



Balancing the Paradox: How Inclusive Innovation Entrepreneurs in South Africa Navigate Organizational Tensions Between Social Inclusion and Financial Sustainability

Marla Linn Schockemöhle

Dissertation written under the supervision of Dr. Carolin
Waldner

Dissertation submitted in partial fulfilment of requirements for the
MSc in International Management of Innovation and
Entrepreneurship, at Universidade Católica Portuguesa and for the
MSc in Management at ESCP Business School, 24.05.2025

Resumo

Título: Equilibrando o Paradoxo: Como Empreendedores de Inovação Inclusiva na África do Sul Navegam Tensões Organizacionais entre Inclusão Social e Sustentabilidade Financeira

Autora: Marla Linn Schockemöhle

Palavras-chave: Inovação Inclusiva, Teoria do Paradoxo, Organização Híbrida, Empreendedorismo Social, Mercados Emergentes

Startups de inovação inclusiva têm recebido atenção crescente por seu papel no enfrentamento das desigualdades socioeconômicas por meio de soluções orientadas pelo mercado, especialmente em mercados emergentes como a África do Sul. No entanto, a pesquisa existente tem se concentrado principalmente em resultados em nível macro ou em empreendimentos sociais maduros em ambientes estáveis, negligenciando como empreendedores de inovação inclusiva em estágios iniciais navegam ativamente tensões organizacionais sob condições de ausência institucional e escassez de recursos. Além disso, apesar da relevância da Teoria do Paradoxo para compreender demandas conflitantes, nenhuma pesquisa anterior aplicou explicitamente essa perspectiva ao contexto da inovação inclusiva em mercados emergentes.

Esta dissertação de mestrado busca preencher essa lacuna ao empregar a abordagem de teoria fundamentada de Gioia et al. (2013) para explorar como empreendedores de inovação inclusiva na África do Sul enfrentam as tensões paradoxais entre inclusão social e sustentabilidade financeira. Com base em 17 entrevistas qualitativas com empreendedores de diversos setores, esta dissertação desenvolve um modelo de teoria fundamentada que propõe quatro dimensões agregadas que permitem aos empreendedores conviver e lidar com as tensões em tempo real: 1) Estratégias de precificação inclusiva, 2) Parcerias para construção de legitimidade, 3) Agilidade e adaptação organizacional, e 4) Liderança e cultura orientada por valores. Os resultados contribuem para a Teoria do Paradoxo, a literatura sobre organizações híbridas e inovação inclusiva, ao oferecer uma perspectiva prática e sensível ao contexto sobre como esses empreendimentos recombina ativamente práticas internas e externas para navegar tensões paradoxais persistentes sob restrição

Abstract

Title: Balancing the Paradox: How Inclusive Innovation Entrepreneurs in South Africa Navigate Organizational Tensions Between Social Inclusion and Financial Sustainability

Author: Marla Linn Schockemöhle

Key words: Inclusive Innovation, Paradox Theory, Hybrid Organizing, Social Entrepreneurship, Emerging Markets

Inclusive innovation startups have gained growing attention for their role in addressing socio-economic inequalities through market-based solutions, particularly in emerging markets like South Africa. However, existing research has largely focused on macro-level outcomes or mature social ventures in stable environments, overlooking how early-stage inclusive innovation entrepreneurs actively navigate organizational tensions under conditions of institutional voids and resource scarcity. Moreover, despite the relevance of Paradox Theory for understanding competing demands, no prior research has explicitly applied this lens to the context of inclusive innovation in emerging markets.

This master thesis addresses this gap by employing the Gioia et al. (2013) approach on grounded theory to explore how inclusive innovation entrepreneurs in South Africa navigate the paradoxical tensions between social inclusion and financial sustainability. Based on 17 qualitative interviews with entrepreneurs across diverse sectors, this thesis develops a grounded theory model proposing four aggregate dimensions that enable entrepreneurs to live with and manage tensions in real time: 1) Inclusive pricing strategies, 2) Legitimacy-building partnerships, 3) Organizational agility and adaptation, and 4) Leadership and values-driven culture. The findings contribute to both Paradox Theory, hybrid organization and inclusive innovation literature by offering a practice-oriented, context-sensitive perspective on how these ventures actively recombine internal and external practices to navigate persistent paradoxical tensions under constraint.

Table of Contents

Resumo	I
Abstract	I
Table of Figures	IV
1. Introduction	1
2. Literature Review	3
2.1 Defining Paradox and Paradox Theory	3
2.2 Hybrid Organizations and Social Entrepreneurship	5
2.3 Inclusive Innovation: A Subset of Social Entrepreneurship	7
2.4 Paradoxical Tensions in Inclusive Innovation	9
2.5 Research Gap	10
3. Research Design and Methodology	12
3.1 Qualitative Research	13
3.1.1 The Gioia Approach	13
3.2 Data Collection	14
3.3 Data Sample	15
3.3.1 The South African Entrepreneurial Ecosystem as Empirical Setting	15
3.3.2 Guidelines for the Selection of Social Entrepreneurs	16
3.3.3 Description of the Final Interview Sample	17
3.4 Coding Process	18
4. Results	19
4.1 Managing Tensions Through Inclusive Pricing Strategies	20
4.1.1 Strategic Price Differentiation	21
4.1.2 Cross-Subsidization Models	22
4.1.3 External Funding Utilization	22
4.1.4 Value Chain Cost Optimization	23
4.2 Strategic Partnerships and Collaborations	24
4.2.1 Leveraging Local Community Networks	24
4.2.2 NGO and Government Partnerships	25
4.2.3 Private Sector Synergies	25
4.2.4 Academic and Research Collaborations	26
4.3 Organizational Agility and Adaptation	27
4.3.1 Responsive Innovation Processes	27
4.3.2 Flexible Internal Structures	28
4.3.3 Crisis Response Mechanisms	28
4.4 Navigating Paradox Through Leadership and Values-Driven Culture	29
4.4.1 Inclusive Leadership Practices	30

4.4.2 Socially-Oriented Organizational Culture	30
4.4.3 Clear Articulation of Dual Missions	30
4.4.4 Empowerment and Capacity Building	31
4.5 Grounded Theory Model: Navigating Tensions in Inclusive Innovation Startups.....	32
4.5.1 Explanation of Model and Interrelations Between Dimensions	32
5. Discussion.....	34
5.1 Key Propositions in the Grounded Theory Model.....	34
5.2 Key Findings and Theoretical Interpretation.....	35
5.3 Academic Implications	38
5.4 Practical Implications.....	39
6. Conclusion.....	39
6.1 Limitations and Future Research	40
References	41

Table of Figures

Figure 1: Approach to Literature Review (Own Illustration)12

Figure 2: Three main procedural pillars of the Gioia methodology (Own illustration based on Magnani & Gioia, 2023).....14

Figure 3: Data Sample (Own Illustration)18

Figure 4: Data Structure (Own illustration based on Gioia et al. 2013)19

Figure 5: First Aggregate Dimension of the Grounded Theory Model (Own illustration)21

Figure 6: Second Aggregate Dimension of the Grounded Theory Model (Own illustration).....24

Figure 7: Third Aggregate Dimension of the Grounded Theory Model (Own illustration)27

Figure 8: Fourth Aggregate Dimension of the Grounded Theory Model (Own illustration).....29

Figure 9: Proposed Grounded Theory Model on Paradox Management for Inclusive Innovation Startups in Emerging Markets (Own Illustration)32

1. Introduction

Social entrepreneurship and inclusive innovation have gained increasing attention as mechanisms to address persistent inequalities in access to essential goods, services, and opportunities in emerging markets (George, McGahan & Prabhu, 2012; Heeks, Foster & Nugroho, 2014). In emerging markets, such as South Africa, deep socio-economic disparities, youth unemployment, and structural inequality have created fertile ground for ventures that seek to drive inclusive impact through innovative, market-based solutions (UNDP, 2020; Herrington, Kew & Mwanga, 2022). Inclusive innovation startups in this context aim to balance social inclusion and affordability for underserved communities while maintaining financial sustainability and operational viability.

While the potential of these ventures to contribute to social inclusion has been widely recognized (George et al., 2012; Heeks et al., 2014; UNDP, 2020), the practical, organizational tensions they face remain underexplored. Founders and leaders of inclusive innovation startups must continuously navigate paradoxical demands: they are expected to deliver affordable, inclusive solutions while ensuring financial survival, often in contexts of institutional voids, fragmented support systems, and resource scarcity (Littlewood & Holt, 2018; Pansera & Owen, 2018). These tensions are not abstract but lived and experienced in the everyday practices of entrepreneurs as they design products, build partnerships, and make leadership decisions under pressure and uncertainty.

Despite a growing body of research on hybrid organizations and social enterprises (Battilana & Lee, 2014; Doherty, Haugh & Lyon, 2014; Cherrier, Goswami & Ray, 2018), much of this literature has focused on mature ventures in stable, well-resourced environments in the Global North (Smith & Lewis, 2011; Hahn, Preuss, Pinkse & Figge, 2014). In these contexts, organizational tensions can often be deferred, compartmentalized, or managed through formal structures and established routines (Cherrier et al., 2018). In contrast, inclusive innovation entrepreneurs in emerging markets face these paradoxes from the outset, often without the safety net of stable funding or institutional legitimacy (George, McGahan & Prabhu, 2016). Yet, how these tensions are navigated in the day-to-day practices of early-stage inclusive innovation startups remains insufficiently understood.

Moreover, while inclusive innovation literature has traditionally studied their macro-level outcomes, such as access, impact on inclusion, and ecosystem development (George et al., 2012; Heeks et al., 2014), little is known about how these ventures manage the organizational processes that bring about such outcomes. There is a lack of practice-oriented, micro-level research exploring how entrepreneurs construct strategies, leadership practices, and business models to manage paradoxical tensions between inclusion and financial sustainability in real time.

To the best of my current knowledge, this study is the first to explicitly apply Paradox Theory to the organizational practices of inclusive innovation startups, particularly in emerging market contexts. By focusing on the lived experiences of inclusive entrepreneurs in South Africa, this thesis addresses two key gaps. First, it extends Paradox Theory into early-stage, resource-constrained, and institutionally fragmented settings, demonstrating that paradoxical tensions between social inclusion and financial sustainability are confronted immediately, requiring ongoing, real-time navigation rather than deferred decision-making. This advances the literature on paradox management by offering a grounded, context-sensitive understanding of how entrepreneurs handle these tensions under conditions of constraint, fragility, and uncertainty.

Furthermore, it contributes to the inclusive innovation literature by shifting the analytical lens from macro-level outcomes to internal, organizational practices, such as inclusive pricing, legitimacy-building partnerships, leadership, and agility. This micro-level, practice-oriented perspective offers new insights into how inclusive innovation is enacted and sustained in real time under resource constraints, expanding current knowledge of how such ventures create value beyond conventional impact metrics.

Building on an inductive, qualitative research design and applying the Gioia methodology (Gioia, Corley & Hamilton, 2013) to 17 interviews with South African inclusive innovation entrepreneurs, this thesis explores how inclusive innovation entrepreneurs in South Africa navigate the tension between social inclusion and financial sustainability (RQ1), and what organizational and leadership practices they construct to manage these tensions under institutional and resource constraints (RQ2). By doing so, this thesis bridges Paradox Theory, hybrid organizing, and inclusive innovation through a shared lens of constraint-based

adaptation, contributing to both theoretical and practical understandings of how inclusive entrepreneurs operate within institutional voids and structural inequalities.

2. Literature Review

This literature review establishes the conceptual foundation for exploring how inclusive innovation startups navigate persistent tensions between social inclusion and financial sustainability, conceptualized through the lens of Paradox Theory. It begins by introducing core concepts from organizational paradox literature, followed by a discussion of how such tensions are experienced in hybrid organizations that combine social and commercial logics. The review then turns to inclusive innovation as a specific form of hybrid organizing, highlighting how its participatory logic and focus on affordability and accessibility can intensify these tensions. The final section integrates these theoretical domains by applying Paradox Theory to the context of inclusive innovation startups. In doing so, it identifies a key research gap and provides the basis for this thesis's qualitative, inductive methodology and guiding research questions.

2.1 Defining Paradox and Paradox Theory

Organizations frequently encounter competing yet interdependent demands, which must be continuously managed. Paradox Theory has emerged as a leading theoretical framework for understanding how organizations manage these competing demands in dynamic and uncertain environments (Poole & Van de Ven, 1989; Smith & Lewis, 2011). A paradox refers to “contradictory yet interrelated elements that exist simultaneously and persist over time” (Smith & Lewis, 2011, p. 382). These elements appear mutually exclusive on the surface but in fact coexist and often require a both/and thinking rather than an either/or approach (Lewis, 2000; Smith & Lewis, 2011). In other words, paradoxes are not problems to be definitively solved, they are rather tensions, that need to be continuously balanced.

Early Research by Poole and Van de Ven (1989) recognized the importance of embracing paradox in organizational theory, and suggested that accepting and continuously addressing tensions can lead to a more effective approach to the complex organizational phenomena. The authors proposed four strategies for addressing paradox. The first one being, accepting the tension and working with the tension without attempting to resolve it. Second, separating them spatially or temporally. Third, synthesizing them through integrative and innovative strategies and fourth, reframing the situation to reveal new perspectives (Poole & Van de Ven, 1989).

These early insights laid the foundation for later, more nuanced models of managing organizational paradoxes.

One of the most influential recent contributions on paradox theory is by Smith and Lewis (2011), who categorized paradoxes into four primary areas that organizations experience: Performing, organizing, belonging and learning. These categories capture the variety of inherent organizational tensions and have become the foundation for analyzing paradoxical challenges in management research. Performing tensions describe the conflicts between competing goals or stakeholder expectations, such as achieving profitability vs. delivering social impact. Organizing paradoxes are the dilemmas between flexibility and adaptability vs. stability and control. Belonging paradoxes are the tensions of identity and interpersonal relationships within an organization. For example, individual or group identification with values or missions, such as being part of a mission-driven venture or profit-driven venture. Lastly, learning paradoxes are challenges resulting from balancing stability and change, or exploitation of existing knowledge and competencies vs. exploring and innovating for the future. These four categories are interrelated and often overlapping. Thus, a single organization might experience multiple paradoxes simultaneously (Smith & Lewis, 2011). For instance, a firm might struggle with a performing paradox, such as social impact vs. profitability, which is intertwined with an organizing paradox, such as decentralizing for greater innovation vs. centralizing for efficiency. Recognizing the different types of paradoxes can help researchers and practitioners to understand the complexity of organizational challenges (Smith & Lewis, 2011; Hahn et al., 2014). Furthermore, it is crucial to realize that paradoxes do not disappear over time, but they persist and can even intensify with changing contexts. Thus, developing the capabilities to continuously live and creatively manage paradoxes is viewed as essential for long-term organizational sustainability (Lewis, 2000).

To explain how organizations can effectively manage persistent paradoxes, Smith and Lewis (2011) proposed the dynamic equilibrium model of organizing. This model argues that successful organizations accept tensions rather than suppressing them, and engage in ongoing cycles of differentiation and integration to deal with paradoxical demands. In practice, this means leaders and teams first differentiate themselves by acknowledging the distinct and conflicting paradoxical elements. For instance, clearly recognizing the social mission and commercial requirements as two separate goals. They may even temporarily separate the elements within their organizational structure, for example, having different teams or streams

working on each imperative). Subsequently, they find innovative ways to integrate and bring both opposing elements together. Through this, they may create synergies and find novel solutions that combine both sides of the tension. As a result, firms vibrate through this cycle of accepting tensions, separating and differentiating and integrating in a continuous manner to maintain a dynamic equilibrium between the competing demands. Rather than seeking a one-time resolution, the organization remains agile and constantly adjust its balance as the environment evolves. This approach has shown to enable adaptation and even turn tensions into sources of creativity, innovation, and competitive advantage (Smith & Lewis, 2011). Overall, embracing paradox can foster innovative business models and business practices that can satisfy multiple demands simultaneously.

The emphasis on both/and management within paradox theory is especially critical for organizations operating in highly complex and uncertain environments. In such contexts, either/or decisions, such as prioritizing social impact exclusively over profitability or vice versa, are likely to be unsustainable (Lewis, 2000; Smith & Lewis, 2011). Instead, as previously discussed, the dynamic equilibrium perspective suggests that resilience comes from flexibly adapting to competing demands and seeking integrative solutions (Smith & Lewis, 2011). While paradox theory has been extensively explored within studies of large firms and corporate sustainability initiatives (Lewis, 2000; Hahn et al., 2014; Van der Byl & Slawinski, 2015), scholars have only recently begun to consider its relevance for smaller, entrepreneurial organizations (Smith, Besharov, Wessels & Chertok, 2012; Keller, Loewenstein & Yan, 2019). For example, Keller, Loewenstein & Yan (2019) address the value of paradox theory in understanding how entrepreneurs navigate tensions related to resource constraints, innovation and strategic agility. Similarly, Smith et al. (2012) apply paradox theory to social entrepreneurship, and emphasize, how entrepreneurs deal with the coexistence of social and commercial demands. The following sections delve deeper into hybrid organizations and social venture, where dual-purpose missions are the norm and paradoxical tensions are central in their organizational strategy and operations.

2.2 Hybrid Organizations and Social Entrepreneurship

In recent years, social entrepreneurship has gained growing attention as a vehicle for addressing systematic societal challenges through entrepreneurial means (Mair & Marti, 2006; Austin, Stevenson, & Wei-Skillern, 2006). It is broadly defined as the process of identifying,

evaluating, and exploiting opportunities that generate both social and economic value (Austin et al., 2006). Social enterprises often operate in domains traditionally served by governments or non-profit organization, such as education, healthcare, financial inclusion, or environmental sustainability, but do so with entrepreneurial logic, such as revenue generation or scalability (Mair & Marti, 2006).

Consequently, social ventures pursue a dual mission of achieving social impact while ensuring financial performance, thereby blurring the traditional distinctions between for-profit and non-profit models. These ventures are often described as hybrid organizations because they combine distinct institutional logics, such as the public logic of social welfare, and the private logic of profitability (Battilana & Lee, 2014). This dual logic positions social enterprises as living embodiments of hybrid organizational paradoxes (Smith, Gonin & Besharov, 2013; Pache & Santos, 2013).

Due to their hybrid nature, these ventures face persistent, structural tensions. For instance, entrepreneurs must navigate conflicting stakeholder demands, such as investor expectations for financial returns versus community expectations for affordable and accessible services (Pache & Santos, 2013). These tensions are not temporary challenges but enduring contradictions that require ongoing negotiation, adaptation, and innovation (Smith et al., 2013). For example, pricing decisions often embody performing paradox of balancing social and financial performance: setting low prices aligns with inclusion but can threaten financial viability, whereas, higher prices improve sustainability but risk excluding intended beneficiaries.

Previous research has found that paradoxical tensions manifest in multiple ways within hybrid organizations, from resource allocation and leadership to identity and strategy. Strategic decisions often force difficult trade-offs between prioritizing mission alignment and pursuing growth, with diverging expectations from stakeholders intensifying these conflicts (Doherty et al., 2014; Smith et al., 2013). Smith et al. (2013) argue that successfully managing these social-business tensions requires continuous negotiation and creative, integrative solutions rather than simple trade-offs.

An influential contribution in this area comes from Cherrier, Goswami, and Ray (2018), who conducted a review of how social enterprises manage paradoxical tensions in practice. Building on prior empirical studies (e.g., Tracey et al., 2011; Battilana & Dorado, 2010), they highlight

the importance of micro-level organizational practices, such as symbolic boundary work, cultural framing, and the embedding of hybrid logics through routines. Their synthesis marks a shift from structural models, such as separation of roles to everyday processes and practices that enable social enterprises to “live with paradox.”

However, much of this research has focused on relatively mature social enterprises in institutionalized, resource-rich context, particularly in the Global North (Cherrier et al., 2018). In contrast, less is known about how early-stage hybrid ventures, especially those operating under resource scarcity and institutional voids, navigate paradoxical tensions in real time. This is particularly relevant for inclusive innovation startups, which operate in contexts marked by resource scarcity, weak institutional infrastructure, and acute social demands (Littlewood & Holt, 2018; George et al., 2016). These conditions may not only make them face tensions earlier but also amplify their intensity, making paradox navigation both more urgent and less supported.

2.3 Inclusive Innovation: A Subset of Social Entrepreneurship

A relevant and increasingly discussed subfield of social entrepreneurship is inclusive innovation. While definitions vary, inclusive innovation generally refers to the development and implementation of new products, services, or processes that intentionally engage or benefit marginalized or underserved populations (George et al., 2012; Heeks et al., 2014). The concept emphasizes that innovation should not be limited to privileged markets or consumers, but should deliberately address inequality by including disadvantaged populations as co-creators, users, or beneficiaries (Foster & Heeks, 2013; Halme, Lindeman, & Linna, 2012).

What differentiates inclusive innovation thus from other innovation paradigms is its emphasis on accessibility, affordability, and equity (Foster & Heeks, 2013; Halme et al., 2012). In contrast to mainstream models of innovation that prioritize technological innovation or commercial scalability, inclusive innovation instead focuses on extending the benefits of innovation to populations often excluded from its gains (Pansera & Owen, 2018; Hall, Matos, Sheehan, & Silvestre, 2012). In inclusive innovation, by contrast, the driving purpose is social inclusion, where innovation is used as a tool to uplift disadvantaged communities economically and socially (Heeks et al., 2014).

Importantly, inclusive innovation is often confused or conflated with related concepts like social innovation or frugal innovation. While social innovation refers broadly to novel solutions for social needs across sectors (Phills, Deiglmeier & Miller, 2008), inclusive innovation specifically centers on engaging and benefiting those structurally excluded from mainstream innovation. Similarly, frugal innovation focuses on affordability and efficiency under constraints (Weyrauch & Herstatt, 2017), but may lack the participatory or empowerment dimensions critical to inclusive innovation (Pansera & Owen, 2018). In other words, inclusive innovation is not just about innovating affordably, it is about innovating inclusively (Bhatti, Ventresca & Khilji, 2018).

Such ventures often emerge in resource-constrained settings like the Global South, where systemic exclusion, infrastructure gaps, and weak institutional support create significant barriers to full economic participation (Mair, Martí & Ventresca, 2012; Hall et al., 2012). Social entrepreneurs in these environments often must creatively "hack" around existing systems and engage in bricolage techniques, which means creatively recombining local resources, knowledge, and networks to produce context-specific solutions (Baker & Nelson, 2005; Halme et al., 2012). Examples include leveraging accessible technologies like basic mobile phones to deliver financial services in rural areas, as seen in M-PESA in Kenya (Jack & Suri, 2011), or mobile health platforms and fintech tools co-developed with NGOs and community partners (Bhatti et al., 2018).

However, the very conditions that define inclusive innovation, such as deep contextualization, affordability, and participatory engagement, not only generate, but intensify organizational tensions (Pansera & Owen, 2018; Foster & Heeks, 2013). These ventures operate under a dual imperative: they seek to create value for structurally excluded communities while sustaining themselves financially in complex markets, often without access to steady philanthropic or public support (Littlewood & Holt, 2018). This produces a structural paradox between inclusion and profit, one that is arguably intensified compared than in traditional social enterprises, which may enjoy more stable funding or looser commercial expectations (Cherrier et al., 2018).

Unlike broader hybrid ventures, many of which operate in relatively stable environments and may rely on philanthropic or public funding, inclusive innovation startups face acute, market-facing tensions that unfold in real time. Their pricing decisions, product designs, and distribution strategies must simultaneously fulfill commercial viability and social equity. These

decisions are not abstract trade-offs but embedded in everyday organizational practice, often under severe resource constraints. Pansera and Owen (2018) argue that such ventures resist conventional scaling paths because they must remain deeply contextualized and participatory. Foster and Heeks (2013) further demonstrate that this embeddedness, while critical to inclusion, may reduce attractiveness to mainstream investors seeking scalable, high-return opportunities. As a result, inclusive innovation startups cannot compartmentalize or defer tensions, they must develop adaptive practices, such as flexible pricing, iterative leadership, or value-driven partnerships, that allow them to live with and actively navigate these contradictions (Foster & Heeks, 2013; Cherrier et al., 2018).

2.4 Paradoxical Tensions in Inclusive Innovation

As outlined in the preceding sections, inclusive innovation startups are structurally hybrid ventures that intentionally pursue dual objectives: addressing systemic inequality through inclusion, while achieving financial sustainability through entrepreneurial means. They combine the social logic of equity and inclusion with the commercial logic of revenue generation, scalability, and market competitiveness (Battilana & Lee, 2014; Pansera & Owen, 2018). This dual mission, inclusion and profit, is not just difficult to align, but it is inherently contradictory, producing persistent and interdependent tensions.

Inclusive innovation entrepreneurs must simultaneously navigate external pressures and internal dilemmas: investor expectations for profitability versus community needs for accessibility, thus, scaling efficiently while staying locally embedded, or designing low-cost solutions without compromising quality or sustainability. These are not temporary obstacles but structural paradoxes of inclusive innovation (Smith et al., 2013).

Paradox Theory offers a compelling lens through which to understand and analyze these tensions. Rather than viewing the social and financial goals of inclusive innovation as trade-offs to be optimized or compromised, paradox theory frames them as persistent, interdependent tensions that must be managed continuously (Smith & Lewis, 2011; Poole & Van de Ven, 1989). In this view, the dual nature of inclusive innovation is not a temporary challenge but a defining characteristic, a performing paradox where social impact and financial returns are not mutually exclusive but mutually constitutive (Smith & Lewis, 2011).

The dynamic equilibrium model (Smith & Lewis, 2011) is particularly applicable in this context, as it emphasizes the need for cyclical processes of differentiation and integration. Inclusive innovation startups may distinguish between mission-aligned activities and revenue-driven operations, yet strive to integrate both into coherent, innovative business models. This dynamic balancing act is further complicated in emerging markets, where institutional voids heighten uncertainty and resource scarcity (George et al., 2016).

Moreover, the paradoxes faced by inclusive innovation startups extend beyond performance. They include organizing paradoxes (centralized decision-making vs. local empowerment), belonging paradoxes (identity as a business vs. a mission-driven entity), and learning paradoxes (scaling quickly vs. remaining context-sensitive). These tensions are not only multi-dimensional but often mutually reinforcing, creating a complex web of contradictions that founders must navigate in real time (Smith & Lewis, 2011; Smith et al., 2013).

This marks a key point of divergence from more established social enterprises. Whereas mature ventures in the Global North often benefit from institutional legitimacy and foundation funding (Cherrier et al., 2018), inclusive innovation startups must confront paradoxical tensions from the outset. Their context, marked by institutional voids, market exposure, and resource scarcity, makes this paradox not a downstream complication, but a structural condition of their formation (George et al., 2016; Mair et al., 2012).

2.5 Research Gap

This literature review identifies a clear research gap at the intersection of Paradox Theory, hybrid organizing, and inclusive innovation. While prior studies have explored paradoxical tensions in social enterprises and hybrid organizations (Smith et al., 2013; Battilana & Lee, 2014), the majority of this research has focused on mature organizations operating in high-income, institutionally stable contexts. These ventures typically benefit from philanthropic support, established structures, and organizational legitimacy, allowing them to buffer or defer paradoxical tensions. In contrast, early-stage inclusive innovation startups in emerging markets encounter such tensions as structurally embedded and immediate, yet remain underexplored in the existing literature. To the best of my current knowledge, no study has yet explicitly applied Paradox Theory to the context of inclusive innovation startups in emerging markets, despite

their heightened exposure to resource constraints, institutional voids, and systemic inequalities. This represents a significant theoretical and empirical gap.

Moreover, while inclusive innovation literature has emphasized outcomes such as access, empowerment, and developmental impact (Foster & Heeks, 2013; George et al., 2012), it has largely overlooked the internal organizational and leadership practices that entrepreneurs use to navigate these tensions in their daily operations. There remains limited insight into how inclusive innovation ventures, particularly at early stages, manage paradox not as abstract strategy but as lived, real-time practice regarding pricing, partnerships, leadership, and organizational design.

Thus, this thesis addresses these gaps by applying Paradox Theory to the lived experiences of inclusive innovation entrepreneurs in South Africa, an emerging market context characterized by institutional voids, financial constraints, and social inequity. It moves beyond merely acknowledging tensions to empirically explore how entrepreneurs navigate and live with these contradictions through concrete organizational and leadership practices. In doing so, it offers a practice-oriented, context-sensitive extension of Paradox Theory and contributes to the inclusive innovation literature by exploring how hybrid ventures construct everyday strategies for balancing inclusion and financial viability in fragile environments.

Based on the identified research gap, the central research questions of this thesis are defined as follows:

RQ1: How do inclusive innovation entrepreneurs in South Africa navigate tensions between social inclusion and financial sustainability?

RQ2: What organizational practices and leadership strategies do they construct to manage these tensions under institutional and resource constraints?

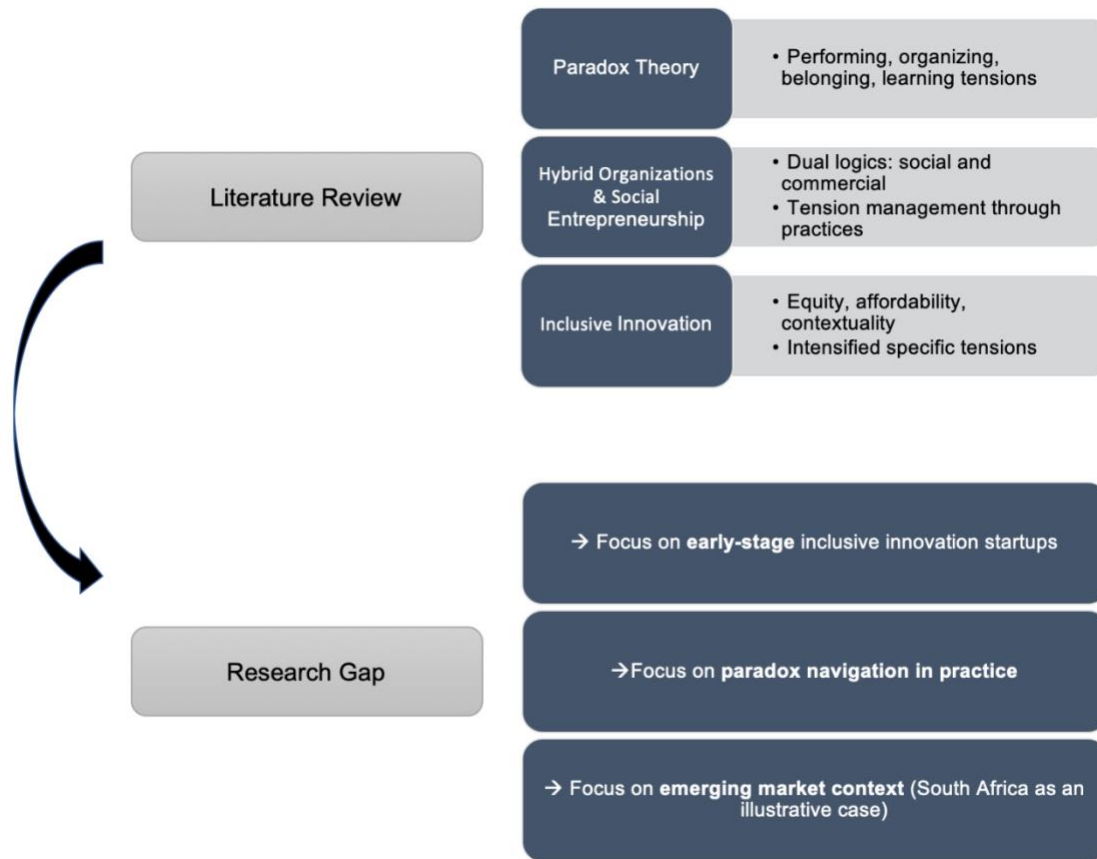


Figure 1: Approach to Literature Review (Own Illustration)

3. Research Design and Methodology

The objective of this study is to understand how inclusive innovation entrepreneurs in South Africa manage persistent organizational tensions between social inclusion and financial sustainability. In particular, it aims to identify concrete strategies, challenges, and internal practices that are employed by social entrepreneurs in real-world contexts of uncertainty and resource constraint. Given the limited research applying Paradox Theory to inclusive innovation startups in emerging markets, this thesis aims to develop theory grounded in practice by using a qualitative, inductive approach for guiding future research and practice, offering valuable insights for social entrepreneurs, investors and policymakers (Gioia et al., 2013). The qualitative design enables the exploration of the lived entrepreneurial experiences and contextual decision-making, which aligns with the interpretive nature of the Gioia methodology (Gioia et al., 2013; Gehman et al., 2018).

3.1 Qualitative Research

Qualitative research is an appropriate methodological approach for this thesis as it enables the exploration of complex social phenomena through the interpretation of subjective meanings, lived experiences, and sense-making processes (Creswell & Poth, 2018). As emphasized by Gehman et al. (2018), ensuring methodological fit is essential for developing theory from empirical data.

This research examines how social entrepreneurs experience and respond to persistent tensions between financial and social objectives. These phenomena are best explored through in-depth, inductive research that prioritizes contextual understanding and real-life experiences over generalizable, quantitative measures. The methodological choice is therefore guided by the need to develop grounded, theory-informed insights about paradox navigation in the everyday practices of hybrid entrepreneurs. Thus, the design is directly aligned with the research questions, which seek to uncover how tensions between social inclusion and financial sustainability are experienced (RQ1) and what internal strategies entrepreneurs use to manage them (RQ2). The Gioia methodology is adopted to facilitate this process (Gioia et al., 2013).

3.1.1 The Gioia Approach

This thesis applies the Gioia methodology, which is well-established for developing grounded theory in organizational research. The method facilitates the identification of emergent themes and supports the development of novel theoretical insights from raw data, rather than imposing preconceived theoretical frameworks (Gioia et al., 2013; Magnani & Gioia, 2023).

The Gioia methodology is particularly well-suited for this study as it emphasizes qualitative rigor while maintaining closeness to the data. It provides a structured coding process to capture the participants' perspectives and experiences in managing paradoxes between profit and purpose. Moving from first-order (informant-centric) concepts to second-order (researcher-centric) themes and ultimately to aggregate theoretical dimensions, Gioia's approach supports theory development without imposing pre-existing theoretical frameworks, aligning with the study's exploratory objectives (Gioia et al., 2013).

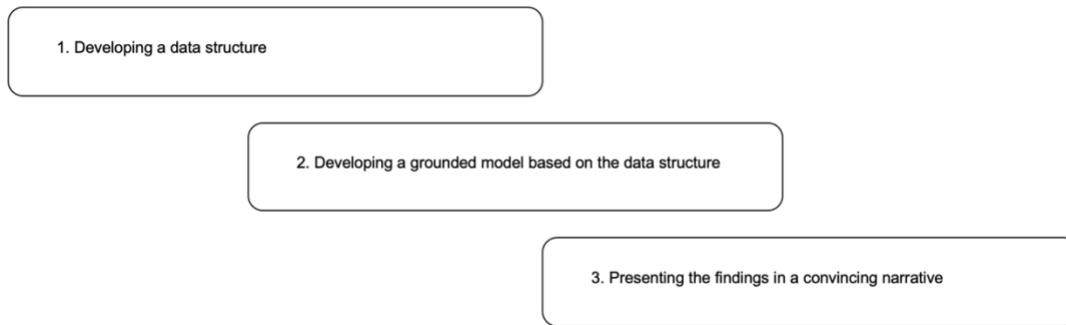


Figure 2: Three main procedural pillars of the Gioia methodology (Own illustration based on Magnani & Gioia, 2023)

3.2 Data Collection

The empirical data for this thesis was collected through semi-structured interviews, a method particularly suitable for exploring personal experiences, complex decision-making, and organizational tensions. According to Gioia et al. (2013), such interviews are “the heart of these studies” as they allow rich and detailed exploration of the lived realities of informants.

The interviews were conducted as part of a collaborative international research project between universities in Germany, Nigeria, and South Africa. This thesis represents an independent analysis of the data collected for that broader project. The interviews have not been previously analyzed or published.

A purposive sampling method was employed to select participants, that met the following criteria: founders or key decision-maker within a social enterprise explicitly pursuing both social inclusion and financial sustainability; at least two years of operational activity; representation from a diverse range of sectors, such as agriculture, fintech, tourism, education, and retail, to ensure comparative insights.

The interviews followed an open-ended guide, encouraging a conversational tone and in depth-reflection. They lasted an average of 45 minutes, and were conducted in English. All interviews were transcribed and cleaned prior to analysis.

Initially, a total of 22 interviews were collected. However, following a careful quality and relevance assessment, five interviews were excluded from the final analysis. These interviews

were either incomplete, did not sufficiently engage with the topic of inclusive innovation, or were not directly relevant to the research questions guiding this thesis. This process ensured that the final sample was both theoretically and empirically aligned with the study's focus.

All transcripts were analyzed manually. A preliminary assessment of data saturation was conducted after the 12th interview, following the guidelines of Saunders et al. (2018). As no new substantial themes emerged thereafter, data saturation was deemed achieved with a final sample of 17 interviews.

3.3 Data Sample

The following section outlines the data sample used in this study. It begins with a contextual overview of the South African entrepreneurial ecosystem, particularly in relation to inclusive innovation, and then explains how the social entrepreneurs interviewed for this research were identified and selected.

3.3.1 The South African Entrepreneurial Ecosystem as Empirical Setting

South Africa presents a distinctive and highly relevant empirical setting for the study of inclusive innovation. Despite being classified as an upper-middle-income economy, the country faces deep socio-economic inequalities, high unemployment (particularly among youth), and spatial disparities rooted in its apartheid legacy (UNDP, 2020; Herrington et al., 2022). These conditions have stimulated growing interest in social entrepreneurship and inclusive innovation as alternative models for driving socio-economic development and addressing systemic exclusion (UNDP 2020; George et al. 2012).

The inclusive innovation ecosystem in South Africa is characterized by a mix of grassroots initiatives, university-based accelerators, impact-driven tech hubs, NGOs, and social investors (UNDP, 2020). Yet, it remains fragmented and underdeveloped in several key dimensions. First, support structures are often geographically concentrated in major urban centers such as Cape Town, Johannesburg, and Durban, leaving rural or township-based entrepreneurs with limited access to finance, mentorship, or infrastructure (EDHE, 2021). Second, despite the existence of funding mechanisms such as the Technology Innovation Agency and various

incubators, access to capital remains a significant barrier, specially for startups with non-traditional business models and dual-purpose missions (UNDP, 2020; GEM, 2022).

Moreover, many inclusive innovators operate in what the UNDP (2020) refers to as a “missing middle” between formal institutional support and informal grassroots problem-solving. These actors frequently rely on local knowledge, resource bricolage, and personal networks to sustain and scale their ventures. Their work often reflects forms of innovation that are socially embedded, low-tech, and tailored to local realities, attributes that remain undervalued by mainstream metrics of innovation success (Heeks et al., 2014; Pansera & Owen, 2018).

At the policy level, there is increasing recognition of the role of inclusive innovation in achieving the Sustainable Development Goals (SDGs). However, coordination between public, private, and academic institutions remains inconsistent, and data gaps hinder real-time evaluation of what is working within the ecosystem (UNDP, 2020; EDHE, 2021). This institutional fluidity and environmental uncertainty further reinforce the relevance of applying Paradox Theory in this setting, as inclusive innovation entrepreneurs are often caught between competing institutional logic, such as community engagement vs. commercial viability, or local relevance vs. scalability.

As such, South Africa offers a fertile empirical ground to explore how hybrid ventures manage inherent tensions between social and financial objectives, not as a case study in national specificity, but as an illustrative context for broader theoretical insights into inclusive innovation in emerging economies.

3.3.2 Guidelines for the Selection of Social Entrepreneurs

Given the inductive approach of this master thesis, it was essential to identify a representative sample of social entrepreneurs with experience in navigating the complexities of balancing financial sustainability and social inclusion. The interview data used in this thesis was sourced from a collaborative international research project involving South African, Nigeria, and German universities, focused on entrepreneurial ecosystems for inclusive innovation. My supervisor was involved in the research and facilitated access to the dataset, which had not previously been analyzed or published.

The original sample consisted of 22 South African entrepreneurs as part of a broader academic collaboration between South African and international research partners. Participants were identified through a combination of local entrepreneurial networks, incubators, innovation hubs, and referrals, ensuring diversity across sectors and organizational stages. For this thesis, 17 interviews were selected based on their relevance to the research questions. Interviews that were incomplete, did not explicitly focus on inclusive innovation, or lacked sufficient detail regarding tension navigation were excluded from the final sample. This filtering process ensured that the analyzed data directly addressed the central objectives of the study.

3.3.3 Description of the Final Interview Sample

The final sample consists of 17 social entrepreneurs operating within South Africa's inclusive innovation space (Figure 3). Interviews ranged from 30 to 55 minutes. The sample represents five key sectors:

- Agriculture (5 participants): Sustainable farming practices, food security, and small-scale farming empowerment.
- Fintech (3 participants): Financial inclusion tools and products targeting underserved communities.
- Tourism (3 participants): Community-based tourism and inclusive economic development through local participation
- Education (3 participants): Affordable educational solutions and technology-driven education platforms
- Retail (3 participants): Ethical retail practices, fair-trade products, an local entrepreneurs and vendors support

Participants operated across diverse regions within South Africa. While many were based in urban centers such as Cape Town and Stellenbosch, several ventures were also worked in township or rural communities, reflecting the broad contextual realities of inclusive innovation in the country. The Appendix provides an overview of the final sample, including information on sectors, organizational roles, years of operation, and specific social missions.

Social Entrepreneur#	Role	Sector / Industry
SE1	Founder & Creative Lead	Tourism / Events
SE2	Founder	Retail / Coffee
SE3	Founder	Energy / ClimateTech
SE4	CEO	Education / EdTech
SE5	COO	Environmental / MarineTech
SE6	Founder & CEO	Tourism / Culture
SE7	Founder & CEO	Logistics / Delivery
SE8	Founder & CEO	Beauty / Lifestyle Services
SE9	Founder & CEO	Urban Farming / AgriTech
SE10	Founder & CEO	Fintech / Gender-Inclusive Finance
SE11	Founder & CEO	Creative / Fashion / Youth
SE12	Founder & CEO	EdTech / Skills Development
SE13	Founder & CEO	Fintech / Gender-Inclusive Finance
SE14	Founder & CEO	Digital Inclusion / Training
SE15	Managing Director	EdTech / Skills Development
SE16	CEO	RetailTech / Delivery
SE17	Founder & CEO	Retail / E-Commerce

Figure 3: Data Sample (Own Illustration)

3.4 Coding Process

The coding process followed a systematic, inductive approach based on the Gioia methodology, as described in Section 3.1.1. All transcripts were analyzed manually through an iterative review. The aim was to identify the insights related to how inclusive innovation entrepreneurs interpret, experience, and respond to organizational tensions between social inclusion and financial sustainability, thus, directly addressing RQ1 and RQ2.

As outlined by Gioia et al. (2013), the analysis followed three stages. First, first-order concepts were generated by identifying recurring terms, expressions, or perspectives described by the entrepreneurs. These concepts closely reflected the participants' own language and terminology, ensuring that the analysis remained grounded in their lived experiences.

In the second step, these first-order concepts were grouped into second-order themes based on observed patterns, similarities, and theoretical relevance. These themes needed a higher level of theoretical interpretation and began to reveal deeper patterns across the data, such as recurring strategies for balancing social and financial goals, responses to stakeholder pressures, or internal identity tensions within hybrid ventures.

In the final step, second-order themes were aggregated into broader theoretical dimensions. These aggregate dimensions represent the core conceptual contributions of the study and form the basis of the emergent grounded model. The resulting data structure demonstrates how

entrepreneurs in inclusive innovation startups respond to and manage the dual pressures of pursuing both social and economic value creation.

Throughout the process, regular peer debriefing and cross-checking of codes were carried out to ensure consistency, rigor, and analytical validity, in line with best practices in inductive qualitative research (Gioia et al., 2013). Figure 3 visually represents the final data structure, demonstrating the movement from informant-centric terms to theoretically grounded categories.

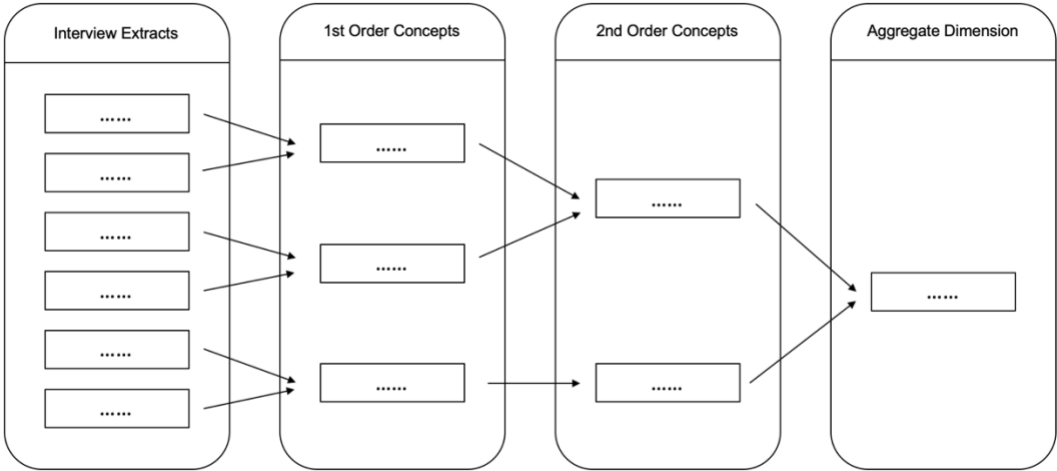


Figure 4: Data Structure (Own illustration based on Gioia et al. 2013)

4. Results

Through a thorough analysis of the qualitative data, four aggregated dimensions have emerged for how inclusive innovation startups in South Africa navigate the paradox between social inclusion and financial sustainability. The findings aim to highlight the core mechanisms and strategies that social entrepreneurs employ to manage the tensions between profitability and purpose within resource-constrained and institutionally complex environments. These dimensions represent key themes and concepts that have been identified through the Gioia methodology, as described in the previous section.

These dimensions were developed using the Gioia methodology, as described in the previous section, and reflect key patterns across the interview data. They correspond directly to the research questions of this study: RQ1: How entrepreneurs navigate paradoxical tensions

between inclusion and financial sustainability, and RQ2: What internal strategies and leadership practices they use in doing so.

As illustrated in the data structure (Figure 4) according to Gioia et al. (2013), the coding process resulted in four distinct aggregate dimensions, each supported by multiple second-order themes and first-order concepts, that were identified through a systematic and iterative coding process of the interview transcripts (Figure 5-8).

In the following, these dimensions and their respective sub-themes will be presented in detail, supported by representative quotes and empirical examples from the data. While this chapter focuses on presenting results, interpretation and theoretical integration will follow in the Discussion chapter.

4.1 Managing Tensions Through Inclusive Pricing Strategies

Through the application of the Gioia methodology, the first key aggregate dimension that emerged is the strategic balancing of profitability and inclusive pricing. This dimension reflects how South African entrepreneurs are actively navigating the tension between offering accessible products or services to underserved or disadvantaged communities, while also maintaining financial viability.

Across numerous interviews, founders described pricing not simply as a market mechanism to generate revenue, but as a strategic tool for driving social inclusion. However, these inclusive ambitions frequently encounter barriers, such as rising operational costs, limited access to capital, and pressure to grow revenue. As a result, entrepreneurs employ a mix of creative pricing models, external funding strategies, and operational cost management to maintain this balance.

The findings show that this balancing effort of inclusion and profitability is not passive or incidental, it is rather deeply embedded in the business models of inclusive startups, reflected in product strategies, investor relationships, and their value chains. These tensions and tactics are illustrated through four second-order themes, each composed of several first-order concepts grounded in the interview data. Thus, this dimension responds to RQ1 by showing how pricing

strategies are used to balance affordability and profitability in resource-constrained environments.

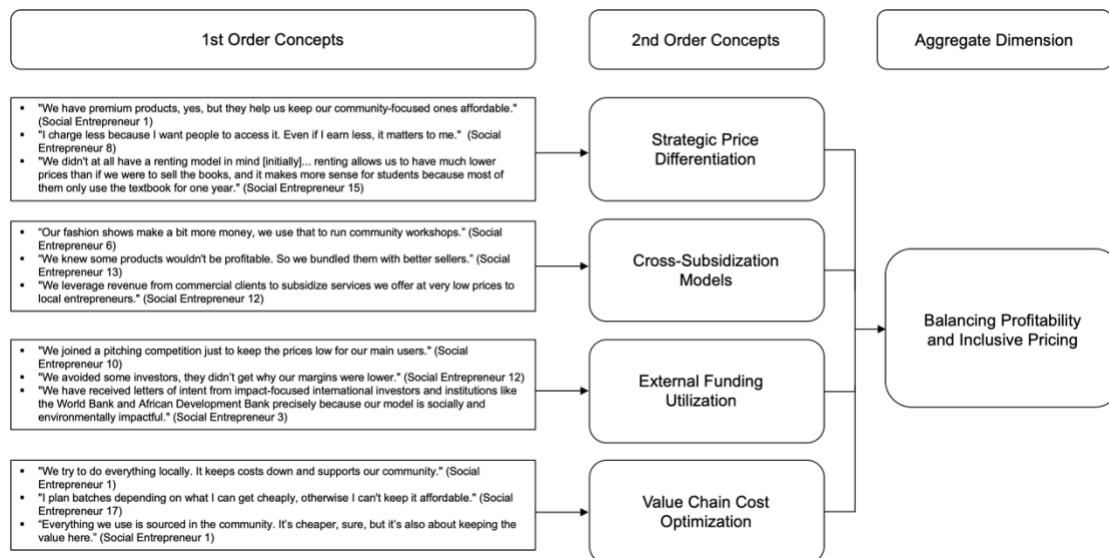


Figure 5: First Aggregate Dimension of the Grounded Theory Model (Own illustration)

4.1.1 Strategic Price Differentiation

The Interviewees frequently described that they adopt differentiated and flexible pricing models to ensure the offerings remain accessible to marginalized or economically disadvantaged customer segments. Thus, they designed a tiered pricing structure to accommodate a range of customer income levels. These approaches involve maintaining premium-priced products or services alongside lower-cost offerings, enabling them to subsidize accessibility without sacrificing overall financial viability.

"We have premium products, yes, but they help us keep our community-focused ones affordable." (Social Entrepreneur 2)

"I charge less because I want people to access it. Even if I earn less, it matters to me." (Social Entrepreneur 8)

"We didn't at all have a renting model in mind [initially]... renting allows us to have much lower prices than if we were to sell the books, and it makes more sense for students because most of them only use the textbook for one year." (Social Entrepreneur 15)

4.1.2 Cross-Subsidization Models

To manage the tension between inclusion and financial performance, founders frequently employ cross-subsidization models, thereby, using profits generated from higher-margin activities to fund more inclusive, lower-margin initiatives. The entrepreneurs often use profitable segments to subsidize mission-driven programs. This internal balancing mechanism allows social objectives to be sustained without compromising long-term financial health or relying exclusively on external funding. This is not a just reactive strategy but built into the core operating logic.

"Our fashion shows make a bit more money, we use that to run community workshops." (Social Entrepreneur 6)

"We knew some products wouldn't be profitable. So we bundled them with better sellers." (Social Entrepreneur 13)

"We leverage revenue from commercial clients to subsidize services we offer at very low prices to local entrepreneurs." (Social Entrepreneur 14)

4.1.3 External Funding Utilization

To support accessible pricing models, many startups rely on grant funding, prize money, or partnerships with impact-aligned investors. Such external funds are not merely capital gains but strategic instruments enabling entrepreneurs to sustain their inclusive pricing strategies without diluting their core missions.

"We joined a pitching competition just to keep the prices low for our main users." (Social Entrepreneur 10)

"We avoided some investors, they didn't get why our margins were lower." (Social Entrepreneur 12)

"We have received letters of intent from impact-focused international investors and institutions like the World Bank and African Development Bank precisely because our model is socially and environmentally impactful." (Social Entrepreneur 3)

4.1.4 Value Chain Cost Optimization

Finally, several founders described optimizing internal processes and cost structures to allow for affordable pricing without compromising quality. Local sourcing, lean operational practices, and shared infrastructure were common cost-reduction strategies adopted to ensure prices remain low without sacrificing quality or sustainability. These pricing models reveal the ongoing tension entrepreneurs experience between financial viability and mission-aligned affordability, a tension revisited in the following discussion.

"We try to do everything locally. It keeps costs down and supports our community." (Social Entrepreneur 1)

"I plan batches depending on what I can get cheaply, otherwise I can't keep it affordable." (Social Entrepreneur 17)

"Everything we use is sourced in the community. It's cheaper, sure, but it's also about keeping the value here." (Social Entrepreneur 7)

In conclusion, this first aggregate dimension highlights that inclusive pricing is not a by-product of startup innovation among South African inclusive innovation entrepreneurs. Instead, it represents deliberate, strategic, and multi-dimensional approaches used by entrepreneurs to navigate inherent organizational tensions. These strategies allow startups to hold inclusion and profitability in dynamic tension without resorting to compromise.

4.2 Strategic Partnerships and Collaborations

The second aggregate dimension that emerged highlights the strategic importance of external collaborations as critical enablers in navigating tensions between social inclusion and financial sustainability. While the previous dimension focused primarily on internal mechanisms such as pricing strategies, this dimension illustrates how external partnerships, ranging from local community networks to relationships with NGOs, government bodies, private sector actors, and academic institutions support social startups to extend their capabilities, secure essential resources, and maintain their dual mission of social impact and economic sustainability. Hence, these findings address RQ1 by illustrating how external partnerships help startups adjust to their institutional environment.

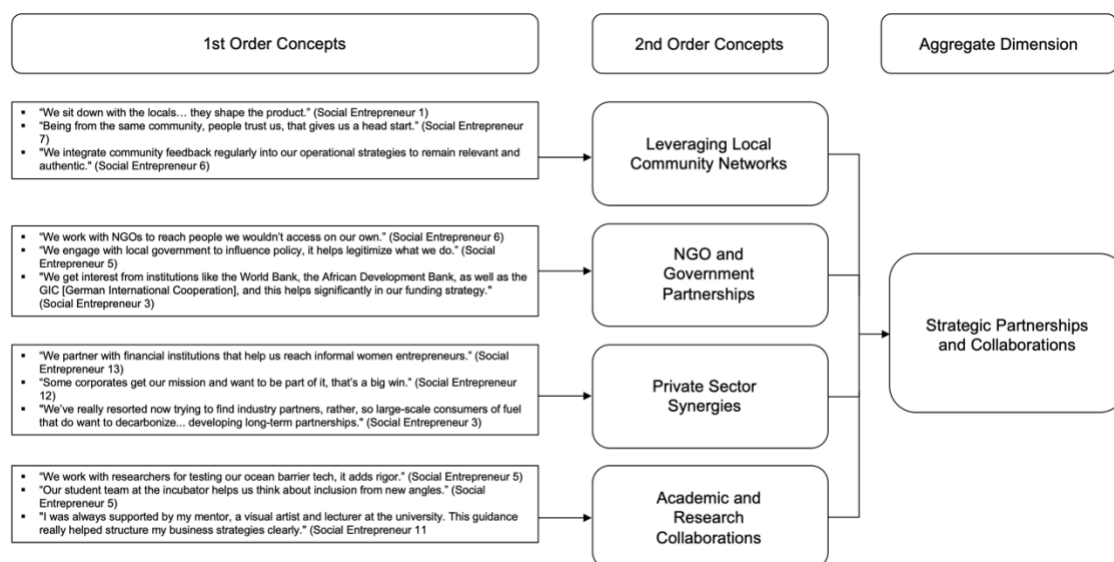


Figure 6: Second Aggregate Dimension of the Grounded Theory Model (Own illustration)

4.2.1 Leveraging Local Community Networks

Entrepreneurs strongly emphasized the strategic advantage gained from community proximity, trust-building, and active involvement of local stakeholders. Founders deliberately embedded local knowledge into product and service design processes, positioning their ventures to remain relevant and trusted within their target communities.

They highlighted the importance to co-design solutions with customers through maintaining open communication loops, and embedding the customers perspective in their offering.

"We sit down with the locals... they shape the product." (Social Entrepreneur 1)

“Being from the same community, people trust us, that gives us a head start.” (Social Entrepreneur 7)

“We integrate community feedback regularly into our operational strategies to remain relevant and authentic.” (Social Entrepreneur 5)

4.2.2 NGO and Government Partnerships

Collaborations with NGOs and governmental institutions were identified as strategic levers for scaling impact, securing financial resources, and accessing critical infrastructures and legitimacy. Entrepreneurs leveraged public-private partnerships and NGO networks to enhance their reach and effectiveness in addressing social issues.

“We work with NGOs to reach people we wouldn’t access on our own.” (Social Entrepreneur 6)

“We engage with local government to influence policy, it helps legitimize what we do.” (Social Entrepreneur 5)

“We get interest from institutions like the World Bank, the African Development Bank, as well as the GIC [German International Cooperation], and this helps significantly in our funding strategy.” (Social Entrepreneur 3)

4.2.3 Private Sector Synergies

Partnerships with corporates and private sector stakeholders emerged as critical enablers for startups aiming to achieve financial sustainability and operational scale. Social entrepreneurs explicitly described they leverage corporate resources, infrastructure, and distribution networks to increase their social impact, simultaneously ensuring their financial viability.

“We partner with financial institutions that help us reach informal women entrepreneurs.” (Social Entrepreneur 13)

“Some corporates get our mission and want to be part of it, that’s a big win.” (Social Entrepreneur 12)

“We’ve really resorted now trying to find industry partners, rather, so large-scale consumers of fuel that do want to decarbonize... developing long-term partnerships.” (Social Entrepreneur 3)

4.2.4 Academic and Research Collaborations

Founders explicitly described the strategic value of partnering with universities and academic researchers to enhance credibility, test their innovations, and develop evidence-based solutions. This collaboration was particularly crucial for startups addressing technical, environmental, or systemic social issues.

“We work with researchers for testing our ocean barrier tech, it adds rigor.” (Social Entrepreneur 5)

“Our student team at the incubator helps us think about inclusion from new angles.” (Social Entrepreneur 15)

“I was always supported by my mentor, a visual artist and lecturer at the university. This guidance really helped structure my business strategies clearly.” (Social Entrepreneur 11)

In summary, the second aggregate dimension illustrates that external partnerships are not peripheral but central organizing mechanisms for inclusive innovation entrepreneurs operating under constraint. These collaborations enable startups to bridge capability gaps, secure legitimacy, access funding, and enhance their social reach while navigating institutional voids and market challenges. Rather than functioning as isolated entities, these ventures strategically embed themselves within broader ecosystems of NGOs, corporates, academic institutions, and local communities. This supports their ability to simultaneously pursue financial sustainability and inclusive impact, thereby addressing core tensions outlined in RQ1.

4.3 Organizational Agility and Adaptation

The third aggregate dimension explores how inclusive startups in South Africa structure themselves internally to remain resilient in the face of complexity. Many founders emphasized the need for flexible, learning-oriented organizations that can adapt swiftly to changing community needs, or resource constraints.

This dimension reveals that navigating the paradox between social and commercial goals requires more than a strong vision, it demands an adaptive operational system capable of absorbing tensions and adaptation. Social entrepreneurs described shaping their teams, workflows, and processes to create organizational environments where flexibility and responsiveness are embedded. Therefore, the dimension directly relates to RQ2, and highlights internal organizational strategies that enable flexible responses to paradoxical demands.

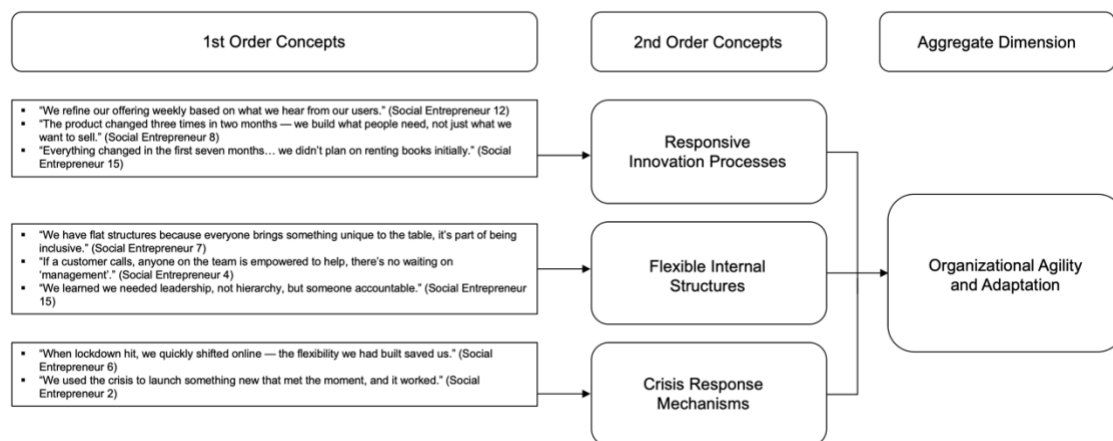


Figure 7: Third Aggregate Dimension of the Grounded Theory Model (Own illustration)

4.3.1 Responsive Innovation Processes

Startups routinely adjusted their products or services based on real-time feedback, often co-evolving with the community members and users. Iteration, co-design, and local responsiveness were seen as key innovation tools.

"We refine our offering weekly based on what we hear from our users." (Social Entrepreneur 12)

“The product changed three times in two months — we build what people need, not just what we want to sell.” (Social Entrepreneur 8)

“Everything changed in the first seven months... we didn’t plan on renting books initially.” (Social Entrepreneur 15)

4.3.2 Flexible Internal Structures

Founders described organizing their teams in ways that supported role fluidity, shared leadership, and simultaneous attention to both mission and market. Hierarchical or rigid structures were seen as barriers to navigating inclusion-profit tensions.

“We have flat structures because everyone brings something unique to the table, it’s part of being inclusive.” (Social Entrepreneur 7)

“If a customer calls, anyone on the team is empowered to help, there’s no waiting on ‘management’.” (Social Entrepreneur 4)

“We learned we needed leadership, not hierarchy, but someone accountable.” (Social Entrepreneur 15)

4.3.3 Crisis Response Mechanisms

External shocks like COVID-19 were seen not just as disruptions, but as tests of adaptability. Startups that had embedded responsiveness into their culture were better able to pivot, realign, or reconfigure offerings without compromising their mission.

“When lockdown hit, we quickly shifted online, the flexibility we had built saved us.” (Social Entrepreneur 6)

“We used the crisis to launch something new that met the moment, and it worked.” (Social Entrepreneur 2)

Overall, this dimension reveals that for inclusive startups, organizational agility is a strategic imperative. Their capacity to adjust, pivot, and reorganize enables them to focus on both sides of their mission in tension and to grow. Participants described these adaptations not as one-off pivots but as ongoing learning processes, continually balancing short-term responsiveness with long-term mission.

4.4 Navigating Paradox Through Leadership and Values-Driven Culture

The last aggregate dimension centers on the human element behind inclusive innovation: leadership and internal culture. Founders and early team members play a key role in shaping and reinforcing the dual logic of social and financial goals, making leadership not just about direction, but about alignment, trust, and identity of the startups.

This dimension explores how the social entrepreneurs lead with conviction, embed values into the organizational culture, and empower their teams to act in line with both economic and inclusive aims. Rather than seeing culture as a "soft" dimension, these startups use it as a hard mechanism for navigating paradox. Hence, the dimension responds to RQ2 by demonstrating how internal identity work and empowering inclusion within teams support paradox navigation.

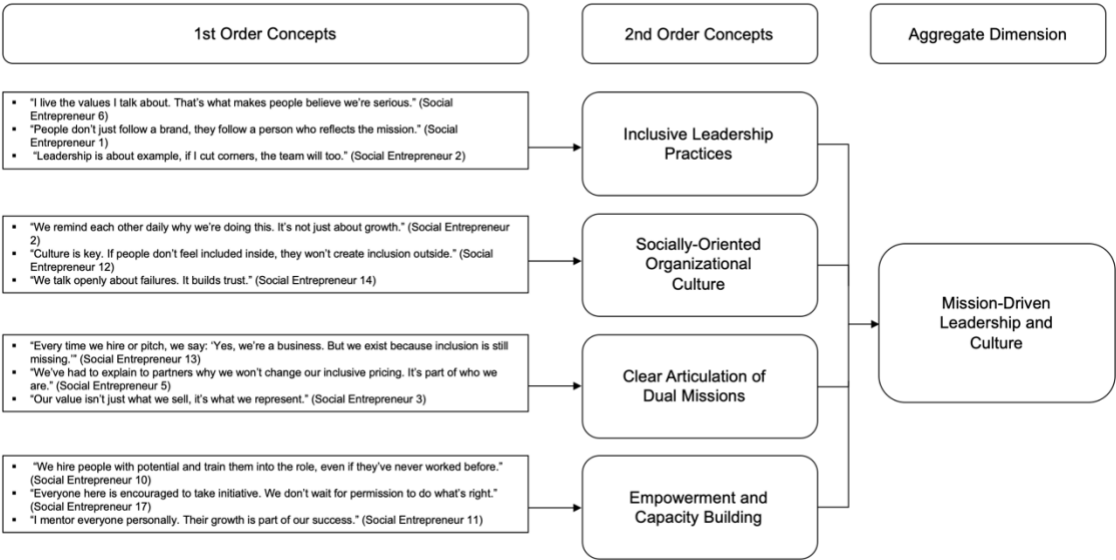


Figure 8: Fourth Aggregate Dimension of the Grounded Theory Model (Own illustration)

4.4.1 Inclusive Leadership Practices

Founders often served as mission leaders, embodying the purpose of the company in both internal and external actions. Their leadership style was typically described as hands-on, communicative, and community-rooted.

“I live the values I talk about. That’s what makes people believe we’re serious.” (Social Entrepreneur 6)

“People don’t just follow a brand, they follow a person who reflects the mission.” (Social Entrepreneur 1)

“Leadership is about example, if I cut corners, the team will too.” (Social Entrepreneur 2)

4.4.2 Socially-Oriented Organizational Culture

Internal culture was purposely shaped to reinforce inclusivity. Values like trust, openness, and service were cultivated through hiring, rituals, and storytelling. These cultural practices helped maintain team alignment and identity, especially as strategic priorities shifted. This coherence became crucial to sustaining an inclusive mission under pressure.

“We remind each other daily why we’re doing this. It’s not just about growth.” (Social Entrepreneur 2)

“Culture is key. If people don’t feel included inside, they won’t create inclusion outside.” (Social Entrepreneur 12)

“We talk openly about failures. It builds trust.” (Social Entrepreneur 14)

4.4.3 Clear Articulation of Dual Missions

Startups emphasized the importance of consistently communicating their dual goals, to investors, employees, and partners. This continuous communication is a way to stay grounded in their purpose while navigating complexity.

“Every time we hire or pitch, we say: ‘Yes, we’re a business. But we exist because inclusion is still missing.’” (Social Entrepreneur 13)

“We’ve had to explain to partners why we won’t change our inclusive pricing. It’s part of who we are.” (Social Entrepreneur 5)

“Our value isn’t just what we sell, it’s what we represent.” (Social Entrepreneur 3)

4.4.4 Empowerment and Capacity Building

Inclusive startups saw team empowerment not just as good management, but as part of their mission. They invested in developing their people so that decision-making could be distributed, and values could be enacted at all levels.

“We hire people with potential and train them into the role, even if they’ve never worked before.” (Social Entrepreneur 10)

“Everyone here is encouraged to take initiative. We don’t wait for permission to do what’s right.” (Social Entrepreneur 17)

“I mentor everyone personally. Their growth is part of our success.” (Social Entrepreneur 11)

This final dimension shows that inclusive innovation is not only about what a startup builds, it is also about how people work together and a strong focus and vision. The leadership and culture of these ventures are not separate from their strategy, they are part of the strategy to balance inclusion with profitability.

4.5 Grounded Theory Model: Navigating Tensions in Inclusive Innovation Startups

This study developed a grounded theory model to explain how inclusive innovation entrepreneurs in South Africa navigate the ongoing tension between social inclusion and financial sustainability. Building on the findings presented in the previous sections, the model synthesizes key organizational strategies that enable hybrid ventures to survive and grow under conditions of institutional complexity and resource scarcity.

While inclusive innovation is often portrayed as a set of desired outcomes or product-level solutions, this model illustrates it as a continuous organizing process, shaped by competing logics and embedded in everyday decisions. Drawing from the Gioia methodology and the four identified aggregate dimensions, the model offers a structured view of how entrepreneurs actively manage paradoxes over time. The grounded theory model contributes to a more nuanced understanding of hybrid entrepreneurship by showing that tensions are not resolved but continuously recombined across four interdependent dimensions: inclusive pricing strategies, legitimacy-building partnerships, adaptive leadership, and organizational agility.

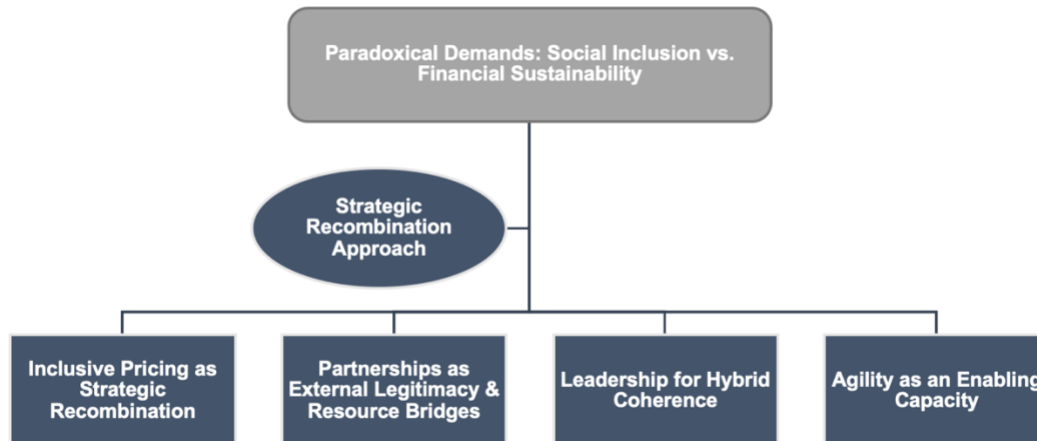


Figure 9: Proposed Grounded Theory Model on Paradox Management for Inclusive Innovation Startups in Emerging Markets (Own Illustration)

4.5.1 Explanation of Model and Interrelations Between Dimensions

The grounded theory model developed in this study illustrates how inclusive innovation startups in South Africa navigate the core paradox between social inclusion and financial sustainability

through four interrelated dimensions. These dimensions function not as isolated solutions but as an interconnected system of strategic recombination under constraint.

4.5.1.1 Inclusive Pricing as Strategic Recombination

Startups implemented cross-subsidization, and context-specific pricing to balance affordability with viability. Pricing became more than a revenue tool, it served as a strategic lever for inclusion, enabling entrepreneurs to pursue equity without sacrificing sustainability. This reflects an innovative response to the performing paradox and shows how ventures actively recombine pricing logic with social goals.

4.5.1.2 Partnerships as External Legitimacy and Resource Bridges

Collaborations with NGOs, universities, and government actors were critical not only for resource access but also for legitimacy in fragmented institutional environments. These partnerships helped startups extend their reach, reduce risk, and maintain their social mission while operating in high-uncertainty settings. They allowed ventures to gain trust and legitimacy in the absence of strong institutional backing.

4.5.1.3 Leadership for Hybrid Coherence

Founders played a central role in actively balancing competing goals, through values-based leadership, mission and cultural framing. Rather than relying on formal structures, they cultivated coherence through narrative, example, and empowerment. This dimension highlights how leadership becomes an identity anchor amidst shifting strategic demands.

4.5.1.4 Agility as an Enabling Capacity

Structural flexibility and operational agility, manifested through flat hierarchies, decentralized decision-making, and iterative operations, allowed startups to respond quickly to evolving market, social, or funding dynamics. This flexibility was not incidental, but a core enabler for managing competing logics without organizational destabilization.

Importantly, these dimensions do not operate independently, but rather interact as a system of adaptive responses to paradox. For instance, pricing innovations were often enabled by partnership support, while leadership clarity helped teams sustain identity through strategic pivots. Together, these practices enabled entrepreneurs to remain rooted in their inclusive mission while responding to the demands of financial sustainability in real time.

This model thus illustrates the organizational and leadership practices through which inclusive innovation entrepreneurs actively navigate tension under resource and institutional constraints, addressing both social and financial imperatives as ongoing, lived realities. In doing so, it contributes to the literature by showing that paradox navigation in inclusive innovation ventures is not achieved through resolution or clear structural separation, but through emergent, embedded, and interdependent practices shaped by constraint.

5. Discussion

This chapter provides a comprehensive discussion of the key findings of the study and highlights their academic and practical implications. The section begins with elaborating on the propositions of the model. It then relates the results back to the existing literature, and states the main contributions of this research to the academic and practical fields.

5.1 Key Propositions in the Grounded Theory Model

Developing the grounded theory model to explain how inclusive innovation entrepreneurs in emerging markets navigate the persistent paradox between social inclusion and financial sustainability, the following propositions regarding their key mechanisms were identified:

Proposition 1: Inclusive innovation entrepreneurs apply flexible, context-sensitive pricing strategies to maintain the balance between affordability for underserved users with the need for financial sustainability. These trade-offs represent a dynamic response to the performing paradoxes (Smith & Lewis, 2011) inherent in hybrid business models.

Proposition 2: Strategic partnerships with NGOs, universities, and public actors provide external legitimacy, funding access and network support, functioning as structural enablers to navigate organizing paradoxes in weak institutional environments.

Proposition 3: Organizational agility is expressed through lean organizational structures, iterative operations, and the ability to pivot quickly, allowing inclusive innovation startups to continuously realign priorities and balance out shifting constraints. Hence, this makes agility a core paradox navigation capability in resource-scarce settings.

Proposition 4: Leadership plays a critical role in emphasizing the mission coherence competing logics by embedding inclusive values, aligning teams, and maintaining mission clarity. These practices support internal cohesion and address belonging paradoxes around hybrid identity.

Proposition 5: In inclusive innovation contexts, especially in emerging markets where institutional infrastructure is weak, public support is limited, and formal safety nets are lacking, entrepreneurs cannot delay, out rtmentalize tensions. Instead, they must engage with paradoxes immediately and continuously. Navigating these tensions becomes a real-time process of adaptation, requiring the recombination of internal practices and external partnerships to survive and grow under pressure.

5.2 Key Findings and Theoretical Interpretation

This section interprets the findings presented earlier in light of the research questions: how inclusive innovation entrepreneurs in South Africa navigate tensions between social inclusion and financial sustainability (RQ1), and what organizational and leadership practices they construct to manage these tensions under institutional and resource constraints (RQ2). The grounded theory model developed in this study illustrates how inclusive innovation entrepreneurs in resource-constrained environments respond to persistent paradoxical demands through a continuous interplay of internal and external mechanisms.

A central finding is that inclusive innovation entrepreneurs do not seek to resolve the tension between social inclusion and financial sustainability. Instead, they practice strategic recombination, continuously adapting and combining pricing models, partnerships, leadership styles, and organizational routines to “live with” paradox. This finding reinforces the dynamic equilibrium model of paradox management (Smith & Lewis, 2011), which emphasizes ongoing cycles of differentiation and integration. Moreover, this study extends the applicability of the model. While prior research has predominantly examined how mature, well-resourced

organizations navigate paradox through embedded routines and structural mechanisms (e.g., Smith & Lewis, 2011; Cherrier et al., 2018), this thesis shows that inclusive innovation startups must engage with paradox in real time, in contexts where such structures do not yet exist. In environments marked by institutional voids, paradox is not a strategic concern to be managed later, but it is an immediate, operational condition that defines how these ventures are built.

Second, the use of cross-subsidization and inclusive pricing models illustrates how inclusive innovation entrepreneurs deal with the performing paradox: delivering affordability and inclusion, and financial sustainability not by compromise but through innovative financial strategies (Smith & Lewis, 2011). Inclusive innovation ventures use strategic pricing as a central mechanism for achieving hybrid value. Prior studies on inclusive innovation often emphasize user-centric design or frugal technology (George et al., 2012; Heeks et al., 2014), this study shows that pricing itself can be a key factor of innovation. Entrepreneurs develop pricing models not as trade-offs between inclusion and revenue, but as intentional strategies to accomplish both. In doing so, they construct financial mechanisms that reflect their social mission, enabling access for marginalized users while maintaining financial viability in resource-constrained contexts.

Furthermore, his study underscores the strategic role of partnerships in managing organizing paradoxes. Inclusive innovation startups operate in fragmented ecosystems with limited public infrastructure and weak formal institutional (George et al., 2012; Mair et al., 2012). In this context, partnerships with NGOs, universities, and public actors are not simply supportive, but rather essential. These relationships provide legitimacy, mitigate risk, and extend reach, supporting startups to maintain their hybrid mission. While previous research has acknowledged the role of partnerships in social enterprise more broadly (Battilana et al., 2015), this study emphasizes that in the context of inclusive innovation, such collaborations are foundational for navigating tension between local embeddedness and the need for growth. They help ventures bridge institutional gaps and maintain their hybrid mission in real time. This finding also reinforces the idea that institutional voids are not only barriers but spaces for creative recombination (Mair et al., 2012), where hybrid ventures build capacity through relational rather than formal systems.

Another outcome of this study is the identification of organizational agility and mission-driven leadership as internal enablers of managing paradox. Leaders structure their teams, workflows,

and cultures in ways that allow them to reprioritize competing goals while maintaining a coherent organizational identity. This agility is reflected in the described iterative workflows, flat structures, and the ability to pivot in response to shifting constraints. Beyond structure, inclusive innovation founders also cultivate strong organizational identities rooted in inclusion and purpose. This helps navigate belonging paradoxes — the tension between being a social mission-led organization and a financially viable business. Rather than resolving this contradiction, founders create internal cultures that embrace both sides. They lead by example, foster team alignment, and build shared narratives that hold the venture together across moments of uncertainty.

While Cherrier et al. (2018) demonstrate how mature social enterprises in stable contexts manage paradoxes through embedded routines and symbolic practices, this study highlights that inclusive innovation entrepreneurs must develop such practices more dynamically, and respond flexibly and adaptively.

This study advances Paradox Theory by applying it to organizational contexts, that are both early-stage and embedded in emerging market environments. While much of the existing literature focuses on mature firms in resource-rich, Western settings (Smith & Lewis, 2011; Hahn et al., 2014), this thesis demonstrates that paradoxical tensions are often more immediate and intense in startups operating under institutional voids and resource scarcity. In such environments, entrepreneurs cannot postpone trade-offs or compartmentalize competing logics. Instead, they must engage with paradoxes constantly, as part of their daily operational and leadership work. This contribution offers a more grounded, context-sensitive view on paradox navigation, shaped by constraint, environmental uncertainty, highlighting the lived realities of hybrid organizing in the emerging markets.

Finally, this study contributes to the inclusive innovation literature by shifting focus from outcome- and access-oriented approaches (George et al., 2012; Heeks et al., 2014) to the internal organizational practices through which inclusive innovation is enacted. While most prior research emphasizes inclusive innovation's macro-level frameworks, such as its societal impacts or ecosystem conditions, this thesis focuses on how it is practiced through everyday decisions, adaptive strategies, and leadership under constraint. This micro-level perspective complements the work of Pansera and Owen (2018) and Littlewood and Holt (2018), and offers new insight into how inclusive ventures operate in real time, despite uncertain and resource-scarce environments.

To conclude, this study shows that inclusive innovation entrepreneurs do not eliminate paradoxes but construct systems of practices, such as pricing, partnerships, leadership, and agility, that allow them to operate within contradiction. These findings provide a grounded answer to both research questions and extend Paradox Theory into the real-time practices of inclusive innovation entrepreneurs in emerging contexts.

5.3 Academic Implications

This thesis contributes to the academic literature on inclusive innovation, social entrepreneurship, and Paradox Theory by addressing two gaps that, to the best of current knowledge, remain underexplored. First, it extends Paradox Theory into the context of early-stage inclusive innovation ventures operating in emerging markets. While existing paradox research has focused largely on mature, well-resourced organizations (Smith & Lewis, 2011; Hahn et al., 2014), this study demonstrates that paradoxical tensions, particularly between social inclusion and financial sustainability, are encountered immediately and acutely in low-resource environments.

Second, the thesis contributes a micro-level, practice-oriented perspective to inclusive innovation. Research in this field is mostly focused on macro-level outcomes such as access, diffusion, or ecosystem effects (George et al., 2012; Heeks et al., 2014). By analyzing internal organizational practices, such as inclusive pricing, legitimacy-building partnerships, adaptive leadership, and agility, it offers a grounded understanding of how inclusive innovation is enacted on a daily basis. The concept of strategic recombination, introduced in this study, captures how entrepreneurs actively reconfigure internal and external practices to manage paradox under constraint.

The study complements and extends work on hybrid organizing (Battilana & Lee, 2014) and social enterprise practice (Cherrier et al., 2018), offering novel insight into how inclusive ventures construct real-time responses to paradox in unstable environments. This adds theoretical value by connecting paradox theory and hybrid organizing to the inclusive innovation domain.

Finally, the South African setting provides a particularly rich context for examining these dynamics. By analyzing the lived experience of entrepreneurs navigating institutional voids and structural inequality, this thesis contributes to the growing body of research advocating for more practice-oriented and context-aware perspectives on paradox in hybrid ventures.

5.4 Practical Implications

This master thesis provides practical insights for inclusive innovation entrepreneurs, ecosystem actors, funders, and policymakers operating in emerging market contexts. For inclusive innovation entrepreneurs, the findings highlight the importance of embracing paradox as an ongoing reality rather than a one-off problem. Strategic tools such as tiered pricing, community partnerships, and mission-aligned team culture and leadership enable ventures to foster inclusion while remaining financially viable.

For support organizations such as incubators and accelerators, the results suggest the need to tailor programs to the dual nature of hybrid ventures. Rather than focusing commercial scaling models and funding access, support structures should recognize the value of context-responsive strategies and help founders strengthen paradox navigation skills.

Lastly, for policymakers and funders, the research underscores the importance of relational infrastructure over purely financial support. In environments with institutional voids, inclusive ventures rely on networks of legitimacy, mentorship, and shared resources. Public and philanthropic actors should prioritize enabling these support networks while allowing for flexible, adaptive use of resources by social entrepreneurs.

6. Conclusion

Inclusive innovation startups are increasingly recognized as key actors in addressing structural inequality through entrepreneurial approaches. Yet, while much has been written about their impacts and outcomes, far less is known about how these ventures manage the persistent tension between social inclusion and financial sustainability, especially in resource-constrained, institutionally fragile environments.

This thesis contributes to academic literature by offering a grounded model of how inclusive innovation entrepreneurs in South Africa navigate paradoxical tensions in real time. Drawing on qualitative data and following the Gioia methodology, the study identifies four key dimensions that structure how these ventures operate within contradiction: Inclusive pricing strategies, legitimacy-building partnerships, adaptive leadership, and organizational agility.

The grounded theory model developed in this thesis proposes the concept of strategic recombination as a dynamic process through which entrepreneurs continuously integrate social and commercial logics, rather than resolving or deferring them. The findings confirm that paradox is not a challenge to overcome later but a defining condition from the outset. This model addresses the gap in existing paradox research, which has primarily focused on mature hybrid organizations in stable contexts, and offers new insight into the internal, daily strategies of inclusive innovation ventures in emerging markets.

6.1 Limitations and Future Research

Like most qualitative studies, this thesis is not without limitations. The findings are based on a limited number of interviews with founders and leaders of inclusive startups in South Africa. While saturation was achieved, the contextual nature of qualitative research means that findings may not be directly generalizable to other geographies or sectors.

Moreover, due to time and resource constraints, this study did not include longitudinal or ethnographic observation, which could further enrich understanding of how paradox navigation unfolds over time. Future studies could address this by conducting follow-up interviews or embedding researchers in ventures for deeper observation. Additionally, future research could apply this grounded model to different country contexts, or test its propositions through comparative or mixed-methods designs.

Finally, further work could explore how support structures, such as accelerators, investors, or public actors, influence or enable paradox navigation in early-stage ventures. While this study focuses on the entrepreneur's perspective, future work might extend the lens to the wider inclusive innovation ecosystem.

References

- Austin, James, Stevenson, Howard, & Wei-Skillern, Jane. (2006). Social and commercial entrepreneurship: Same, different, or both? *Entrepreneurship Theory and Practice*, 30(1), 1–22. <https://doi.org/10.1111/j.1540-6520.2006.00107.x>
- Baker, Ted, & Nelson, Reed E. (2005). Creating something from nothing: Resource construction through entrepreneurial bricolage. *Administrative Science Quarterly*, 50(3), 329–366.
- Battilana, Julie, & Dorado, Silvia. (2010). Building sustainable hybrid organizations: The case of commercial microfinance organizations. *Academy of Management Journal*, 53(6), 1419–1440. <https://doi.org/10.5465/amj.2010.57318391>
- Battilana, Julie, & Lee, Matthew. (2014). Advancing research on hybrid organizing: Insights from the study of social enterprises. *Academy of Management Annals*, 8(1), 397–441. <https://doi.org/10.5465/19416520.2014.893615>
- Battilana, Julie, Sengul, Metin, Pache, Anne-Claire, & Model, Joanna. (2015). Harnessing productive tensions in hybrid organizations: The case of work integration social enterprises. *Academy of Management Journal*, 58(6), 1658–1685. <https://doi.org/10.5465/amj.2013.0903>
- Bhatti, Yasser, Ventresca, Marc, & Khilji, Shaista. (2018). Frugal innovation: Review and critical analysis. *Journal of Cleaner Production*, 180, 443–456.
- Cherrier, H el ene, Goswami, Parul, & Ray, Subhasish. (2018). Social entrepreneurship: Creating value in the context of institutional complexity. *Journal of Business Research*, 86, 245–258. <https://doi.org/10.1016/j.jbusres.2017.03.026>
- Creswell, John W., & Poth, Cheryl N. (2018). *Qualitative inquiry and research design: Choosing among five approaches* (4th ed.). SAGE Publications.

Doherty, Bob, Haugh, Helen, & Lyon, Fergus. (2014). Social enterprises as hybrid organizations: A review and research agenda. *International Journal of Management Reviews*, 16(4), 417–436. <https://doi.org/10.1111/ijmr.12028>

EDHE. (2021). *Entrepreneurship Development in Higher Education Annual Report*. Department of Higher Education and Training, South Africa.

Foster, Christopher, & Heeks, Richard. (2013). Conceptualizing inclusive innovation: Modifying systems of innovation frameworks to understand diffusion of new technology to low-income consumers. *The European Journal of Development Research*, 25(3), 333–355.

Gehman, Joel, Glaser, Vernon L., Eisenhardt, Kathleen M., Gioia, Dennis A., Langley, Ann, & Corley, Kevin G. (2018). Finding theory–method fit: A comparison of three qualitative approaches to theory building. *Journal of Management Inquiry*, 27(3), 284–300. <https://doi.org/10.1177/1056492617706029>

George, Gerard, Corbishley, Claire, Khayesi, John N. O., Haas, Martine R., & Tihanyi, Laszlo. (2016). Bringing Africa in: Promising directions for management research. *Academy of Management Journal*, 59(2), 377–393. <https://doi.org/10.5465/amj.2016.4002>

George, Gerard, McGahan, Anita M., & Prabhu, Jaideep. (2012). Innovation for inclusive growth: Towards a theoretical framework and a research agenda. *Journal of Management Studies*, 49(4), 661–683. <https://doi.org/10.1111/j.1467-6486.2012.01048.x>

Gioia, Dennis A., Corley, Kevin G., & Hamilton, Aimee L. (2013). Seeking qualitative rigor in inductive research: Notes on the Gioia methodology. *Organizational Research Methods*, 16(1), 15–31. <https://doi.org/10.1177/1094428112452151>

Hahn, Tobias, Preuss, Lutz, Pinkse, Jonatan, & Figge, Frank. (2014). Cognitive frames in corporate sustainability: Managerial sensemaking with paradoxical and business case frames. *Academy of Management Review*, 39(4), 463–487.

Halme, Minna, Lindeman, Sara, & Linna, Paavo. (2012). Innovation for inclusive business: Intrapreneurial bricolage in multinational corporations. *Journal of Business Ethics*, 117(4), 743–756.

Heeks, Richard, Foster, Christopher, & Nugroho, Yanuar. (2014). New models of inclusive innovation for development. *Innovation and Development*, 4(2), 175–185. <https://doi.org/10.1080/2157930X.2014.928982>

Herrington, Mike, Kew, Penny, & Mwanga, Allon. (2022). *Global Entrepreneurship Monitor: South Africa National Report 2022*. Stellenbosch University Business School.

Holt, Diane, & Littlewood, David. (2015). Identifying, mapping, and monitoring the impact of hybrid firms. *California Management Review*, 57(3), 107–125.

Jack, William, & Suri, Tavneet. (2011). Mobile money: The economics of M-PESA. *National Bureau of Economic Research Working Paper Series*, No. 16721. <https://doi.org/10.3386/w16721>

Jay, Jason. (2013). Navigating paradox as a mechanism of change and innovation in hybrid organizations. *Academy of Management Journal*, 56(1), 137–159.

Keller, Jonathan, Loewenstein, Jeffrey, & Yan, Jing. (2019). Culture, conditions and paradoxical frames. *Organization Studies*, 40(10), 1455–1476.

Lewis, Marianne W. (2000). Exploring paradox: Toward a more comprehensive guide. *Academy of Management Review*, 25(4), 760–776. <https://doi.org/10.5465/amr.2000.3707712>

Littlewood, David, & Holt, Diane. (2018). Social entrepreneurship in South Africa: Exploring the influence of environment. *Business & Society*, 57(3), 525–561. <https://doi.org/10.1177/0007650315613293>

Magnani, Gabriele, & Gioia, Dennis A. (2023). From data structure to grounded theory model: Advancing the design of inductive case research. *Organizational Research Methods*. <https://doi.org/10.1177/10944281231166107>

Mair, Johanna, & Martí, Ignasi. (2006). Social entrepreneurship research: A source of explanation, prediction, and delight. *Journal of World Business*, 41(1), 36–44. <https://doi.org/10.1016/j.jwb.2005.09.002>

Mair, Johanna, Martí, Ignasi, & Ventresca, Marc J. (2012). Building inclusive markets in rural Bangladesh: How intermediaries work institutional voids. *Academy of Management Journal*, 55(4), 819–850.

Pansera, Mario, & Owen, Richard. (2018). Framing inclusive innovation within the discourse of development: Insights from case studies in India. *Research Policy*, 47(1), 23–34.

Pache, Anne-Claire, & Santos, Filipe. (2013). Inside the hybrid organization: Selective coupling as a response to competing institutional logics. *Academy of Management Journal*, 56(4), 972–1001. <https://doi.org/10.5465/amj.2011.0405>

Phills, James, Deiglmeier, Kriss, & Miller, Dale T. (2008). Rediscovering social innovation. *Stanford Social Innovation Review*, 6(4), 34–43.

Poole, Marshall Scott, & Van de Ven, Andrew H. (1989). Using paradox to build management and organization theories. *Academy of Management Review*, 14(4), 562–578.

Saunders, Benjamin, Sim, Julius, Kingstone, Tom, Baker, Shula, Waterfield, Jacqueline, Bartlam, Bernadette, Burroughs, Hannah, & Jinks, Clare. (2018). Saturation in qualitative research: Exploring its conceptualization and operationalization. *Quality & Quantity*, 52(4), 1893–1907. <https://doi.org/10.1007/s11135-017-0574-8>

Smith, Wendy K., Besharov, Marya L., Wessels, Alexa K., & Chertok, M. (2012). A paradoxical leadership model for social entrepreneurs: Challenges, leadership skills, and pedagogical tools for managing social and commercial demands. *Academy of Management Learning & Education*, 11(3), 463–478.

Smith, Wendy K., Gonin, Michaël, & Besharov, Marya L. (2013). Managing social-business tensions: A review and research agenda for social enterprise. *Business Ethics Quarterly*, 23(3), 407–442. <https://doi.org/10.5840/beq201323327>

Smith, Wendy K., & Lewis, Marianne W. (2011). Toward a theory of paradox: A dynamic equilibrium model of organizing. *Academy of Management Review*, 36(2), 381–403.

Tracey, Paul, Phillips, Nelson, & Jarvis, Owen. (2011). Bridging institutional entrepreneurship and the creation of new organizational forms: A multilevel model. *Organization Science*, 22(1), 60–80. <https://doi.org/10.1287/orsc.1090.0522>

United Nations Development Programme (UNDP). (2020). *Grassroots innovation: Missing link in the innovation ecosystem in South Africa*. UNDP Accelerator Labs. https://www.undp.org/sites/g/files/zskgke326/files/migration/za/UNDP_Grassroots-innovation---Missing-Link-in-the-Innovation-Ecosystem-in-South-Africa_2020_FINAL.pdf

Van der Byl, Cassandra & Slawinski, Natalie. (2015). Embracing tensions in corporate sustainability: A review of research from win–wins and trade-offs to paradoxes and beyond. *Organization & Environment*, 28(1), 54–79.

Weyrauch, Thomas, & Herstatt, Cornelius. (2017). Frugal innovation – Conceptualization, bibliometric analysis, and research agenda. *Journal of Cleaner Production*, 138, 114–131.

Declaration of Honour

Being aware that making a false declaration is an offence punishable by law and being aware of the legal consequences of this for the examination process, which go as far as exclusion from it in the event of cheating or the attempt to cheat in accordance with the Examination Rules of ESCP Wirtschaftshochschule Berlin e.V. (ESCP Business School, Berlin Campus), I hereby undertake the following sworn declaration to ESCP Business School:

I have written the thesis entitled

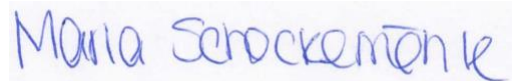
“Balancing the Paradox: How Inclusive Innovation Entrepreneurs in South Africa Navigate Organizational Tensions Between Social Inclusion and Financial Sustainability”

entirely by myself and independently and have used no other than the sources and resources named. Further, all the quotations and citations – including tables, maps and figures – are clearly marked as such. This declaration includes the data accessed on the internet. The thesis has not been presented to any other examining body; nor has it been published in whole or in part.

Furthermore, I grant ESCP Business School the right, under the provisions of §31 of German copyright law (Urheberrechtsgesetz), to use the thesis for the purpose of marking and assessing it as well as examining it from the point of view of plagiarism. This right to use the thesis includes the right of ESCP Business School to commission a third party to undertake the plagiarism check on behalf of ESCP Business School. The third party is subject to the same legal requirements on data protection and confidentiality as ESCP Business School.

Paris, 15.05.2025

Place, Date



Signature

Additional Affirmation

Hereby I confirm that I will not give or sell this thesis for publication to any institution. Furthermore I will not publish this thesis in the Internet.

In the case that I plan to publish this thesis I can only do so with written consent of my supervisor.

Paris, 15.05.2025

Maria Schockemöhle

.....
[Place, Date & Signature]

Statement on the use of generative AI or AI-enabled technologies in the writing process

There are numerous AI or AI-enabled technologies, including generative AI such as ChatGPT, available for writing academic papers. ESCP Business School allows the use of these technologies in the preparation of written academic work, but it does not accept that AI-generated content is adopted and unedited unreflectively. The primary source should always be cited using academic referencing standards. Students are solely responsible for the accuracy and correctness of their work, including the primary sources used.

AI-generated content will not be considered original scientific work by the student submitting it. Adoption of this content without reference to its origin will be interpreted as academic misconduct. Additionally, all prompts must be saved when using generative AI-tools (e.g., ChatGPT, Gemini, Bard). Exempt from this rule are tools that focus on translations and on checking grammar, spelling, or formatting of references (e.g. Grammarly, DeepL, QuillBot). However, their use must still be documented.

Please select the answer options that apply to you in the context of writing this thesis, and specify the tools and usage in the table below:

- I did not use generative AI or AI-enabled technologies.
- I used generative AI or AI-enabled technologies only for translation and grammar, spelling, or reference checking.
- I used generative AI or AI-enabled technologies beyond translation and grammar, spelling, or reference checking during the writing of this paper (for example, to develop ideas or to obtain counterarguments or different perspectives). I specified the technologies and their use on the next page.

Moreover, I hereby declare that

- after using this/these tool(s), I have reviewed and edited the content and take full responsibility for the related sections in my paper.
- I saved the prompts used while writing this thesis and am willing to share my list of prompts upon request.

15.05.2025, Marla Linn Schockemöhle

Date, Name, Signature

Marla Schockemöhle

