to be *subsidized*.

DATA AND METHODS

To test the hypotheses, I collected a cross-national time-series dataset of 1455 MFOs in 98 countries between 1995 and 2007.² I chose this specific time period because the performance indicators of MFOs were only available after 1995 and the most recent data on national development logic was collected in 2006. The unit of analysis was the MFO-year and the raw data was gathered from three sources. I collected information on the development logic as well as country-level control variables mainly from the Human Development Report (HDR) released by the United Nations Development Program (UNDP). UNDP has created an annual human development index (HDI) since 1990. As a simple summary index, the HDI is designed to reflect average achievements of nations in three basic aspects of human development – leading a long and healthy life, being knowledgeable, and enjoying a decent standard of living. It is thus a simple composite score measuring overall human well-being of a nation, not just its economic advances.

Because of its nature as a simple composite measure, HDI has been criticized on a number of grounds. For example, some considered it as a means to provide legitimacy to arbitrary weightings of just a few aspects of social

development (Mcgillivray, 1991). Others questioned the validity of the calculation approach for generating the index (Wolff, Chong, & Auffhammer, 2011). Still others argued that HDI was simply redundant and added little value to the individual dimensions composing it (Rao, 1991). Despite all these caveats, HDI still represents a first reasonable proxy of the national development logic because of its simplicity and relative comprehensiveness in capturing national human well-being.

I drew data on the banking logic from Heritage Foundation's Index of Economic Freedom. Starting from 1995, *The Wall Street Journal* and the Heritage Foundation, Washington's preeminent think tank, have tracked the march of economic freedom around the world with the influential index of economic freedom (The Heritage Foundation, 2011). The index covers 10 dimensions of economic freedom in 183 countries, one of which particularly focusing on financial freedom. The index of financial freedom is an overall measure of efficiency and independence of the financial sector of a nation. It encompasses five broad areas: the extent of government regulation of financial services, the degree of state intervention in banks and other financial firms through direct and indirect ownership, the extent of financial and capital market development, government influence on the allocation of credit, and openness to foreign competition. It is therefore a proxy well suitable for the national banking logic.

Finally, information on the basic demographics and performance of MFOs came from the Microfinance Information Exchange (MIX), a leading business information provider dedicated to strengthening the microfinance sector. As their official website states, "the organization's core focus is to provide objective data and analysis on microfinance providers" (themix.org). Empirical research in microfinance has been generally suffering from "the lack of reliable, comparable and publicly available information" (themix.org) and large-scale longitudinal studies are rare. While the MIX database is relatively comprehensive, it does not cover all MFOs that have ever existed in the world. Still, organizations included cover over 85 percent of worldwide microfinance customers (Daley-Harris, 2009), suggesting that my analysis encompassed the most significant MFOs over the study period.

Dependent Variable

MFO Ideal Types

I categorized each MFO into one of the four ideal types as shown in Table 1 through the following two steps: first, I calculated the yearly

median level of financial and social performance of MFOs across countries. Financial performance was measured by *operational self-sufficiency* (OSS). OSS is a typical measure of financial performance in the microfinance industry and is calculated as operating revenue divided by the sum of financial expense, loan loss provision expense, and operating expense (Armendariz & Morduch, 2010). Social performance was measured by *average loan size per borrower* (ALS). ALS has been shown to be a good proxy for the poverty level of customers where smaller loans indicate poorer customers (Cull, Demirguc-Kunt, & Morduch, 2007). Thus, MFOs with a higher ALS tend to drift away from poorer customers and become less committed to the social mission of alleviating poverty. By focusing on OSS and ALS, I embrace a greater specificity in examinations of the financial and social performances and avoid the lack of conceptual clarity associated with composite measures (Brammer & Millington, 2008; Margolis & Walsh, 2003).

Second, I compared the OSS and ALS of the focal MFO with yearly median levels in order to classify it into one of the four ideal types. For example, an MFO, with a higher than median level of OSS and higher than median level of ALS, was classified as the mission-drifting type. Similarly, the other three types of MFOs were coded. The four ideal types constitute four dependent variables for analyses. An MFO in a specific year can take one specific ideal type which was coded as 1, and the other three types were coded as 0. Given the hypothesized relationships focus on mission-drifting, subsidized, and self-sustainable MFOs, the analyses in this chapter focused on these three dependent variables. I tested the hypotheses using generalized linear models (GLM) to fit fractional probit panel-data estimations with robust standard errors (Hardin & Hilbe, 2003; Papke & Wooldridge, 1996). Under binary response variables, the choice between the logistic and probit conditional mean functions is largely a matter of taste (Papke & Wooldridge, 2008). Unreported results based on the fractional logit estimates showed largely consistently patterns as results reported here.

Independent Variables

Configurations of National Logics

For each year of the study period, I coded each nation into one of four configurations of banking and development logics: *high banking-high development logic*, *high banking-low development logic*, *low banking-high development logic*, and *low banking-low development logic*. I captured the

strength of the banking logic of a nation by the index of financial freedom and the strength of the development logic by HDI. For the classification, I first calculated the median levels of both logics in my sample countries by year and then compared the strength of both logics of a focal country with the corresponding median levels. For example, if a country has a banking logic higher than the median and a development logic lower than the median, it then falls into the high banking-low development logic category.

Organizational Form

I created one dummy variable *nonprofit MFO* to indicate the organizational form. It was coded as 1 if the MFO is a nonprofit organization and 0 if it is for-profit.

Control Variables

To tease out the influence of national configurations of logics and organizational forms on the ideal type an MFO takes, I controlled for a set of variables that measure various characteristics of the material environment of each country and region as well as the basic demographics of the MFO.

Country-Level Controls

Country-level controls capture the demand for and supply of affordable credit, which may affect the success of MFOs on both the financial and social dimensions. Countries with high poverty in general may have a high need for MFOs. I measured poverty by *real GDP per capita* (logged, in PPP\$). Countries with higher real GDP per capita may need MFOs less. In supplementary analyses, I also controlled for levels of healthcare and education of each country. But they were dropped due to their high correlations with real GDP per capita. A disproportionately large rural population may also lead to high demand for MFOs, but this was again highly correlated with real GDP per capita and thus dropped from the analyses.

The supply of MFOs may depend on alternative sources of funding to which the poor have access. One important source of funding is the Official Development Assistance (ODA), which comprises loans and grants made by donor government agencies to promote economic development and welfare of developing countries (OECD, 2011). Countries with a higher level of *ODA received per capita* (logged) likely have more capital to support the poor. Other alternatives to MFOs include credit unions and rural banks that provide small loans to the poor. I created the variable *alternative*

capital access, measured by total number (logged) of credit unions and rural banks in the focal year, to control for the alternative financial sources for the poor. In addition, I controlled for the cumulative number of *MFOs established* in the same country as the focal MFO. MFO establishment may have both legitimating and competitive effects on the success of focal MFOs (Aldrich & Ruef, 2006; Carroll & Hannan, 1989).

Organizational-Level Controls

Organizational-level controls include MFO *age* and *size*. I calculated an MFO's age as the difference between the focal year and its founding year, and MFO size as the total number of employees (logged).

Region and Year Fixed Effects

Besides country- and organizational-level controls, I also included region and year fixed effects, which should capture any remaining, unobserved regional, and time effects. Countries in my dataset were classified into six regions: Africa, East Asia and the Pacific, Eastern Europe and Central Asia, Latin America and The Caribbean, Middle East and North Africa, and South Asia.

All independent and control variables were lagged by one year and updated annually. The purpose of taking natural log of some variables was to correct their skewed distribution.

RESULTS

To check for the face validity of my configurational story, I first plotted countries in my sample based on their average levels of the two national logics over the study period (see Fig. 1). The two lines represent the median level of the two logics across countries respectively. Countries do seem to vary in the strengths of both logics and the two lines demarcate them into four quadrants.

Table 2 presents the descriptive statistics. MFOs do seem to vary in their performance on the financial and social dimensions and fall into one of the four ideal types. In particular, mission-drifting and subsidized MFOs seem to be the most prevalent types in my sample. Table 3 shows the correlation matrix among all independent and control variables. No correlations appear seriously high, except for some interaction terms which are high by construction. Still, as a formal diagnosis of multicollinearity in the

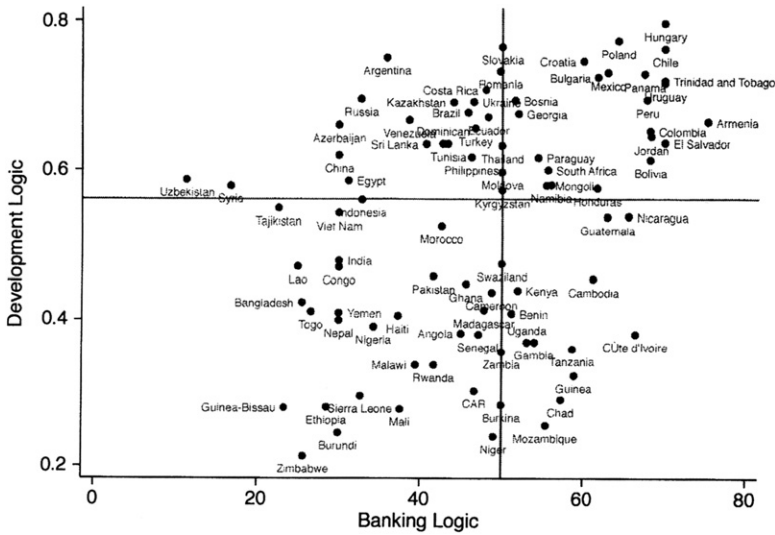


Fig. 1. Country Configurations by the Banking and Development Logics.

Table 2. Descriptive Statistics.

	Mean	SD	Min	Max
Failing	0.209	0.407	0	1
Mission-drifting	0.301	0.459	0	1
Subsidized	0.29	0.454	0	1
Self-sustainable	0.2	0.4	0	1
MFO age	10.379	8.662	0	61
MFO size	4.105	1.489	0.693	10.459
Real GDP per capita	7.999	0.753	6.155	9.742
ODA per capita	2.908	1.122	0	6.545
Alternative capital access	3.32	1.104	0	4.454
MFOs established	1.202	2.073	0	13
High banking-high development	0.36	0.48	0	1
High banking-low development	0.122	0.327	0	1
Low banking-high development	0.156	0.363	0	1
Low banking-low development	0.362	0.481	0	1
Nonprofit	0.661	0.473	0	1
Nonprofit under high banking-high development	0.237	0.425	0	1
Nonprofit under high banking-low development	0.082	0.274	0	1
Nonprofit under low banking-high development	0.115	0.319	0	1

Table 3. Correlation Matrix.

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	
1. Failing	1																		
2. Mission-drifting	-0.34	1																	
3. Subsidized	-0.33	-0.42	1																
4. Self-sustainable	-0.26	-0.33	-0.32	1															
5. MFO age	0	0.08	-0.08	0	1														
6. MFO size	-0.08	-0.04	0.01	0.11	0.3	1													
7. Real GDP per capita	0.16	0.18	-0.22	-0.12	0.12	-0.04	1												
8. ODA per capita	0.06	0.2	-0.14	-0.12	-0.12	-0.07	-0.31	1											
9. Alternative capital access	0.06	0.03	0	-0.09	0.03	-0.11	-0.06	0.11	1										
10. MFOs established	-0.08	-0.05	0.08	0.05	-0.13	0.01	0.07	-0.33	-0.05	1									
11. High banking-high development	0.19	0.3	-0.28	-0.21	0.1	-0.02	0.52	0.18	0.05	-0.1	1								
12. High banking-low development	0.03	-0.01	0.05	-0.07	-0.01	0.01	-0.22	0.28	0.24	-0.14	-0.28	1							
13. Low banking-high development	0.07	0.04	-0.1	-0.01	-0.14	-0.16	0.31	-0.15	-0.11	-0.03	-0.32	-0.16	1						
14. Low banking-low development	-0.26	-0.32	0.32	0.27	0.01	0.13	-0.6	-0.25	-0.12	0.22	-0.57	-0.28	-0.32	1					
15. Nonprofit	-0.06	-0.07	0.07	0.06	0.09	-0.2	0.03	-0.01	-0.07	-0.15	-0.04	0	0.05	0	1				
16. Nonprofit under high banking-high development	0.05	0.23	-0.17	-0.12	0.2	-0.12	0.37	0.17	0	-0.12	0.74	-0.21	-0.24	-0.42	0.38	1			
17. Nonprofit under high banking-low development	0.05	-0.04	0.05	-0.07	0	-0.05	-0.16	0.25	0.18	-0.13	-0.22	0.8	-0.13	-0.22	0.21	-0.17	1		
18. Nonprofit under low banking-high development	0.05	0.01	-0.07	0.01	-0.09	-0.19	0.25	-0.15	-0.1	-0.07	-0.27	-0.13	0.84	-0.27	0.25	-0.2	-0.11	1	

following analyses, I calculated the variance inflation factor (VIF) scores of all independent and control variables using STATA's COLLIN command. The mean VIF was 3.17 and the maximum individual VIF score corresponding to each covariate was 6.02, well below the critical threshold value 10 suggested by Kennedy (2008).

To preview my analytical procedure, I started the formal estimations with a set of baseline models predicting MFO types, which included only control variables. Results of these baseline models are reported in Table 4. In Table 5, I added the main effects of national configurations of logics and organizational forms to the baseline models. And in Table 6, I further added interaction effects between the two key independent variables. Results in all three tables were generated by seemingly unrelated regression (SUR) with robust standard errors across MFO types. SUR was chosen because the three outcome variables – MFO types – are correlated.

Results in Table 4 offer some interesting insights. MFO age is significant across Models 1–3. As MFOs become older, they are more likely to become mission-drifting and less likely to be subsidized or self-sustainable. Bigger MFOs tend to be self-sustainable and are less likely to be subsidized.

Table 4. Baseline Models of MFO Types, 1995–2007.

	Model 1 Mission-drifting	Model 2 Subsidized	Model 3 Self-sustainable
MFO age	0.02** (0.00)	-0.02** (0.00)	-0.01** (0.00)
MFO size	0.02 (0.02)	-0.05** (0.02)	0.05** (0.02)
Real GDP per capita	0.14** (0.05)	-0.19** (0.05)	-0.47** (0.06)
ODA per capita	0.22** (0.03)	-0.12** (0.03)	-0.12** (0.03)
Alternative capital access	0.23** (0.07)	-0.01 (0.07)	-0.26** (0.07)
MFOs established	0.01 (0.02)	0.07** (0.02)	-0.02 (0.02)
Region fixed effect	Yes	Yes	Yes
Year fixed effect	Yes	Yes	Yes
<i>N</i>	4161	4161	4161
Log likelihood	-2133.54	-2091.59	-1871.43

Standard errors in parentheses.

One-tailed tests. Significance levels: * $p < 0.05$, ** $p < 0.01$.

Table 5. Main Effects of National Logics and Organizational Forms on MFO Types, 1995–2007.

	Model 4 Mission-Drifting	Model 5 Subsidized	Model 6 Self-Sustainable
MFO age	0.02** (0.00)	-0.01** (0.00)	-0.02** (0.00)
MFO size	0.03 (0.02)	-0.04* (0.02)	0.07** (0.02)
Real GDP per capita	0.31** (0.08)	-0.24** (0.09)	-0.78** (0.09)
ODA per capita	0.23** (0.04)	-0.12** (0.04)	-0.17** (0.04)
Alternative capital access	0.19* (0.11)	0.05 (0.10)	-0.40** (0.11)
MFOs established	0.01 (0.02)	0.09** (0.02)	-0.02 (0.02)
High banking-high development	0.02 (0.13)	-0.18 (0.15)	-0.06 (0.15)
High banking-low development	0.05 (0.13)	0.01 (0.12)	-0.33** (0.13)
Low banking-high development	-0.24* (0.14)	0.12 (0.15)	0.40** (0.15)
Nonprofit	-0.17** (0.07)	0.16* (0.07)	0.35** (0.07)
Region fixed effect	Yes	Yes	Yes
Year fixed effect	Yes	Yes	Yes
<i>N</i>	2606	2606	2606
Log likelihood	-1265.90	-1219.85	-1136.85

Standard errors in parentheses.

One-tailed tests. Significance levels: * $p < 0.05$, ** $p < 0.01$.

MFOs operating in countries with higher real GDP per capita (i.e., richer countries) and with more ODA per capita are more likely to be mission-drifting and less likely to be subsidized or self-sustainable. In these countries, there are either less poor people or there is more support for the poor, thus less imperative on MFOs' social mission. Alternative capital access also tends to drive MFOs away from their social mission and render them less self-sustainable.

The three models of Table 5 show the main effects of national logic configurations and organizational forms in predicting MFO types. The results indicate that countries with low banking-high development logic tend to

Table 6. Interaction Effects of National Logics and Organizational Forms on MFO Types, 1995–2007.

	Model 7 Mission- Drifting	Model 8 Subsidized	Model 9 Self- Sustainable
MFO age	0.02** (0.00)	-0.01** (0.00)	-0.02** (0.00)
MFO size	0.03 (0.02)	-0.04 ⁺ (0.02)	0.07** (0.02)
Real GDP per capita	0.33** (0.08)	-0.22** (0.09)	-0.78** (0.09)
ODA per capita	0.24** (0.04)	-0.13** (0.04)	-0.18** (0.04)
Alternative capital access	0.19* (0.11)	0.03 (0.10)	-0.40** (0.11)
MFOs established	0.01 (0.02)	0.08** (0.02)	-0.02 (0.02)
High banking-high development	-0.15 (0.17)	-0.70** (0.20)	-0.20 (0.19)
High banking-low development	0.34* (0.18)	-0.23 ⁺ (0.17)	-0.34* (0.20)
Low banking-high development	-0.21 (0.21)	-0.15 (0.24)	0.50* (0.23)
Nonprofit	-0.15 (0.14)	-0.10 (0.10)	0.31** (0.10)
Nonprofit under high banking-high development	0.13 (0.16)	0.71** (0.17)	0.20 (0.16)
Nonprofit under high banking-low development	-0.49* (0.23)	0.37* (0.20)	0.02 (0.24)
Nonprofit under low banking-high development	-0.13 (0.22)	0.36 ⁺ (0.24)	-0.13 (0.23)
Region fixed effect	Yes	Yes	Yes
Year fixed effect	Yes	Yes	Yes
<i>N</i>	2606	2606	2606
Log likelihood	-1260.73	-1209.86	-1135.68

Standard errors in parentheses.

One-tailed tests. Significance levels: ⁺ $p < 0.10$, * $p < 0.05$, ** $p < 0.01$.

have less mission-drifting and more self-sustainable MFOs. Although the effect of the low banking-high development logic on “subsidized” is positive, it fails to be significant. In contrast, countries with high banking-low development logic tend to have less self-sustainable MFOs. The high banking-high development logic does not seem to exert significant impact

on any of the ideal types. *Ceteris paribus*, Nonprofit MFOs are less likely to be mission-drifting and more likely to be subsidized or self-sustainable. Overall, no significant support shows up for H1, H3, and H5.

Models 7–9 of Table 6 examine the interaction effects between national logic configurations and organizational forms on MFO types. Results in Model 7 suggest that in countries with high banking-low development logic, for-profit MFOs are more likely than nonprofit MFOs to be mission-drifting, supporting H4. Results in Model 8 show that nonprofit MFOs operating in countries with high banking logics (no matter whether the development logic is high) are more likely to be subsidized than for-profit ones (partially supporting H2). In addition, nonprofit MFOs are more likely than for-profit MFOs to be subsidized under the low banking-high development logic (supporting H6). Finally, there does not seem to be an interaction effect between national logics and organizational forms in affecting the self-sustainable type of MFOs.

Overall, a comparison of the results in Tables 5 and 6 suggests that the interactions between national logics and organizational forms add significant predicting power in estimating MFO types. Explaining the intricate relationships between the financial and social performance of MFOs, thus, requires a simultaneous consideration of both the configuration of national logics and organizational forms.

DISCUSSION AND CONCLUSION

In this chapter, I proposed a theoretical framework which incorporates insights from new institutional theory to explain a hotly debated topic in strategy – the financial–social performance relationship. In particular, this framework builds on recent developments in the institutional logics perspective and research on organizational forms, and focuses on the independent and joint influence of these two institutional factors. I applied this framework to a cross-sectional time-series study of a particular social venture – the MFOs. I employed a novel empirical approach based on ideal types to examine the intricate relationships among multiple competing logics and multiple organizational forms in shaping how MFOs balance their financial and social performances.

This chapter thus follows and extends recent efforts to synthesize strategic and institutional perspectives (e.g., Lounsbury & Glynn, 2001; Oliver, 1997; Suchman, 1995) by incorporating insights from contemporary

theories about institutional logics and organizational forms to guide the study of the financial–social performance relationship of social ventures. The ideal typical approach with a joint consideration of national logics and organizational forms extends the former financial–social performance debate beyond simple two-way interactions currently prevalent in the literature and helps resolve the mixed findings. The simultaneous consideration of both national logics and organizational forms adds further complexity to the relationship between financial and social performances. One insight generated from this approach is that simply considering either may only offer an incomplete story. Organizations embedded in a nation with a specific configuration of institutional logics may vary in their prioritization of the two performance dimensions depending on their distinct organizational forms.

This chapter also contributes to the emerging literature on social entrepreneurship (Mair, Marti, & Ventresca, 2012; Short, Moss, & Lumpkin, 2009). Scholars and practitioners in this emerging line of research have taken an overly optimistic and prescriptive tone in promoting social ventures. Accounts of social entrepreneurs tend to emphasize their heroic capabilities – it is common in this literature to detail the unique abilities of transformative individuals who are visionary, creative, energetic, and relentless in the pursuit of their social missions (Bornstein, 2007). Much less rigorous academic attention has been paid to identifying the factors, which facilitate or inhibit social venture efficacy on financial and social dimensions. This study suggests that it is important to complement this one-sided perspective on social entrepreneurship with systematic studies of the various institutional contexts that social entrepreneurs face. To this end, my study resonates with most recent developments in the entrepreneurship literature, which attend to social pressures and norms that may act as major factors shaping the engagement in and success of environmental and social welfare improvement (e.g., Hall, Daneke, & Lenox, 2010).

Lastly, this study contributes to the burgeoning literature on microfinance. To date, research in that area by both economists and sociologists has focused on the contributions of microfinance to poverty alleviation and female empowerment. However, accumulated studies show mixed and contradictory results (see Armendariz & Morduch, 2010; Sanyal, 2009). My results suggest that inattention to the heterogeneous institutional environments that MFOs face may be to blame. Countries with institutional logics that are less favorable to human development may strongly constrain MFOs', in particular for-profit MFOs', success in their social mission and drive them into the mission-drifting type. A closer examination of the

interplay between national logics and organizational forms may thus help to resolve contradictory findings and present policy implication to help MFOs realize their considerable promise more uniformly around the world.

My analysis is limited in three primary aspects, all of which represent promising avenues for future research. First, although my sample of MFOs represented the most significant MFOs in the world, the estimation was conducted only on a portion of the whole population. Thus, the results should be interpreted with this general data limitation as a caveat. A joint effort among academics, industry participants, and governments to compile a comprehensive and publicly available database of worldwide MFOs is imperative.

Second, the empirical approach based on ideal types parsimoniously represented the relationships between financial and social performances of MFOs and allowed for a test of the joint impact of national institutional logics and organizational forms on this relationship. Yet the cost associated with this parsimony is that the causal linkages between the two dimensions of performances are inadequately addressed. The focus here is more on how institutional contexts affect how the two dimensions of performances relate than how they causally relate. To tease out how multiple dimensions of institutional contexts interactively affect the causal relationships between the financial and social performances again requires methodological breakthroughs in estimating and interpreting high-order interaction effects. Similarly, the ideal typical classifications of countries according to their relative strengths of banking and development logics may also have concealed the more nuanced variations across nations on these two logics, which might explain the lack of support of H1, H3, and H5. Future research should try to unpack the varied institutional configurations across nations and model the component logics more deeply and directly.

Furthermore, while the performance indicators – OSS and ALS – are two specific financial and social outcome metrics in microfinance, the four ideal types of MFOs can be generated based upon alternative performance variables. For instance, in the microfinance context, another important social outcome MFOs strive for is gender empowerment. Therefore, the degree to which MFOs are committed to lending to women clients may also be combined with financial performance in constructing the MFO typologies. It is also possible to generalize the ideal typical approach beyond the microfinance setting. Indeed, any kind of organizations that face financial–social/environmental performance trade-offs may be classified into the four ideal types. In predicting the specific type of an organization though, the relevant institutions shaping the trade-off need to be identified and

theorized according to the empirical question under study. For example, the logic of environmentalism may loom large in considering an organization's commitment to environmental performance (Hoffman, 1999).

Finally, because of the nature of my study, I chose to conceptualize and assess the impact of macro-level variables on microfinance success in a large sample of countries over 13 years. As previous studies of cross-national phenomenon have suggested, my empirical measures of national banking and development logics and organizational forms "are relatively coarse indicators of the micro-level influence at work" and thus I chose to emphasize generality rather than detail (Henisz, Zelner, & Guillen, 2005, p. 893). I call for more intensive and comparative case studies of MFOs in specific countries as a complement to this chapter (see Battilana & Dorado, 2010 as an example). More detailed case studies may provide insights into the underlying mechanisms of how individuals, groups, organizations, and nations enable and constrain MFOs' ability in doing well while doing good.

NOTES

1. Note that while Battilana and Dorado (2010) consider the banking and development logic as two organization-level logics, I consider them as two national-level prescriptions, which offer distinct guidance to organizations' behavior.

2. Note that data collection on MFOs is an ongoing, evolving process, and the sample sizes of both MFOs and countries covered likely increase over time.

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