

# A Paradoxical Leadership Model for Social Entrepreneurs: Challenges, Leadership Skills, and Pedagogical Tools for Managing Social and Commercial Demands

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*Social enterprises offer the promise of financially sustainable organizations that can respond to the world's most pressing problems. Yet for social enterprises to succeed, their leaders must effectively manage conflicting demands that arise from dual commitments to improving social welfare and achieving commercial viability. While existing research highlights distinct skills for enabling social missions or for achieving business outcomes, we draw on paradox research to build theory about the challenges and associated skills for effectively managing the tensions emerging from the juxtaposition of social mission and business outcomes. We then use two exemplary settings for educating social entrepreneurs, one in the classroom and one in the field, to illustrate pedagogical tools for teaching these skills. Integrating these challenges, skills, and pedagogical tools, we propose a paradoxical leadership model for social entrepreneurs.*

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The quality of human life on the planet has never been better and never been worse. Forces for globalization, innovation, and competition are opening new technological and economic frontiers

We appreciate the reflections and insights from the operators, managers, and board members of Digital Divide Data and the students in the Social Entrepreneurs, Innovators, and Problem Solvers course. We are also grateful to Associate Editor Nelson Phillips and three anonymous reviewers. The development of this manuscript was supported in part by funds from the Center for International Studies at the University of Delaware, the Center for Integrative Leadership at the University of Minnesota, and the Institute for the Social Sciences at Cornell University.

while simultaneously exacerbating human rights violations, financial injustice, and environmental devastation. Social enterprises have grown in response, using innovative ways to address societal ills that frequently rely on commercial ventures and earned income (Dees, 2001; Tracey, Phillips, & Jarvis, 2011). These organizations have the potential to harness the creativity, efficiency, and viability of commercial means in service of social ends such as improving human and environmental welfare.

Social entrepreneurs play a key role in realizing this potential. Increasingly, research has explored

the characteristics of effective social entrepreneurs, specifically highlighting their differences from traditional entrepreneurs (i.e., Tracey & Phillips, 2007). Dees (2001) categorized social entrepreneurs as "one species in the genus of entrepreneurs" (2), a key distinction being their commitment to social change. Indeed, scholars depict social entrepreneurs as heroic individuals (see Seelos & Mair, 2005), who possess the business savvy and determination of entrepreneurs, in addition to a relentless passion for their social mission (Bornstein, 2004; Thompson, 2002). The key message of this research is that managing a social mission requires a unique set of skills beyond those needed to achieve an organization's commercial goals.

However, the social and commercial sides of a social enterprise are not isolated from one another. Rather, they are inherently interrelated and often conflicting. Attending to both the social and financial might benefit the organization overall, yet these different pursuits are often associated with competing identities, value systems, and norms (Battilana & Dorado, 2010; Tracey et al., 2011). Managing the tensions that arise is a critical skill for social entrepreneurs (Dacin, Dacin, & Matear, 2010). Doing so requires more than just skills in articulating and measuring a social mission or entrepreneurship skills in effectively driving commercial operations, each of which has been the focus of past research. It also requires skills for embracing conflicting social and economic demands. Yet, aside from a few notable exceptions (i.e., Tracey & Phillips, 2007), social enterprise research offers little insight into the skills that enable social entrepreneurs to attend to these competing demands.

We address this gap by developing theory about how leaders of social enterprises can cultivate skills for managing competing social and financial demands. Specifically, we address three questions. First, what are the leadership challenges posed by attending to the competing demands of social enterprises? Second, what skills do leaders need to effectively respond to these challenges? And third, what pedagogical tools can we use to help social entrepreneurs develop these skills?

We address our first two questions by drawing on a growing body of research on paradox theory (i.e., Lewis, 2000; Smith & Lewis, 2011). Paradox theory offers insight into the nature and management of competing demands in organizations. Based on this theoretical approach, we argue that the inherently competing demands that arise when organizations pursue social missions through commercial means create two chal-

lenges for social enterprises. First, social enterprises risk losing their dual focus and becoming either purely social mission-oriented or purely commercial. Second, social enterprises risk becoming mired in intractable conflict between members representing the social and commercial sides of the organization, respectively. Leaders of social enterprises therefore face twin challenges: They must maintain commitments to both their social mission and their business plan, and they must effectively manage internal conflict between these two sides of the organization. Three interrelated leadership skills enable managers to attend to these challenges: accepting, differentiating, and integrating competing demands. *Accepting* involves viewing both social and financial demands as simultaneously possible. *Differentiating* entails recognizing the unique contributions of each demand. Finally, *integrating* focuses on bringing social and financial demands together such that conflict between them becomes productive rather than intractable. By linking paradox theory with social entrepreneurship, our contribution in this section is to explicate specific challenges associated with managing competing social and commercial demands and link those challenges to critical leadership skills.

We address our third research question by using two exemplary models of teaching social entrepreneurship—one in the classroom and one in the field—to illuminate specific pedagogical tools for developing these leadership skills. Social Entrepreneurs, Innovators, and Problem Solvers (SEIPS), an undergraduate course at Cornell, was recognized by Ashoka in 2010 as one of 10 exemplary university syllabi around the world for teaching social entrepreneurship. Digital Divide Data (DDD), a 10-year-old social enterprise in south-east Asia, won awards and grants from the Skoll and Rockefeller Foundations reflecting, in part, their success in teaching social entrepreneurship skills to new generations of leaders. By drawing on examples of teaching social entrepreneurs in the classroom and field, our contribution in this section is to illustrate theory in action, demonstrating pedagogical tools that can help leaders develop specific skills in these two distinct settings. Taken together, the challenges, leadership skills, and examples of pedagogical tools we discuss here offer a model of paradoxical leadership for social entrepreneurs that highlights the difficulties of the inherently conflicting nature of their endeavor as well as the opportunities for effectively managing their competing demands.

## **SOCIAL ENTERPRISES: PARADOXICAL CHALLENGES AND CRITICAL LEADERSHIP SKILLS**

*Social enterprises* seek to affect positive change and create social value through entrepreneurial innovation (Dees, 2001). Broadly, this definition includes organizations that focus almost exclusively on a social mission, such as not-for-profits, governmental agencies, and foundations (Dees, 2007). Yet social enterprises frequently adopt commercial means to achieve the social ends they pursue (Dacin et al., 2010; Dacin, Dacin, & Tracey, 2011). We focus here on this type of social enterprise because such organizations face a unique set of challenges. In particular, even as social entrepreneurs adopt commercial endeavors in service of a broader social mission, they experience operational conflicts between social and financial demands. Beyond the skills needed to manage either a social mission or a commercial venture, leaders of these social enterprises also need skills for managing the tensions and conflicts between these competing demands.

Paradox theory offers insight into the challenges associated with managing the conflicting demands of a social enterprise and the skills by which such challenges can be addressed. *Paradox* refers to "contradictory, yet integrated elements that exist simultaneously and persist over time" (Smith & Lewis, 2011: 382). Organizational studies of paradox explore how leaders respond to contradictory elements, or underlying tensions, in organizations (Poole & Van de Ven, 1989). When tensions from competing demands become salient, they elicit strong, often defensive, reactions among organizational leaders that can lead to potentially detrimental responses (Lewis, 2000). As an alternative response, leaders can embrace inconsistencies and seek to support contradictory elements simultaneously. Doing so can result in creative, beneficial alternatives (Cameron & Quinn, 1988; Poole & Van de Ven, 1989; Smith & Lewis, 2011).

In social enterprises, pursuing social missions through commercial means gives rise to paradoxical tensions between competing social and financial demands (for a discussion of competing demands in social enterprises see Tracey et al., 2011). Commercial viability is based on economic values, whereas social missions are grounded in societal values. While pursuing commercial viability encourages efficiency, pursuing social missions implies a focus on effectiveness in addressing social problems (Epstein, 2008). While pursuing commercial viability involves attending to a more narrow set of shareholders, pursuing social missions ex-

pands the focus to a broader group of stakeholders (Brickson, 2007; Donaldson & Preston, 1995).

Competing demands can evoke defensive reactions among organizational leaders, who often seek to avoid rather than confront tensions (Lewis, 2000). First, the contradictions and inconsistencies that arise in the face of social and financial demands create anxiety in social entrepreneurs, because they complicate our linear logic, confuse our rationality, and threaten our egos (Vince & Brousine, 1996). Such anxiety often results in a feeling of being stuck (Smith & Berg, 1987). In response, individuals seek strategies for consistency to regain clarity and control (Cialdini, Trost, & Newson, 1995), including splitting, polarizing, and choosing between opposing forces (Lewis, 2000). Yet choosing one option can lead to extreme behaviors to advocate for that choice. Escalating commitments continually reinforce a chosen option and ensure its preservation (Staw, 1976), ultimately resulting in the dominance of one side of competing demands over the other. For social enterprises, this means losing their joint social and commercial focus, as leaders repeatedly choose to prioritize either the organization's social mission or its commercial viability. Thus, although they initially pursue both, social enterprises can begin to look more like traditional for-profit entrepreneurs on the one hand or traditional not-for-profit organizations on the other. For example, as the microfinance field grew, some organizations eventually held initial public offerings and emphasized their financial performance, much to the criticism of people such as Mohammed Yunus, Grameen Bank founder and Nobel Laureate, who suggested that these organizations lost their social purpose (Yunus, 2011). Tracey and colleagues' (2011) study of *Aspire*, a U.K.-based social enterprise, illustrates the opposite problem. Financial problems led *Aspire* to increasingly focus on its social goals and lose sight of its commercial viability, which ultimately contributed to the organization's demise. This tendency to overemphasize either social mission or commercial viability to the detriment of the other creates a challenge for social entrepreneurs, who must maintain commitments to both.

Second, competing social and commercial demands can lead social entrepreneurs to become mired in intractable conflict, particularly when these demands are associated with distinct subgroups within the organization. Group commitments can emerge with limited initial collective engagement, and group membership serves to intensify continued commitment (Tajfel, 1970). As a result, polarization can occur even when there are

few tensions between groups. Moreover, Fiol, Pratt, and O'Connor (2009) argue that when threatened, group members not only support their own perspectives, but they also define who they are by recognizing how they are not like opposing groups. This process exacerbates the distinctions between competing groups. In the extreme, such polarization can lead to intractable conflicts characterized by entrenched competition and mistrust between groups over a long period of time. For example, Battilana and Dorado (2010) describe ongoing conflict in a Bolivian microfinance organization between loan officers who sought to promote the organization's financial success and those who sought to promote its development and social welfare objectives. The inability to address this tension resulted in declining organizational performance. Because the tensions between social and commercial demands can become so pervasive and detrimental, they create a second challenge for social entrepreneurs, who must overcome intractable conflicts.

While these twin challenges of managing social enterprises—sustaining dual commitments and overcoming intractable conflict—may seem insurmountable, research suggests not only that organizational leaders are capable of sustaining competing demands, but also that the juxtaposition of such tensions can be a source of organizational success (Cameron, 1986). The integration of opposing forces can encourage novel, creative solutions that ultimately enable long-term organizational sustainability (Smith, Lewis, & Tushman, 2011). For example, social enterprises can benefit from integrating the competing demands associated with social missions and commercial viability. Pursuing commercial viability promotes efficiency, performance, innovation, and growth. In contrast, social missions elicit passion, motivation, and commitment. Taken together, the dual forces for performance and passion offer a powerful combination that can lead to new solutions to existing challenges. For example, Fair Trade organizations found novel ways of addressing the problems of fluctuating commodity prices for both markets and farmers. These organizations support local agriculture and small, family farmers while also smoothing out commodity prices in the market for items such as coffee and bananas. They do so by creating local farming cooperatives, ensuring farmers fair prices over time, and extending credit (Audebrand & Pauchant, 2009).

How can this positive potential be realized? Benefiting from competing demands depends on individuals, specifically organizational leaders, embracing, rather than resisting or rejecting

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competing demands (Beech, Burns, de Caestecker, MacIntosh, & MacLean, 2004; Clegg, Cuhna, & Cuhna, 2002). Paradox research has identified several strategies for achieving such benefits (Andriopoulos & Lewis, 2009; Poole & Van de Ven, 1989; Smith & Tushman, 2005). Drawing from this research, we propose three meta-skills that enable social entrepreneurs to more effectively embrace competing demands: acceptance, differentiation, and integration. *Acceptance* involves acknowledging competing demands as an inherent part of organizations and learning to live with them. *Differentiation* focuses on recognizing the unique contributions of each alternative, whereas *integration* entails simultaneously addressing both alternatives and seeking synergies between them.

All three skills are necessary for managing the challenges posed by competing social and commercial demands (Smith & Lewis, 2011). Acceptance provides a vital foundation upon which individuals can reduce anxiety, minimize conflict, and mindfully seek alternatives (Fiol, 2002). In this way, acceptance broadly addresses both challenges posed by competing demands. Lusch and Lewis (2008) found that in the midst of a change effort at Lego, accepting paradoxical tensions enabled managers to make sense of organizational challenges in new ways. Differentiation highlights the value of each alternative, and helps leaders avoid the potential for one alternative to continually dominate the other. In this way, differentiation specifically addresses the challenge of maintaining focus on both sides of competing demands. Smith, Binns, and Tushman (2010) argue that when senior leaders adopt practices to highlight distinct elements of conflicting demands, they avoid repeatedly prioritizing existing strategic competencies over new ones. Finally, integration offers the possibility for new, creative solutions to emerge and thereby specifically addresses the challenge of overcoming intractable conflict. Yet, paradoxically, integration depends on effective differentiation. Differentiation can help leaders identify novel features of each side of competing demands, which in turn enables them to develop more creative ways of integrating these demands (Suedfeld, Tetlock, & Streufert, 1992). Andriopoulos and Lewis (2009) show that product development teams

most effectively attend to competing demands when they combine differentiation and integration strategies.

Figure 1 summarizes the relationship between the two distinct challenges facing social entrepreneurs and the three meta-skills for attending to these challenges. In the next section, we describe more specific skills associated with each of these meta-skills and discuss pedagogical tools that can help social entrepreneurs to develop them.

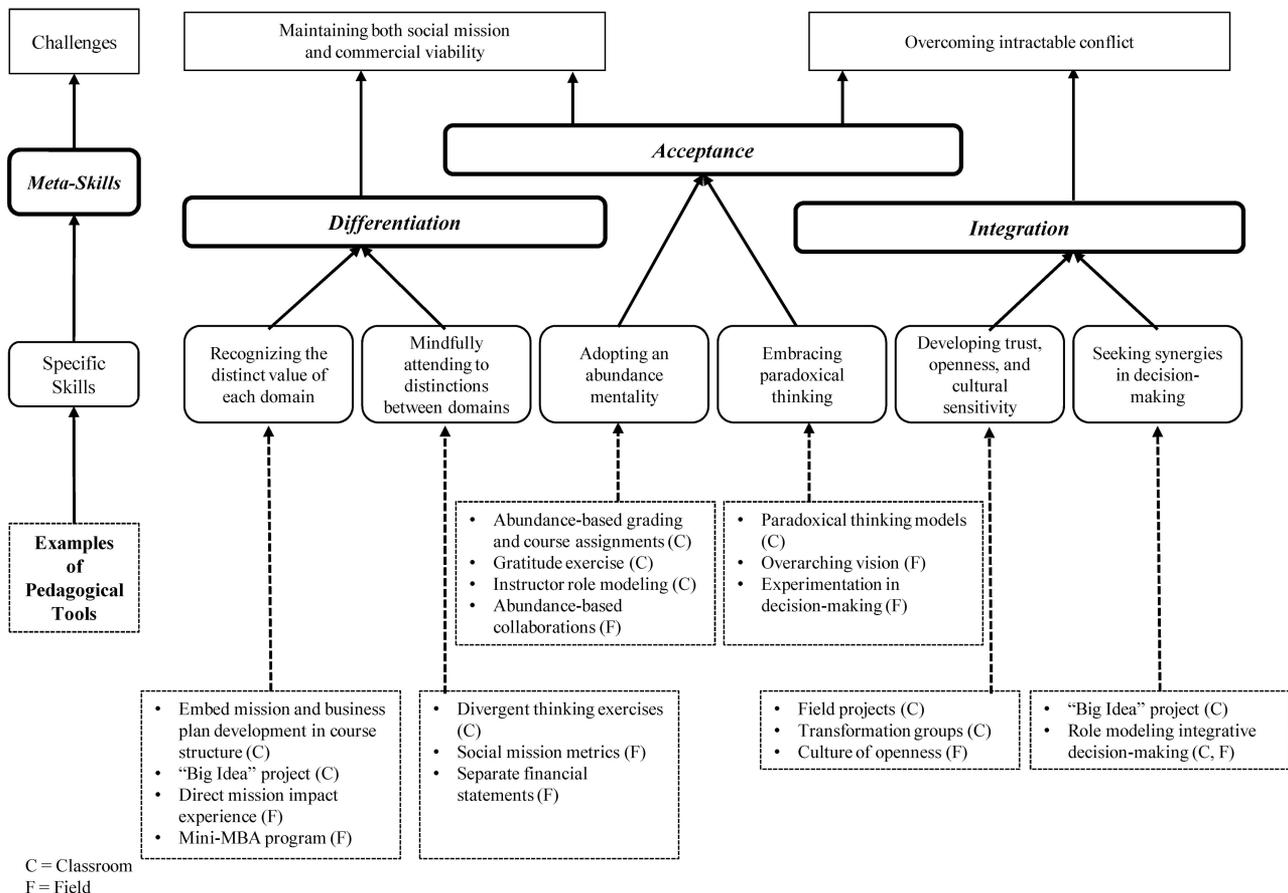
**PEDAGOGICAL TOOLS FOR MANAGING COMPETING DEMANDS**

Developing meta-skills of acceptance, differentiation, and integration is challenging. It requires helping leaders shift their mental models from formal, rational logic to self-referential and discursive thinking (Ford & Ford, 1994), reframe contradictions from “either/or” dilemmas to “both/and” possibilities (Bartunek, 1988), and use interpersonal skills to surface rather than suppress tensions (Smith & Berg, 1987). Effective pedagogy must go beyond informational approach-

es; it must provide transformational experiences (Snook, 2008).

To demonstrate pedagogical tools for developing the meta-skills of acceptance, differentiation, and integration, we draw from two exemplary educational settings that adopt transformational rather than simply informational techniques. Our goal in this section is to be illustrative. Thus, while we draw our examples from award-winning settings, the pedagogical tools we discuss are neither comprehensive nor systematically induced.

The first exemplar is an award-winning undergraduate course at Cornell University, Social Entrepreneurs, Innovators, and Problem Solvers (SEIPS), which offers insight into teaching social entrepreneurs in a classroom setting. Social Entrepreneurs, Innovators, and Problem Solvers seeks to develop social entrepreneurs in a highly interactive, experiential, and dynamic course. Working in small groups, students engage in substantial reflection and exploration to develop a deeper understanding of their personal mission and values and also complete a consulting project with a local social enterprise. The curriculum further makes



**FIGURE 1**  
**A Paradoxical Leadership Model for Social Entrepreneurs**

use of firsthand accounts from local and national social entrepreneurs, through face-to-face interaction, books, and films. Initially adapted from an Ashoka award-winning syllabus developed by Scott Sherman at UCLA, the SEIPS syllabus was independently recognized in 2010 by Ashoka for its unique curricular developments and selected to be one of 10 exemplary syllabi for teaching social entrepreneurship at universities around the world.

Students report that this class significantly supported their development in becoming social entrepreneurs. Of the 125 students who have completed the SEIPS course over the four semesters it has been offered, at least 11% of the students (14 out of 125) either work for an existing social enterprise or founded a new social enterprise organization.<sup>1</sup> In addition, alumni have been finalists or winners of the "Big Idea" undergraduate business plan competition at Cornell and Harvard University's "Business for Good" business plan competition, using the ideas they generated in the course. Moreover, in written feedback on the course, students named several of the pedagogical tools we discuss below as instrumental in helping prepare them for their current work in social enterprises.

The second setting, Digital Divide Data (DDD), illustrates exemplary tools for teaching social entrepreneurship while "on the job." Digital Divide Data is a global social enterprise that seeks to break the cycle of poverty in developing countries by educating and employing disadvantaged people in a for-profit information technology business. Founded in 2001 with one office in Cambodia, DDD now operates three offices across south-east Asia and recently opened an office in Kenya. Digital Divide Data provides labor intensive IT services such as data entry and web and video tagging. By providing employment along with formal and informal training, DDD offers its entry-level operators opportunities to develop skills and knowledge to move into higher paying jobs and a higher socioeconomic class. Digital Divide Data's success in achieving its social mission is evident in the employment opportunities it provides: DDD currently employs over 750 people and has "graduated" over 500 people into jobs that pay an average of four times the average national salary in the countries in which it operates. The organization has accomplished this while simultaneously developing a profitable business operation. Digital

Divide Data had \$2.3 million in revenues and \$30,000 in profits in 2010. In recognition of both its social and commercial success, the organization has been awarded million-dollar grants from the Rockefeller Foundation and the Skoll Foundation for social entrepreneurship.

Digital Divide Data is not only a highly successful social enterprise; it is also an exemplar of teaching social entrepreneurship in the field. A key element of DDD's success is the focus on learning by doing, as they teach their operators how to become managers and leaders of social enterprises. Three members of DDD's senior management team in south-east Asia developed from frontline operators into organizational leaders, and overall 21% of the approximately 500 operators who have "graduated" into higher paying jobs are in management positions within DDD. Others have left DDD to start their own social enterprises. At one of DDD's offices, for example, 25% of the 28 external "graduates" (i.e., graduates employed outside of DDD) are working in social enterprises. Moreover, when asked to reflect on their experience at DDD for an essay collection in honor of the organization's 10th anniversary, current employees and alumni noted that the skills they developed through their work at DDD helped them create social change.

### **Skill 1: Acceptance**

Acceptance involves viewing both sides of competing demands as simultaneously possible, even if they are inherently in conflict. By accepting paradoxical demands, leaders recognize them as an opportunity and "invitation to act," rather than as an obstacle (Beech et al., 2004). In this way, acceptance is a foundational skill for social entrepreneurs, providing a necessary starting point for addressing the challenge of maintaining commitment to the social mission and commercial viability as well as the challenge of overcoming intractable conflict. We highlight two specific skills associated with acceptance—adopting an abundance mentality and embracing paradoxical thinking—and we describe below pedagogical tools for teaching these skills in the classroom and the field (see Figure 1).

### **Adopting an Abundance Mentality**

An *abundance mentality* involves attending to resources as plentiful, regenerative, and enabling rather than as scarce and limited. When faced with a seeming dilemma or tension, abundance thinking reframes the focus from problem solving to

<sup>1</sup> These data were collected from an informal survey of former SEIPS students conducted in 2012. While they do not represent a statistically significant sample, they offer illustrative data to suggest the impact this course has on the development of social entrepreneurs.

possibility finding (Cameron & Lavine, 2006) and shifts decision making from a competitive, zero-sum approach to a collaborative, positive-sum approach (Bazerman, 1998). Developing abundance thinking involves extensive dialogue and community building to see new possibilities. In this way, adopting an abundance mentality helps leaders accept both sides of competing demands.

In the classroom, course design and structure can be used to help students develop an abundance mentality. In the SEIPS course, for example, grades, a critical motivator in classroom curricula, are assigned based on the assumption that all students can receive high grades if they do extraordinary work. Students are explicitly informed that there is no grading curve. A grading curve assumes that a limited number of students are capable of doing excellent work, while the SEIPS approach assumes all students have the potential to flourish and provides them with an opportunity to do so. Moreover, course assignments are structured such that, in order to do extraordinary work, students must cooperate with and support one other, highlighting the idea that one can best succeed through abundantly sharing with others. For example, a personal portfolio project requires students to respond to a series of 20 questions about their past experience with social change, family history, sources of gratitude and inspiration, strengths, values, and life goals. Instead of completing this assignment independently, students develop their responses in small "transformation groups," which are designed to be psychologically safe environments in which students can share ideas, receive encouragement, learn from one another, and begin to see new or deeper ways in which they could be answering the portfolio questions.

The SEIPS course also makes use of two other pedagogical tools that help develop abundance thinking. First, the course begins with a "gratitude exercise" in which students share one thing they are grateful for with a partner, and then switch partners until they have been paired with everyone in the class. For each round, students must say something new, forcing them to recognize the many small things they are grateful for and to become aware of the abundance present in all of their lives. Second, throughout the semester, instructor role modeling is used to demonstrate principles of abundance. For example, students are asked to develop three specific, measurable, and action-oriented goals that they will accomplish by the end of the semester. They share these goals with their transformation group members, then weekly develop subgoals and action steps and

provide progress reports to each other and the instructor. The instructor provides developmental feedback on each student's progress reports, with copies of the feedback sent to all members of the student's transformation group. Through role modeling, this feedback practice helps teach students the value of responding to and encouraging one another, thereby helping them learn to act based on principles of abundance.

In the field setting, collaborations with other organizations can help managers learn to develop an abundance mentality. At DDD, early partnerships with nonprofit education organizations enabled the organization to hire entry-level operators already trained by local NGOs. Digital Divide Data also fostered an early collaboration with a for-profit digitization company in India that provided benefits for both parties: The company helped DDD learn about the industry, and DDD was ultimately able to subcontract work back to the company. By engaging in these types of collaborations and explicitly discussing how they contribute to both DDD's commercial viability and its social mission, DDD's current leaders help employees learn to adopt an abundance mentality. As employees "graduate" and move on to other organizations, they bring knowledge and skills in building collaboration, support, and community with them. Digital Divide Data leaders do not frame this shift as losing good employees, but rather as gaining a larger social network that will benefit the organization for years to come.

### *Embracing Paradoxical Thinking*

The second skill by which acceptance can be fostered involves embracing paradoxical thinking. In situations in which actors face competing demands, a natural human response is to approach decisions in terms of existing categories, such as nonprofit/for-profit or social/financial. Paradox scholars describe this as an "either/or" approach to competing demands (Smith & Lewis, 2011). However, actors can instead be taught to embrace paradoxical or "both/and" thinking, in which they accept both sides of competing demands as simultaneously possible, enabling them to develop new, creative alternatives that transcend existing categories (Bartunek, 1988; Lewis, 2000). In this way, paradoxical thinking promotes an ongoing acceptance of competing demands.

In the classroom setting, the models included in assigned readings provide a means of encouraging paradoxical thinking. In the SEIPS course, for example, students read and discuss a story that employs paradoxical thinking about the relation-

ship both Jews and Arabs have to the history and land in the Middle East (Zander & Zander, 2000). The child of a Holocaust survivor first recounts the story of the Jewish people and their journey to settle in the Middle East. This same narrator then tells the story of the Arab people and their journey, ultimately recognizing that contemporary Jews and Arabs are all better off by developing a "WE story" that embraces Jews' and Arabs' competing claims, rather than adjudicating between them. The narrator of these stories argues that such a story offers a framework for "transform[ing] us AND those whose claims on our resources, territory, and the 'truth' are irreconcilable with ours." A WE story "take[s] us from an entrenched posture of hostility to one of enthusiasm and deep regard" (Zander & Zander, 2000: 182). This story encourages paradoxical thinking by moving students away from thinking about the Middle East as an "either/or" competition between either the Jewish story or the Arab one, to thinking instead about an overarching story that encompasses the realities of both groups.

Digital Divide Data illustrates two pedagogical tools to help develop paradoxical thinking in the field. The first tool involves articulating and connecting employees to an overarching vision. While the primary purpose of an overarching vision is to align organizational members with the strategic direction of the organization (Collins & Porras, 1996), from a pedagogical perspective it also teaches managers and employees what is critical in the organization. An overarching vision that actively embraces competing social and financial demands in a social enterprise communicates the importance of accepting and embracing both the commercial and social sides of the organization. At DDD, for example, the company's formal mission, "provid[ing] growth opportunities for our staff and high quality services to our customers through sustainable technology-related enterprises," brings together its social and business objectives. The CEO uses the mission statement to explicitly remind senior managers about the mutually reinforcing relationship between the social mission and the business. As a DDD manager who helped develop the mission explained, "We are really clear now with our senior managers that when our business grows, so does our impact, and therefore it may be worthwhile to make some decisions that sacrifice short-term mission to enable long-term sustainability." These personal reminders, delivered in one-on-one conversations and in management team meetings and retreats, help teach managers to accept that while there are tensions between DDD's financial and social objectives, it is possible to accomplish both over the long term.

The second tool DDD uses to develop paradoxical thinking involves encouraging experimentation in decision making. In making hiring decisions, for example, DDD's CEO encourages senior managers to find ways to hire entry-level employees based on both social needs and technical skills. Managers are also given the autonomy to experiment with different approaches. While they initially adopted "either/or" approaches that focused on either hiring disadvantaged people with very low skills or hiring college graduates who were highly skilled but not particularly disadvantaged, over time, managers learned to embrace paradoxical approaches by hiring disadvantaged people who could be trained to develop the skills needed to efficiently meet client needs.

### **Skill 2: Differentiation**

Differentiation involves recognizing the unique contributions of each side of competing demands and mindfully attending to distinctions between them (Langer, 1989; Weick, Sutcliffe, & Obstfeld, 1999). For social entrepreneurs, differentiating involves recognizing the distinct value of both social and commercial demands, and moving beyond coarse categorizations of these demands to attend to nuanced distinctions between them. By enabling social entrepreneurs to recognize and distinguish between social and commercial demands, differentiation skills help social entrepreneurs specifically address the challenge of sustaining commitment to both their social mission and their business plan, thereby lessening the risk that the organization will lose its dual focus (see Figure 1).

### ***Recognizing the Distinct Value of Each Domain***

In order to effectively differentiate, leaders must learn to recognize the distinct value of both the social and financial elements of a social enterprise. To do so, they need to be able to articulate, develop, and measure the social mission as distinct from the business plan (and vice versa). In the classroom, course structure can be used to develop skills in maintaining distinctions between the social and commercial elements of a social enterprise. In the SEIPS course, for example, distinct modules of the course emphasize the differences between each element. To help students articulate a clear and compelling social mission, the first module of the course focuses on the aspirations and goals of contemporary social entrepreneurs and guides students through an exploration of their own personal goals and values. Students learn the stories of contemporary social entrepre-

neers through books (e.g., Jacqueline Novogratz's *The Blue Sweater*, Van Jones' *The Green Collar Economy*, and Wendy Kopp's *One Day, All Children*); videos (e.g., *Rwanda Rising*); and live discussions with local and national social entrepreneurs. The narratives they hear through these different media emphasize that social entrepreneurship is about human dignity, creating possibilities, and collective well-being. The subsequent course modules shift the focus to help students develop a business plan and understand organizational structure, strategic planning, outcome measurement, budgets and revenue generation, and stakeholder communication. To highlight the importance of having a viable business plan, this module is introduced in the syllabus with a quotation from Jacqueline Novogratz, the founder of Acumen Fund, who writes in her memoir:

The world will not change with inspiration alone, rather it requires systems, accountability, and clear measures of what works and what doesn't. Our most effective leaders, therefore, will strengthen their knowledge of how to build organizations while also having the vision and heart to help people imagine that change is possible in their lives (Novogratz, 2009: 248).

Students also read and discuss Wendy Kopp's account of Teach for America, in which she writes:

What I learned, in essence, was that if I was to fulfill my mission, it would take more than an idealistic vision. In the end, the big idea was important and essential. But it would work only with a lot of attention to the nuts and bolts of effective execution (Kopp, 2003: 125).

The "Big Idea" project is a second pedagogical tool used in the SEIPS course to help students learn to recognize the distinct value of the social and commercial elements of a social enterprise. In this assignment, students are first asked to identify a social problem they seek to address, building on their personal development work and exposure to leading social entrepreneurs from the first part of the course. They then assess the significance of the social problem, justify their specific approach to addressing it, articulate short- and long-term goals and metrics for assessing their progress toward those goals, and develop a budget and a strategy for revenue generation. In this way, the "Big Idea" assignment helps students develop both a compelling vision for social change and a sound business

plan for pursuing this vision, and it helps them understand the need for each of these components of a social enterprise.

In the field, direct experience combined with classroom teaching can serve as powerful pedagogical tools for teaching social entrepreneurs to recognize the distinct value of the social and commercial sides of a social enterprise. Digital Divide Data uses both types of tools. First, in order to teach managers about the social mission and help them recognize its value, DDD intentionally creates opportunities for its North American senior managers and board members to have a direct mission impact experience in which they witness firsthand the social problem addressed by the organization. This is particularly important in the field setting, because while the founder of a social enterprise is likely to be highly committed to the organization's social mission, other members of the organization, particularly newcomers, do not automatically share this commitment. Indeed, they may not even be fully informed about what the social mission is. At DDD, newly hired senior managers spend significant time in the south-east Asia offices early in their tenure, and one board meeting per year is held in one of DDD's south-east Asia locations. In addition, all expatriate managers hired to work in Asia are required to visit the homes of one of DDD's operators as part of their orientation. Through this visit, they see how far the operators commute to work and the condition of their homes. They meet family members and hear operators talk about the meaning that their jobs at DDD have in their lives. Managers who participate in these visits report that they appreciate seeing operators' backgrounds and are inspired by and grounded in the mission. In this way, a direct mission impact experience helps teach managers in the field about the distinct value of a social enterprise's social mission.

Second, to help managers recognize the distinct value of commercial viability, DDD borrows an approach from the classroom and partners with a U.S.-based university to offer its managers a mini-MBA program. By teaching business skills, such as financial accounting, operations and process improvement, and project management, the program gives managers the tools to develop a business plan and achieve commercial viability, thereby helping them recognize (and realize) the distinct value of this side of a social enterprise. In this way, the mini-MBA provides an important complement to pedagogical tools, such as the direct mission impact experience, that help leaders recognize the distinct value of the social mission. As one of the instructors to DDD's senior managers explained,

"Social entrepreneurs can be such zealous enthusiasts for their social mission that they are willing to build an ineffective business plan. They must continually be reminded that the business model has to make sense. You cannot let the mission get in the way of the business plan."

### ***Mindfully Attending to Distinctions Between Domains***

In addition to developing skills in recognizing the distinct value of the social and commercial sides of a social enterprise, social entrepreneurs must also learn to mindfully attend to distinctions between these two domains. This requires not just awareness of the two domains as distinct, but also the ability to seek out novel information about the domains, which in turn enables leaders to make nuanced distinctions between the domains.

In the classroom setting, divergent thinking exercises can be used to develop skills in mindfully attending to distinctions between domains. In the SEIPS course, the instructor uses divergent thinking exercises throughout the semester, by asking students to come up with many possible answers to a question rather than just one. For example, the instructor will turn over a chair in the classroom and ask students, "What is this?" While students initially respond by saying, "It's a turned over chair," they eventually begin to identify alternatives—perhaps the chair is a playground for a squirrel, the scene of a fight, or a tent for a small child. In another divergent thinking exercise, students list possible uses for a bottle. These exercises help students to transcend their initial cognitive commitments to existing categories (e.g., chair, bottle) and to recognize that there are multiple possible responses to a problem or question. In doing so, they further help students shift away from drawing initial, and often oppositional, distinctions between objects or concepts, and toward identifying new, salient features that may lead to creative solutions. In this way, divergent thinking exercises foster skills for attending to novel distinctions that students can later call upon to attend to distinctions between social and commercial demands in social enterprises.

In the field setting, real data on organizational performance can provide the basis for another pedagogical tool for teaching leaders to mindfully attend to distinctions between social and commercial domains. Specifically, social enterprises can create social mission metrics in addition to traditional financial metrics and then report these metrics in separate financial statements. For example, DDD has engaged in extensive exploration and

development of social mission metrics, through discussions in board meetings, operator surveys and focus groups, and projects with outside consultants. Digital Divide Data then uses these metrics to report social mission performance separately from business performance. At board and management meetings, these separate reports provide a basis for conversations about the strengths and weaknesses of the social and commercial sides of the organization. Taken together, these practices highlight that separate data exist for each part of the organization and help managers see distinctions between them.

### **Skill 3: Integration**

Integration involves identifying creative synergies between contradictory elements. Doing so entails bringing two sides of conflicting demands together, such that conflict becomes productive rather than intractable. In this way, integration can help social entrepreneurs address the challenge of overcoming intractable conflict between the social and commercial sides of the organization. Identifying integrative options requires complex thinking (Suedfeld et al., 1992), which can be developed among social entrepreneurs through two specific skills: interpersonal skills that build trust, openness, and cultural sensitivity, and decision-making skills that enable leaders to seek synergies rather than either/or solutions (see Figure 1).

### ***Developing Trust, Openness, and Cultural Sensitivity***

Interpersonal skills of trust, openness, and cultural sensitivity can help leaders create a learning environment in which ideas are openly exchanged (Edmondson, 1999) and people feel comfortable raising challenging, yet important, information (Argyris, 1988). Such an environment can promote collaboration between organizational members who hold conflicting goals and values, such as members of a social enterprise who are strongly attached to the social mission and those who are committed to the financial performance of the organization. By learning from and working with members who represent both sides of these competing demands, leaders can identify new integrative ideas.

We highlight two pedagogical tools by which interpersonal skills of trust, openness, and cultural sensitivity can be taught in the classroom. First, such skills can be taught through field projects that require students to work with existing social enterprises. In the SEIPS course, for example, stu-

dents learn collaboration skills and develop cultural sensitivity by engaging in semester-long group projects with local social enterprises. The social enterprises they work with are usually non-profit organizations with cultural norms quite different from those students are familiar with from their prior coursework and work experience. In order to effectively complete the project, students must adapt their Western, market-based assumptions and learn to see the world from the more collaborative, relational, and locally embedded perspective of their "clients."

Skills for developing trust, openness, and cultural sensitivity can also be fostered through the use of transformation groups, such as those used in the SEIPS course. In SEIPS, the transformation groups meet weekly, outside of class time, throughout the semester. As described above, they are designed to be psychologically safe environments in which students discuss their personal identity and future goals. Students also share and discuss feedback received on a self-reflection exercise with fellow transformation group members. Throughout this process, they are expected to hold one another accountable and also to support one another in exploring their experiences, values, and goals. By sharing extremely personal material with one another, students get to know one another on an intimate level, helping them learn how to build trust and openness. In addition, by design, group members vary in economic and political background, religious affiliation, sexual orientation, and race and ethnicity. This means that students are often exposed to ideas and frameworks different from their own, and they develop an understanding of and appreciation for these differences—that is, they develop skills in cultural sensitivity.

In the field, role modeling and explicit encouragement can help managers of social enterprises develop trust, openness, and cultural sensitivity. At DDD, for example, senior leaders actively model and create a culture of openness, in which employees provide extensive feedback and engage in conversations about value differences. For example, at management meetings and the annual management retreat, all managers are expected to participate and express alternative points of view, even though doing so runs counter to dominant cultural norms in south-east Asia. If managers are silent, DDD's CEO explicitly asks them their opinion, reinforcing the expectation that they should offer a point of view, and he expresses deep appreciation when they do participate. Over time, these practices help managers learn the skills needed to

collaborate in a setting rife with value and cultural differences.

### ***Seeking Synergies in Decision Making***

The ability to seek synergies—that is, to make decisions in which both sides of conflicting demands are upheld—is a second skill that promotes integration (Suedfeld et al., 1992). One classroom tool for teaching social entrepreneurs to seek synergies is SEIPS' "Big Idea" project. We explained above how this project develops differentiation skills. Here we focus on its ability to foster integration skills. Specifically, by combining elements from the distinct social mission and business skills modules of the course into a single assignment, the Big Idea project challenges students to join their social aspirations with the practical reality of building a business, resulting in projects whose success depends on the synergies between these distinct elements.

In addition, in both the classroom and the field, role modeling integrative decision making can be used to help social entrepreneurs learn how to seek synergies. In the SEIPS course, for example, visiting social entrepreneurs explicitly discuss how they weave the mission into the fabric of their enterprise, while simultaneously generating a sustainable revenue stream and staying afloat financially. By hearing firsthand accounts of how these social entrepreneurs make integrative decisions, students learn models for making these types of decisions themselves. In the field, leaders of social enterprises can model integrative decisions for senior and middle managers. At DDD, the CEO often refuses to accept decisions that privilege either the needs of the social mission or the needs of the business, challenging himself and his management team to find alternatives that accommodate both. For example, DDD faces the imposed trade-off of whether to hire operators that are more disadvantaged and thus advance their social mission or hire more skilled (and more productive) operators and support their business goals. As noted above, instead of accepting this trade-off, DDD's CEO encouraged managers to find an integrative solution: They ultimately decided to hire the most skilled of the most disadvantaged. To do so, they retained a third-party NGO to assess potential operators for their level of disadvantage and skill and then selected those among this group who were high on both dimensions. Similarly, in their discussions about growing and scaling the business, DDD's leaders consistently seek creative solutions and possibilities to ensure that they honor their social mission while simultaneously

maintaining their financial success. This decision-making practice not only helps managers understand paradoxical thinking, as noted above; it also helps them learn to make decisions that integrate social and financial demands.

## DISCUSSION

Social enterprises offer the promise of financially sustainable organizations that respond to the world's greatest problems. Yet if social enterprises are to succeed, their leaders must be able to manage the conflicting demands that emerge from both the social and commercial focus. There is little debate among scholars that these competing demands remain a challenge and a critical area for future research (Dacin et al., 2010). Although scholars have explored the skills of managing a social mission as distinct from those of managing an entrepreneurial venture, little research has articulated the skills associated with attending to both. We have attempted to fill this gap. We do not eschew the value of distinct skills targeted at advancing a social mission or ensuring commercial viability. Rather, we complement them by building theory and offering pedagogical examples about developing social entrepreneurs to effectively attend to competing demands that arise from the juxtaposition of social missions and commercial viability. We therefore contribute to a growing body of research on the unique features of social entrepreneurs (i.e., Tracey & Phillips, 2007; Zahra, Gedajlovic, Neubaum, & Shulman, 2009) by highlighting specific challenges associated with competing social and economic demands and linking these challenges to leadership skills and pedagogical tools.

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***[I]f social enterprises are to succeed, their leaders must be able to manage the conflicting demands that emerge from both the social and commercial focus.***

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Drawing on paradox theory, we argue that embedding a social mission and commercial means in one organization is a double-edged sword. Tensions between social and commercial demands pose risks for social enterprises of either losing their focus on the social mission or their commercial viability, or becoming mired in intractable conflict. Yet these tensions can also foster creativity, novelty, and long-term organizational sustainability. Taking advantage of the benefits of com-

peting demands, while avoiding the risks, depends in part on the skills of the social entrepreneur. Based on paradox theory, we specifically identify three meta-skills for attending to competing demands in social enterprises—acceptance, differentiation, and integration—and we discuss tools by which these skills may be developed in the classroom and field setting. Taken together, these challenges, skills, and pedagogical tools comprise a model of paradoxical leadership for social enterprises, as depicted in Figure 1, in which leaders are engaging, rather than rejecting or becoming mired in underlying tensions.

Our paradoxical leadership model has important implications for social enterprise curricula, both in the classroom and in the field. This model goes beyond learning about how to develop and measure social missions, or how to efficiently and effectively implement a business plan. Rather, it asks participants to explore their personal beliefs and mental models, potentially challenging some of their most well-established truths. Conventional mental frameworks, particularly those in the West that draw inspiration from ancient Greece or the Enlightenment, are premised on the assumption of a single truth and result in a formal, causal, and linear logic (see Ford & Ford, 1994). According to these frameworks, if A and B conflict, then one must be right and one must be wrong. The key challenge is to adjudicate between them. As Hampden-Turner (1981) notes, this dominant framework forms the basis of scientific inquiry, which emphasizes distinctions and polarization. In contrast, our proposed model of leadership for social entrepreneurs asks students to adopt paradoxical thinking, an alternative mental model which is premised on the simultaneous existence of multiple truths, leading to a more circular, discursive, and interconnected logic. In a paradoxical model, if A and B conflict, then they can both be right, and the key challenge is to find a way for them to exist in relation to one another (Cameron & Quinn, 1988).

Shifting mental models is difficult work, and it reflects a growing trend in leadership curricula more broadly to rely on transformational experience rather than informational knowledge (i.e., Snook, 2008), and on deeper personal growth rather than skill development (Petriglieri, Wood, & Petriglieri, 2011). Adopting a paradoxical model of leadership further challenges leaders to develop more sophisticated interpersonal skills and emotional intelligence (Clegg et al., 2002). As we argued, meta-skills of acceptance, differentiation, and integration depend on creating community, learning from others, and managing conflict, and curricula can effectively build opportunities for

leaders to develop such emotional intelligence (see Boyatzis, Stubbs, & Taylor, 2002).

We have shown examples from the classroom and the field that help individuals rethink their frameworks and thereby enable acceptance, differentiation, and integration. To do so, these settings each adopt an overall structure that reflects these meta-skills, use leaders to model the meta-skills (either their own leaders or those borrowed from other exemplars), and offer experiential opportunities to engage and develop these skills. Taken together, the pedagogical tools we have described do not focus on "teaching" social entrepreneurs *per se*, but rather on creating opportunities for such leaders to grow, learn, and develop. As this approach suggests, developing social entrepreneurs involves adapting core aspects of course structures and organizational processes, not just adding new content modules within existing structures and processes.

Beyond its contributions to pedagogy, our model further has the potential to contribute to organizational theory on social enterprise and social entrepreneurs. As Dacin and colleagues (2010, 2011) argue, the field of social entrepreneurship may not be a theoretical domain unto itself, rather it may benefit from integrating insights from other theoretical perspectives. By conceptualizing the work of social entrepreneurs through the lens of paradox, we complement and extend insights from other theoretical perspectives, particularly institutional logics and institutional work. Drawing from paradox theory, our model proposes that social enterprises embed inherent tensions, provides insight into the nature and challenges of these tensions, and offers explicit ideas about how leaders can more or less effectively manage these tensions. Similar to our focus on tensions, an institutional logics perspective recognizes conflicting demands in hybrid organizations, such as social enterprises, that embed multiple logics within one organization (Thornton & Ocasio, 2008). Consistent with our focus on how leaders can manage tensions, research on institutional work has begun to describe the role of individual actors in creating, maintaining, and destroying institutions (Lawrence & Suddaby, 2006), and specifically has started to think about how to do such institutional work in the context of hybrid organizations such as social enterprises (Jarzabkowski, Matthiesen, & Van de Ven, 2009; Kraatz, 2009). A paradox perspective complements these ideas while providing a much more explicit focus on the management of tensions and on the specific cognitions and behaviors that can promote beneficial or detrimental organizational outcomes (Andriopoulos & Lewis,

2009; Smith & Lewis, 2011). By focusing on understanding tensions and providing a way forward toward managing these tensions, paradox provides a vital theoretical foundation for understanding skills for managing the competing demands of social enterprises and tools by which these skills can be developed.

In addition to contributing to research on social entrepreneurship by drawing on paradox theory, we also contribute to research on paradox by using social enterprises as a specific domain in which to understand the management of competing demands. Others have pointed to the value of developing skills for embracing paradox among leaders (Smith & Tushman, 2005) and have suggested strategies such as acceptance, differentiation, and integration to do so (Andriopoulos & Lewis, 2009; Poole & Van de Ven, 1989). We offer insights about the learning and educational implications of these skills. Specifically, our examples suggest that such learning is possible, and they illustrate pedagogical techniques by which it might be accomplished. Understanding these and other related pedagogical techniques is likely to become increasingly important as a small but growing number of business schools start to grapple with the challenge of teaching paradoxical leadership skills (Martin, 2007). Our model, which points to explicit and salient competing demands, suggests that social enterprises might be an especially fruitful setting in which to develop such skills.

### Limitations and Future Research

We sought to build theory about skills for developing social entrepreneurs and to illustrate associated pedagogical tools in two award-winning settings. However, even as we drew from both existing theory and the field, our focus was not on conducting systematic, inductive research, nor on providing a complete set of pedagogical techniques. Rather we hope the paradoxical model of leadership we have articulated provokes future research to test and validate the efficacy of these leadership skills and to develop a more comprehensive typology of pedagogical tools.

We raise further questions about the setting for developing social entrepreneurs. We chose to draw on examples from both the field and the classroom in order to suggest the potential of both settings and illustrate more diverse pedagogical tools. A field setting offers the benefits of having clear and challenging outcomes (such as client demands in the case of DDD) that serve to directly motivate learning. However, the field setting offers

less direct control over the content of learning. Learning occurs as individuals face and address ongoing problems and challenges in the work of the organization. A classroom setting offers more direct control over the curriculum, but the consequences of doing good work are often inspired only by one's own motivation for learning and success. In fact, grades, which frequently pervert intended learning, often become the motivating outcome in classroom settings (Kohn, 1993). Others have explored the nature and benefits of these different learning settings more generally (Kolb, 1984) and have identified techniques for blended styles—particularly introducing experiential learning into a more formalized classroom setting (Kolb & Kolb, 2005). However, for developing social entrepreneurs in particular, we believe that it would be fruitful to more specifically and systematically analyze the similarities and differences between the field and classroom settings. How can different approaches effectively leverage the benefits of each setting? How can these approaches be blended to enable more learning?

Finally, future research can explore the generalizability of a paradoxical leadership model. Managing competing demands is not unique to social enterprises. Rather, social enterprises represent one example of a broader category of hybrid organizations that embody multiple, conflicting values, identities, norms, routines, and structures (Battilana & Dorado, 2010; Pache & Santos, 2010; Pratt & Foreman, 2000; Zilber, 2002). For example, health care organizations face pressures for both cost efficiency and patient care (Reay & Hinings, 2009). Arts organizations attend to both aesthetic and economic demands (Glynn, 2000). Universities seek to balance intellectual pursuits along with economic stability (Albert & Whetten, 1985). Future research can investigate the generalizability of our proposed leadership model to these other types of hybrid organizations. We suspect that the generalizability of our model may depend in part on the salience of competing demands. In social enterprises, competing demands that arise from the simultaneous pursuit of social missions and commercial viability are highly salient and remain acute. In other hybrids, however, demands can be synergistic and tensions can remain latent for extended periods of time (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011). Future research on hybrid organizations can explore how our model applies under these conditions.

## CONCLUSION

In the early 20th century, Mary Parker Follett recognized that "[o]f greatest importance [for leadership] is the ability to grasp a total situation . . . [The leader] must see a whole, not a mere kaleidoscope of pieces. He must see the relation between all the different factors of the situation" (Graham, 1996: 168). Almost 100 years later, leaders still grapple with this challenge. Social enterprises provide a vital setting for resurrecting and applying Follett's prophetic words, a setting in which the total situation combines a passion for the social mission with a pragmatic focus on the business purpose. While leading such organizations is complex and challenging, our goal here was to offer insight into the nature of the skills necessary to do so and the means by which leaders can develop these skills. Ultimately, we hope these ideas help spawn leaders who can more successfully solve some of the world's greatest problems.

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