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Living Goods: Sustainability and Impact of Hybrid Models in the Developing World

The Need for a Scalable Game-Changing Health Solution

Dissertation by
Filipa Páscoa
Student Number: 152114304

Academic Advisor
Professor Susana Frazão Pinheiro

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ABSTRACT

Thesis title: Living Goods: Sustainability and Impact of Hybrid Models in Health Systems in the Developing World
Sub-title: The need for a scalable game-changing health solution

Author: Filipa Páscoa

The aim of this dissertation is to study how an innovative system, the hybrid model, has the potential to solve the severe health issues that are present in today's developing world. The problem statement is based on understanding how can this type of model be sustainable and how great of an impact it can achieve; while also realizing if it presents itself as a scalable solution. In order to do so, a teaching case was developed, based on LG, an American based social enterprise that created a personalized hybrid model to tackle the health issues in the developing world, with the ultimate goal of improving health status of entire populations. A pioneer user of this model in the healthcare industry, LG is now a fully established organization, operating in Uganda, Kenya, Myanmar and Zambia and having improved the lives of millions.

In the following pages the dissertation's entire outline is introduced and there is a methodology section to explain how the data was collected. After that, we the present an overview of the existing literature on the relevant topics that influence what is being studied. The next section presents the case study, which focuses on LG as a social enterprise and goes deeply into the organization's disruptive model; followed by teaching notes to debate the case during class. In the end, important conclusions are presented alongside some guidelines and topics for possible future researches.

Key words: hybrid models; sustainability; impact; health problems; developing world; Living Goods

RESUMO

Título: Living Goods: Sustentabilidade e Impacto de Modelos Híbridos no mundo em desenvolvimento
Subtítulo: Necessidade de uma solução de saúde revolucionária

Autora: Filipa Páscoa

Esta dissertação tem como principal objectivo estudar o sistema inovador dos modelos híbridos de forma a entender se estes têm o potêncial para resolver os problemas e ineficiências na área da saúde que se sentem no mundo em desenvolvimento. O problema a investigar baseia-se em perceber como é que este tipo de modelo pode ser sustentável, o impacto que pode gerar e se há possibilidade de o tornar numa solução de grande escala. Para isso, desenvolveu-se um caso-de-estudo, baseado na LG, uma empresa social que criou um modelo híbrido personalizado, capaz de combater os problemas do mundo em desenvolvimento, com o objectivo de melhorar a saúde e a qualidade de vida da população mais desfavorecida. Pioneira no uso deste modelo, a LG é hoje uma empresa estabelecida, com operações em Uganda, Kenya, Myanmar e Zâmbia, e que já melhorou a vida a milhões de pessoas.

Nas páginas seguintes apresentamos a estrutura da dissertação e a metodologia usada para recolher os dados utilizados. Seguidamente o leitor terá oportunidade de examinar uma revisão sobre a literatura relevante para o problema em estudo. A secção seguinte apresenta o caso-de-estudo em si, focado na história da LG como uma empresa social, e analisando detalhadamente o modelo inovador da organização; seguido de algumas notas explicativas para orientar a discussão do caso durante a aula. No fim, importantes conclusões são apresentadas, assim como directrizes e tópicos para investigações futuras.

Palavras-chave: modelos híbridos; sustentabilidade; impacto; problemas da área da saúde; mundo em desenvolvimento; Living Goods

PREFACE

Understanding how can companies do well and good is something that has interested me for a long time, as I strongly believe that entrepreneurship has a strong role in improving the world we live in. The seminar on Entrepreneurship and Innovation Strategies in the Healthcare Industry presented itself as something that combined two of my passions: the worlds of SE and healthcare. All my life I've had contact with the world of healthcare through my family and in business school I came across companies in this industry that use innovative strategies to help improve lives of the poor. The opportunity of doing my dissertation on something that truly interested me was a privilege; and the fact that the healthcare industry is the biggest in the world and keeps transforming itself presented endless possibilities of research.

Once I had the main topic in mind, I needed a successful company story on how SE can have an impact on the lives of the poor. Thanks to the suggestion of my advisor, Susana Frazão Pinheiro, I chose to focus on players from developing countries, as the most interesting innovation strategies come from these markets, which proved to be a much valuable decision. I came across LG, a social enterprise with a story that deeply inspired me, with a business that placed people at the centre and a model capable of delivering the changes that the developing world much needs.

Knowing that this final result would not have been possible without the support from the people in my life, I may now present the most sincere gratitude to everyone that made this possible. Firstly, I would like to deeply thank my academic advisor, Professor Susana Frazão Pinheiro, for all the support and orientation throughout this journey. I would like to thank my seminar colleagues, Andreia and Sebastian, for all the patience and suggestions along the way. Moreover, I would like to thank my friends, who always incentivized me in this period; a special thank you to Mariana Mendes, Mariana de Sousa and Nuno Cacela for our endless conversations, and to João, the one always by my side. Last but not least, the most sincere thank you to my family; to my parents for all the endless love and for always inspiring me to pursue my dreams; and to my brother, Igor, and Mariana, for always being there for me.

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LIST OF EXHIBITS AND ANNEXES

LIST OF ACRONYMS

SE - Social entrepreneurship
LG - Living Goods
WHO - World Health organisation
SDH- Social determinants of health

CHAPTER 1 – INTRODUCTION

The present dissertation was conducted along the lines of an Entrepreneurship and Innovation seminar regarding the healthcare industry. As the main goal, we intend to prove the benefit of hybrid models in the developing world and how can they help solve the severe problems concerning the healthcare industry nowadays. Being a topic that truly captures my interest, it drove me to develop the following research question, which underlines this whole dissertation: ***Can hybrid models be sustainable and impactful in order to be able to address existing health problems in the developing world?*** By using the successful example of LG, we hope that the reader will become aware of the importance of having a business model capable of standing on its own, while offering disruptive solutions with the potential of revolutionizing the industry. To address these topics, a straightforward and interconnected approached was taken, so that the reader can follow the different subjects covered throughout this dissertation and better understand and discuss the story presented in the case study.

Chapter 2- *Literature Review* - We start by providing an analysis of the existent literature to introduce the various topics later covered in the case study and to also provide a basis for the reader to understand LG's story. The first section presents the healthcare situation in developing countries and its evolution over the past decades, so that the poor conditions on those parts of the world are clearly laid out. Then we analyse hybrid models, so one can be familiarized with them. The next section focuses on SE and the fourth covers impact and how to assess it. These last couple sub-chapters present in further detail the basis for analysing sustainability and impact of hybrid models.

Chapter 3 – *Methodology* – we give the reader insights on how the data was collected for each different chapter and what different sources were used.

Chapter 4 – *Case Study* – presents LG's story and their model, alongside the organization's strategy to address the severe health problems. We present the founder and his journey to create LG's, so that the reader can see how the company came to existence. On top of the vision and mission, we cover the funding system and the partners, but most importantly, we address the two pillars that made the model so successful: sustainability and impact, where we present LG's successful evolution, a detailed analysis of the model and some results. To finalize, we depict the key success factors to contextualize the benefit on the business model

and lastly what the future reserves for the organization. Some exhibits are provided to illustrate the most interesting aspects and complement students' discussions.

Chapter 5 – *Teaching Notes* – this chapter was prepared to incite a debate around the model and to guide the discussion between the students. A brief *summary* of the case study is provided, together with some *learning objectives*, which will be relevant later while answering the *questions*. Guidelines and possible answers are provided.

In the end the reader is presented with our own *Conclusions* and *Limitations* of this dissertation. Possible aspects regarding *Future Research* are addressed and an extensive *Bibliography* is available for consultation.

CHAPTER 2 – LITERATURE REVIEW

The Developing World

Healthcare Situation in the Developing World

Although basic access to healthcare was declared a fundamental human right in the Declaration of Alma-Ata in 1978[1], and in spite of advances, the reality is that today and almost 40 years later many people in resource poor countries are still living in unfortunate conditions and left without basic healthcare services (see annex 1 for further details).

To completely understand the situation across the healthcare sector, it is of greater importance to analyse how everything developed to the stage in which it is found today. Historically, during the 1960's and 1970's many developing countries gained independence from colonial powers, and even dictatorships and autocracies systems felt the need to create greater services for their people in areas like healthcare and education. Governments begun to establish teaching hospitals as well as nursing and medical schools, which consumed the largest portion of the country's healthcare budget and were only available in urban areas (Hall and Taylor, 2003 in "Health for all beyond 2000: the demise of the Alma-Ata Declaration and primary health care in developing countries"). Rural areas were left with poorer quality services and in the 1970's mortality rates in some of those areas were actually worsening[2].

The expression "primary health care" (PHC) first gained recognition on the late 1960's and early 1970's with programs created in countries like China and Venezuela with hopes of improving the health situation on rural areas through the *"emphasis on equity and access at affordable cost, and emphasising prevention while still providing appropriate curative services" (*Hall and Taylor, 2003). Later on, in the early 1990's political and economical philosophies were shifting and there was an emphasis in reducing the government's involvement in society; the "primary health care" approach started to fade away to make room for the Health Sector Reform. It saw the delivery of Healthcare services in terms of economic benefit with a strong emphasis being put on the private sector and public-private partnerships, but failed to explain how to implement such reforms in contexts of great poverty. For many years the approach remained the same and that is perhaps one of the several reasons why

[1] Declaration of Alma-Ata, 6-12 September 1978: http://www.who.int/publications/almaata_declaration_en.pdf
[2] Data from WHO: http://www.who.int/whr/2003/chapter1/en/index2.html

today a great gap is still present in the healthcare sector regarding developed and developing countries.

Access to Healthcare in the Developing world

There are several studies confirming that effective access to healthcare is a real problem in the developing world and it is imperative to understand why in order to try and tackle this issue. Pakenham-Walsh and Bukachi (2009) state that healthcare workers still lack access to practical and basic information that could enable them to deliver safe and effective care[3]; and Strasser (2003) refers population and environmental health issues, namely low productivity and degradation as possible causes[4]. According to Owen O'Donnell (2007) the *"central concern is whether individuals that can potentially benefit from effective health care do in fact receive it"*. There are multiple factors that contribute to this; on the demand side the cultural and educational factors influence the recognition of the illness and the benefits of the treatment, and on the supply side appropriate interventions are not even provided due to the lack of crucial resources and their inappropriate allocation[5]. Insufficient household incomes (see annex 2 for more details), effectiveness of care, transportation costs to urban areas and misinterpretations of illness are some other factors that aggravate this issue (O'Donnell 2007). The solution, as O'Donnell states *"must address one or more of these causes. The difficulty lies in the design of detailed policy initiatives that tackle root problems within usually severe economic, institutional, and political constraints."* (see annex 3 for further details).

"I regard universal health coverage as the single most powerful concept that public health has to offer. It is inclusive. It unifies services and delivers them in a comprehensive and integrated way, based on primary health care."(Dr. Margaret Chan, WHO Director-General)[6]

Economic and political factors also influence access to healthcare in developing countries. In these parts of the globe, societal instability, corruption and interest of rich and powerful people are considered as more important than the population's well being. It is not surprising that out of the 10 worst health systems in the world, only one of the countries, Myanmar, does not belong to the African continent[7]. Moreover, for the ones left without access to healthcare

[3] http://human-resources-health.biomedcentral.com/articles/10.1186/1478-4491-7-30
[4] http://fampra.oxfordjournals.org/content/20/4/457.full
[5] Owen O'Donnell, http://www.scielo.br/scielo.php?pid=S0102-311X2007001200003&script=sci_arttext
[6] Source: http://www.who.int/universal_health_coverage/en/
[7] Dionissios, http://www.therichest.com/rich-list/poorest-list/the-10-worst-health-care-systems-in-the-world/?view=all

there is a crucial paradox: poverty levels aggravate health quality and at the same time, poor health makes it a lot harder to get out of poverty[8] (Shah 2011).

Lastly but not less importantly, the most impending need is for the world to understand that access to healthcare needs to be made available for everyone. As Anup Shah (2011) says in his article "Healthcare Around the World", *"health systems are an investment in people. Healthier people can contribute to the economy and society more easily, which for poorer countries is even more essential".*[8]

As of right now, with all the present inefficiency, new models are needed to overcome the barriers of access to healthcare, ones capable of finding solutions and tackling dangerous problems in the developing world.

Hybrid Models

What are Hybrid Models?

With the world constantly evolving, markets are also changing which incentivizes the emergence of new types of corporations. A hybrid organization is an enterprise that develops its business model with hopes of improving a neglected social or environmental issue and it blends for-profit with non-profit practices, combining the best of both worlds. It means that not only does it adopt a mission and vision like a typically not-for-profit organization would, but it also generates income to accomplish what is being proposed[9] (Haigh and Hoffman, 2012). For Hartigan and Elkington, a hybrid non-profit aims at *"populations that have been excluded or underserved"* and the notion of making a profit is very real.

According to Haigh, Walker, Bacq and Kickul, there are aspects underpinning the appearance of hybrid organizations. They argue that traditional non-profit organizations have been trying to come up with income earning strategies due to the rising costs and growing competition for funding, as first stated by J. G. Dees in 1998. Moreover, people have been dissatisfied with the governments' inability to solve and address long-standing issues and feel that technology and economic advancements have given them *"the ability to do something about them"* (Haigh, Walker, Bacq and Kickul, 2015).

[8] Anup Shah, http://www.globalissues.org/article/774/health-care-around-the-world
[9] http://academiab.org/wp-content/uploads/2015/01/Hybrid-organizations_Organizational-Dynamics.pdf

It is important to acknowledge that regarding of the industry, a hybrid model is a *sustainability-driven* one, as called by many researchers. The goal is not only to reduce the negative impacts of the business activity, but also to create social and environmental improvements[7] (Haigh and Hoffman, 2012). A detailed comparison between traditional and hybrid models can be seen in annex 4.

Key Challenges of the Hybrid Model

Having and idea that is able to tackle an important issue and sustain itself to later create a hybrid enterprise has its challenges. Santos, Pache and Birkholz (2015) state in their article "Making hybrids work: Aligning business models and organizational design for social enterprises" that the very central challenge is to *"align the activities that generate profit with the activities that generate impact";* they define profit *profit* as the value the organization captures for its owners and *impact* as the *value created by the organization for society in the achievement of its mission*. They continue on saying that without prioritizing value creation for owners over social beneficiaries or vice-versa, the crucial issue for hybrid enterprises is to balance the both, managing expectations for value creating and value capturing in a systematic way.

Further key challenges are on the path of hybrid enterprises. Haigh and Hoffman highlight the most important ones in their article "Hybrid organizations: The next chapter of sustainable business", which are competing side-by-side with dominant players, serving multiple partners while keeping track of the mission and scaling up.

Hybrid Models in the Healthcare Industry

Hoping to have an impact on a neglected issue by society, hybrid business models often target markets that are underserved by companies and governments. As described before, in the developing world, access to healthcare is very poor and governments are unable to reach everyone. This means that entire populations are left alone to live in unfortunate conditions and there are an immensely great number of issues left to address. The environment itself is minded to the appearance of a hybrid enterprise and this is one of the reasons that make the healthcare sector one of the pioneers in the emergence of hybrid ventures.[10]

[10] Battilana, Lee, Walker & Dorsey, http://ssir.org/articles/entry/in_search_of_the_hybrid_ideal

In 2012, a collaborative team from Harvard Business School and Echoing Green reviewed more than 3500 applications for the Echoing Green Fellowship between 2006 and 2011 to try and understand hybrid models and entrepreneurs' motivations. Hybrid models' popularity has been increasing, with 57% of entrepreneurs relying on this fairly recent trend in 2011 against only 30% in 2006. The healthcare sector was shown to be one the most targeted by aspiring social entrepreneurs.[8] The reason for this increase in popularity is that Hybrids are increasingly seen to *"offer prospects of scale, performance and innovation that outstrip the well-known limitations of pure-play provision by any single sector"* (Cooper and Robinson, 2013).[11]

It is also important to mention that successful examples of hybrids in healthcare are also present in the developed world. NAViGO, a mental health and social care provider in England is now a non-profit enterprise owned by its employees. It develops innovative solutions to reduce waste and increase efficiency and its surplus of 300 000 pounds was invested back into the business. Sandwell Community Caring Trust is another great example, having reduced its overhead costs, while the Italian hybrid San Patrignano, who helps rehabilitate substance users, was able to scale up by diversifying and incorporating other business sectors.[12]

SE

Defining SE

Since the early 1980's when the concept of SE appeared, many social enterprises have been successful created. With the rising popularity of this fairly recent concept, several attempts to define it have been done, but what SE exactly is and what is the work of a social entrepreneur still remains hard to accurately define.

"Whenever society is stuck or has an opportunity to seize a new opportunity, it needs an entrepreneur to see the opportunity and then to turn that vision into a realistic idea and then a reality and then, indeed, the new pattern all across society. We need such entrepreneurial leadership at least as much in education and human rights as we do in communications and hotels. This is the work of social entrepreneurs." (Bill Drayton, Founder of Ashoka)[13]

Perhaps entrepreneurship alone may be more easily defined. Entrepreneurs are largely seen as agents of change, ever since Joseph Schumpeter in 1934 "defined" the entrepreneur as the

[11] Cooper & Robinson, http://www.europeanbusinessreview.com/?p=1219
[12] De Giuli, http://news.xinhuanet.com/english/2015-03/12/c_134059344.htm
[13] http://eastafrica.ashoka.org/what-social-entrepreneurship

force required to drive economic progress, an innovator. In 1961 McClelland referred to the entrepreneur as someone with high need for achievement and a risk taker. More recently in 2008, Timmons and Spinelli described entrepreneurship as a way of thinking, reasoning and acting, seeing the entrepreneur as a leader, persistent and committed. Though many definitions have emerged, the exploitation of opportunities with an exceptional mind-set and the goal of maximizing profit is a common ground.

SE means different things to different researchers and authors (see annex 5). Nowadays and despite extensive research it is still being vaguely described. There is a need for a more credible and rigorous definition, capable of putting a social entrepreneur in the spectrum of entrepreneurship. It is therefore very valuable to consider the contributions of Samer Abu-Saifan (2012), who illustrated entrepreneurship's boundaries and its spectrum, which can be seen in more detail in annex 6; and defined the process of SE by combining four factors – social entrepreneurs are *mission driven*; act *entrepreneurially* and within *entrepreneurially oriented* and *financially independent* organizations - in his article "SE: Definition and Boundaries".

David Bornstein first defined social entrepreneurs in 1998 as *"path breakers with a powerful new idea, who combine visionary and real-world problem solving creativity, have a strong moral fibre, and who are 'totally possessed' by their vision of change."*[14] For Professor Gregory Dees, social entrepreneurs adopt a mission to create and sustain social value, while engaging in a project of continuous innovation. For him SE *"combines the passion of a social mission with an image of business-like discipline, innovation and determination* (Dees et al, 1998). While for Bornstein a social entrepreneur is a mission leader and persistent, for Dees he is a dedicated change agent, highly accountable and socially alert. It is also interesting to mention Pamela Hartigan's definition of a social entrepreneur: *"what you get when you combine Richard Branson and Mother Teresa - a hybrid between business and social value creation"* (2005).[15]

It is undeniable that here has been an incredible amount of research on these topics, and it is impossible to extensively cover all the discussions. By trying to cover the most important aspects and highlighting together the most valuable research, one can understand that while

[14] http://theodysseyonline.com/northeastern/social-entrepreneurship/193530
[15] https://www.highbeam.com/doc/1G1-131460832.html

for an entrepreneur the goal is on maximizing profit and create economic wealth, for a social entrepreneur the priority lies on the social mission and delivering social value, trying to solve a neglected issue; as *"social entrepreneurs are problem solvers, not idealists".*[16]

Financial Sustainability vs Self Sufficiency

Another very relevant and interesting topic regarding SE is the role of subsidies and financial aid contrasting with revenue generation by charging small mark-ups for products and services. The balance of these two philosophies is what will later determine the survival prospects of a social organization (Bacq, Hartog, Hoogendoorn, Lepoutre, 2011).[13] Funding and sustainability sources have been popular topics across the SE literature (Boschee & McClurg, 2003; Haugh, 2009; Sharir & Lerner, 2006; Weerawardena & Sullivan Mort, 2006). *Sustainability* is a mix of the results of philanthropic donations, earned income streams and partnerships with a for-profit organization (Hare, Jones, & Blackledge, 2007; Reis & Clohesy, 2001).[17] Up until very recently, funding has usually come from governments and single wealthy stakeholders, foundations and private corporations. This fact will affect the social enterprise's viability in the long run, as strategic decision-making will be strongly restricted (Haugh, 2009). Nowadays a different form of thinking has emerged, and more than searching for sustainability, only by aiming at *self-sufficiency* will a social enterprise be viable in the long run. Business and entrepreneurship combined to achieve revenue generation and independent sources of income are what social organizations should look for (Parkinson & Howorth, 2008). If the social enterprise is able to achieve this, it will no longer be dependent on external funding, which is uncertain and dangerous.

SE in Healthcare

"The archetypal social entrepreneur in health was Florence Nightingale: she changed hospital practices completely and established the framework and practices of professional nursing through her uncommon determination and meticulous attention to detail, even in the face of fierce opposition from experts and authorities.[18]

The majority of healthcare organizations have not yet learnt how to be entrepreneurial organizations due to the isophormism present in the industry. According to DiMagio and Powell (1983), this institutional isophormism phenomenon can be seen as a synonym of

[16] Rottenberg, http://www.uniteforsight.org/global-health-careers/module8
[17] Bacq, Hartog, Hoogendoorn, Lepoutre, 2011, http://ondernemerschap.panteia.nl/pdf-ez/h201110.pdf
[18] Bornstein in "How to Change the World", http://www.who.int/bulletin/volumes/84/8/06-033928/en/

homogenization, in the sense that it is a *"constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions"* (p. 149).

Researchers Miller and Barbosa (1983) found that a firm's degree of entrepreneurship is dependent on the nature of the organization. There is still a long way to go for healthcare organizations in learning how to be entrepreneurial. According to Phillips and Garman in "Barriers to Entrepreneurship In Healthcare Organizations" entrepreneurial organizations still have something to offer to the healthcare industry; meaning that they can help to *"create or transfer technology or innovation outside the institution"*. With all the pressure present in the healthcare industry and the conflicts between entrepreneurial organizations and their sponsors, strategic partnerships between non-profit and profit players are a key aspect to deal with financial pressures on patient care (Johns, Barnes, and Florencio, 2003).

The reality of social enterprises in the healthcare world is relatively new, but they have been becoming very popular over the last several years. The majority of them were created and depend on partnerships with organizations from different sectors like voluntary and community groups, the so called "third sector organizations". According to Oakleigh Consulting, social organizations seek to involve patients and staff in the design and delivery of services, while promoting organization autonomy at the same time as this *"gives patients more control over their healthcare as wells as helping to improve quality and tailor services to match patient needs more closely"*.[19] In the world of healthcare, *"many healthcare organizations are called upon to be social entrepreneurs, bridging initial innovation to final impact"*.[20] Examples of very successful social enterprises are PATH, Riders for Health and Aravind Eye Care, which with their innovative business model have been able to solve critical problems in poor and under developed communities.

Impact

Defining Impact and How to assess it

Before further analysing this situation, one must understand what is meant by impact. As seen before, the ultimate mission of a social venture is to leave a lasting impact on the less advantageous people by creating a venture that is sustainable and self-sufficient. Impact is

[19] http://www.oakleigh.co.uk/page/3479/White-Papers/Whitepaper-Articles/Social-Enterprises-in-Health-and-Social-Care---What-Are-They%3F
[20] http://www.uniteforsight.org/global-health-careers/module8

therefore directly related with success, as the greater the impact of a social venture on a helpless community, the greater its success will be. For the healthcare industry, impact is usually measured in terms of number of lives saved or amount of people receiving quality healthcare and specific organizations will have their own metrics of impact.

In order to assess the impact of a given enterprise it is imperative to measure its performance. According to Bagnoli e Megali in "Measuring Performance in Social Enterprises", three aspects to determine success and its consequent impact are analysed: **a) economic and financial performance; b) social effectiveness and c) institutional legitimacy.**

In order to check the financial accountability of a SE, economic and financial performance measurements are used, and management control systems are necessary to balance how an enterprise is committed to reach economic equilibrium (Gianessi, 1960). Because one is referring to a social enterprise, mission and goal are only pursued according to economic and financial sustainability, and since it is sometimes hard to plan for the future, when measuring impact it is of greater importance to track and analyse actions and income components, planning activities *a priori* and continuously measuring data. If the focus is on social effectiveness a non-financial aspect needs to be considered as well. By effectiveness is meant *"the ability to achieve goals and implement strategies while using resources in a socially responsible way"* (Bagnoli & Megali, 2009), and this is key to understand the impact and see if the mission is being pursued. Because it relies on both tangible and immaterial aspects, this is *"notoriously intangible and difficult to measure"* (Moss & Summers, 1987, p. 154). Already investigated by many researchers, it is possible to identify some indicators to assess effectiveness. One must make sure that inputs, outputs, outcomes and impact – *the consequences for the community* - should be analyzed when assessing performance (Kendall & Knapp, 2000; U.K. Voluntary Sector Research Group, 2003). Finally it is important to analyze impact in terms of institutional legitimacy. In this case, the focus on understanding if the SE is respecting its mission, statute and action plan and if it is complying with the legal norms associated, being coherent with its proposition (Bagnoli and Megali). When assessing impact and results, a balance between these three ideas should be integrated, as it can be seen in more detail in annex 7.

Social Determinants of Health

After having a more clear idea of what is indeed meant by impact and how to assess it, one should focus on understanding how to measure it in the healthcare industry. As briefly mentioned before, the number of lives saved and the amount of people receiving quality healthcare are common data used to measure impact. In this present section, WHO will be analyzed with the ultimate goal of assessing how impact has been measured and how it can be fully assessed in the healthcare industry.

According to the WHO, *"The SDH are the conditions in which people are born, grow, work, live, and age, and the wider set of forces and systems shaping the conditions of daily life. These forces and systems include economic policies and systems, development agendas, social norms, social policies and political systems."*[21] (see annex 8).

Organizations and social enterprises use SDH to address health inequalities, as they are responsible for the current disparities present in the world, and only through the combat of those inequalities can we assess the impact of an organization. By addressing SDH and analyze such data it is possible to develop and implement strategic initiatives, capable of promoting health equality. [19]

As explained by Saroj Jayasinghe (2015) in "Social determinants of health inequalities: towards a theoretical perspective using systems science", systems science can be used to come up with a ratio that reflects inequalities between human conditions. The ultimate objective is to obtain a matrix relating SHI's (no access to toilet; childhood malnutrition or vaccination missed) between very poor and very rich countries, using an odds ratio to represent them (see annex 9). Jayasinghe proceeds to explain that since health outcomes are dimensions of a larger picture, isolating them from other human conditions with the sole purpose of analyzing their effect might become problematic. Therefore very sophisticated systems of analysis have to be used and different combinations of such factors need to be taken into account; turning properly assessing health inequalities in a never-ending research topic (Jayasinghe, 2015).

One of the greatest contributions and initiatives developed to monitor, measure and assess health inequalities began in 2011, with the Brazilian Observatory on Health Inequities

[21] http://www.who.int/social_determinants/en/

(BOHI), Observatório sobre Iniquidades em Saúde in Portuguese. In the article "Measuring Health Inequities in Low and Middle Income Countries for the Development of Observatories on Inequities and Social Determinants of Health" the authors Guerra, Borde and Snyder address the value of this initiative. The BOHI allowed the development of a three-staged methodology (see in detail in annex 10) to create an observatory on health inequalities that depends on the existence of sociodemographic information and whose success heavily relies on the availability of health information systems. Health indicators, *"a synthetic measure that contains relevant information on the health status of population groups and their living conditions" (*Guerra, Borde & Snyder, 2016) [22]; had to be calculated and there was also the need for ministries of health to generate periodical reports and the participation of top decision-makers.

To really have an impact, an organization must intervene on WHO, considering both the risk of bad outcomes and the expected benefits. The majority of social enterprises intervene *"on social determinants that target the least immediate causes of bad health; such interventions operate at a deep level, by addressing the socio-economic status of certain groups, with the aim of generating reactions that ultimately promote health."* (Gabriele Badano, 2016).

As of right now, it is possible that by using data from SHI factors in a specific country, a social enterprise can develop its mission and action plan to try and even out those disparities. When comparing data à priori with the numbers after specific careful actions have been taken, one will finally be able to assess the truthful impact of a social enterprise on a given community.

[22] Snyder, Guerra, Pellegrini, Rangel dos Santos, Levin & Borde
http://tie.inspvirtual.mx/portales/sdhnet/recursos/Developing_SDH.pdf

CHAPTER 3- METHODOLOGY

To begin constructing my dissertation and trying to answer my research questions, an extensive search online about hybrid models was conducted. This was important in order to ensure if it is a type of model considerably used in other industries and its evolution over time; and specially assess if it is already, or has the potential to become, a reality in the healthcare industry. There are no sources of primary data, as no surveys, interviews or other assessments were performed first handed. Throughout the dissertation, a retrospective and exploratory research was used (Myers, 2009), based on secondary sources like academic articles and newspapers, books and different websites. Since the existent information in all the different sources covered the subjects I wished to analyse, my secondary evaluation was useful because it allowed addressing issues in the sensitive research area that is the healthcare industry (Long-Sutehall et al, 2010). The approach is mainly interpretative, as I relied on testimonials and interviews already performed.

For the Literature Review chapter, academic databases and search engines like EBSCO and Google Scholar were used. Relevant articles on the different topics – healthcare in the developing world; hybrid models; SE and impact – were consulted, from journals like *Harvard Business Review, The Journal of SE, Journal of Health and Human Services Administration* and *California Management Review*. Moreover, online opinion articles and publicly available information about health indicators and different organizations were also utilized.

The following chapter presents a Case Study about LG, a healthcare social enterprise operating in the developing world. It was written based solely on secondary data, information available online, namely the organizations' website and annual reports. Since no interview was possible to obtain, other sources like independent articles and evaluative reviews of the organization were also consulted to try and give the most truthful and impartial view about the company, faithful to reality as possible.

To conclude, all the information collected was crucial to elaborate the Teaching Notes chapter, in which the case study is deeply analyzed by aligning a detailed study about the case itself with research on the different topics and business frameworks to help address the questions.

CHAPTER 4- CASE STUDY

Introduction

"A widow since 1995, Monica has been the sole provider for her 12 children and, amazingly, has managed to put them all through secondary school — some even through university. Monica farms on a small scale for household consumption, but she has never had a job or a steady income. So, how amazing is it that this bubbly, energetic and instantly likeable mother of 12, grandmother of 12, and great grandmother of two now, at the age of 59, has the opportunity to earn an income, part of the first class of Living Goods Community Health Promoters to graduate in Kenya.

"I heard about Living Goods, and decided to join because it seemed like something good, something that can get me somewhere. I like what we do, treating people in their homes, helping the communities. That makes me happy. The community will be happy. No more standing in long lines to see a doctor, spending money on transport and, sometimes even going back home without treatment because the lines were too long. Imagine, people will come to me for help, they will be happy to know this old woman who is now a care provider in her home. I am so very happy and excited about starting my work."[23]

Monica is one of the first 100 agents that LG has operating in Busia County, western Kenya, under their CHP model. This social enterprise based in San Francisco and operating in Uganda, Kenya and Myanmar, developed a hybrid business model, capable of delivering game-changing social impact and improve health status of poor and abandoned communities. Since the very beginning, Chuck Slaughter, founder of LG, experienced the saying that failure is a vital ingredient for success. He uses this philosophy as the mantra for Living Good's operations, constantly trying out new ideas to improve his scalable business model and build a sustainable micro-franchise that gives life-changing products to families who need it the most, thereby changing the lives of the poorest.[24]

The aim of this case study is to analyze LG' work and operations, their model and key success factors, by focusing on their developed operations in Africa, a continent with countries with health issues that urgently needed to be addressed, making them perfect candidates for LG' intervention. The goal is to fully examine the hybrid model they operate with and understand how it is sustainable and why is it being capable of positively impacting entire county populations. In the end, we hope to demonstrate that this has the means to become a fully scalable solution and solve the greater needs that developing countries have in healthcare.

[23] https://livinggoods.org/monica-mother-grandmother-and-now-health-provider-to-her-community/
[24] https://livinggoods.org/who-we-are/founder/

Story

The story of LG and how it came to existence is heavily aligned with its founder's personality. Ever since he was a young boy, Chuck Slaughter already had a passion for travelling and meeting new people, while always demonstrating his entrepreneurial vein in the different businesses he created, as he believes he has a role in making the world a better place: *"I started my first business as a teenager and failed at a few more before I found success. I've always believed in the power of business to improve lives."*[25]

With a BA in Architecture, Chuck had a small bike business while in college, where he learned valuable lessons about start-up economics and how to launch a business idea. In 1987 he came across an article in the New York Times about TrickleUP (TUP) and its pioneering role the microfinance industry and feeling deeply inspired he called TUP and asked for a job. As a program officer for TUP he travelled to developing nations like India, Indonesia and Nepal, where he witnessed the impact a microenterprise development program could have. His time in TUP and the challenges he faced encouraged him to return to Yale, where did his Masters in Public and Private Management. In 1991 while packing for a trip and struggling to find appropriate clothes and gear, he had the idea to create TravelSmith, a personalized direct mail catalogue for the needs of serious travellers. TravelSmith went on to become hugely successful and after 12 years building the business, Chuck started dreaming again about new ventures and he sold the company in 2004.[24]

After selling TravelSmith, Chuck was contacted by a personal friend and went into Golden Gate Capital, a private equity firm, to help in the Spiegel catalogue deal. He became a part-time adviser and co-investor in Golden Gate, participating in more major apparel deals, together worth $2 billion in sales. It was during his time with Golden Gate that Chuck was introduced to The Health Store/ CFW Shops (CFW), a franchising system of drug shops in Kenya that was struggling. Understanding that he could put his capabilities and experiences to greater use and help turn the company around, he joined The Health Store board. In his eyes, CFW's storefront model had many limitations, shop owners were idle for most of the day, and storefront systems were unsustainable in rural areas. He was also confronted with very poor

[25] http://www.forbes.com/sites/ashoka/2013/06/17/qa-with-chuck-slaughter-living-goods-founder-and-ceo/#1598b1da6ed3

conditions and realized that 10 million children died every year from diarrhoea, malaria and malnutrition and almost 25000 people died everyday due to the lack of access to basic and inexpensive medicine. Even with millions of foreign aid spent during the previous decades and several efforts by international organizations and NGO's, health status in poor and developing nations had failed to truly improve. As an entrepreneur with the desire to make the world a better place, Chuck understood that the main reason for these poor conditions was not the lack of medicines, but was instead the lack of scalable distribution systems capable of delivering such valuable items and medicine to the poor.[26]

As a first trial, Chuck did an experiment where he encouraged store owners to knock on doors and visit schools instead of being quiet around the shop all day. He knew that this was the way to lower costs and improve profits and rural reach, as access in those areas had various shortcomings; and realized that there was already a very successful business model that did just what we imagined, the Avon Products Inc one. One aspect that Chuck found very interesting about Avon was that the company started in rural areas during the 1980's, where access was of poor quality and women had few opportunities to make money, a situation much like was he observed in Africa. So he had the vision, the passion and the right model to do it, and if Avon grew to become a $10 billion business, the potential of the model to market products people absolutely needed would undoubtedly be enormous.

This is how LG was born, as Chuck ordered a starting kit and went door to door as an "Avon-lady". Launched in Uganda in 2007, with Building Resources Across Communities (BRAC) as a partner, it relied heavily on Avon's guidelines, as Chuck envisioned an enterprise capable of having a high societal impact and improve the lives of millions of people, and a scalable business model with the potential for game-changing impact.

Where and how to start?

In order to know where to start, LG relied on the WHO's health indicator index, selecting the lowest 20 countries. All of the countries were from the African continent and other factors such as economic conditions, population, political stability, disease burdens and death rates and even existing microfinance systems were taken into account. The 20 countries were then

[26] P. Indu in "Living Goods – Developing a Sustainable Business Model to Provide Healthcare Services in Uganda"

ranked and that is how Uganda was selected as the first place to act. Healthcare facilities were outside of reach for the majority of the population, and worst than that, there weren't many public facilities, and the ones that did in fact exist, were short of essential medicines. If this wasn't enough, private shops controlled pharmacy distribution, everything was unregulated and the market was very fragmented. In the end the result was untrained health providers and wrong diagnosis, counterfeit medicines and expired products, as well as inflated prices, too high to the poor.

Vision & Mission

In the present day, LG is a highly successful and international social enterprise, having expanded its operations and lending its business model to other organizations, hoping to spread the benefits and reach even more people. In order to achieve this, Chuck's vision has always been to revolutionize the public healthcare delivery system in developing parts of the world and deliver high quality healthcare products to the poor at a low cost.[26] The goal is to improve health status on entire communities, by educating and informing them, while also providing medicines at very affordable prices.[27] More specifically and in the long term, the vision is that *"By 2025 LG and its partners will improve the health and wealth of 50 million people in need"*. Although having impacted entire county populations already, the vision has not been fully accomplished; and aligned with its vision, LG defines its mission as empowering *"people in need to improve their health and wealth by sustainably expanding access to life-changing products and services";*[28] and this describes the dual purpose since the agents, which are called micro-health entrepreneurs, are distributing medicine and therefore improving the health statues of the population, but they are also earning an income which improves their wealth and living conditions.

Awards and Recognition

Ever since its foundation, LG has been receiving awards year after year, a fact that can be an indicator of the recognition of the organization's great work and its proven impact on poorer societies. In 2007, LG received the Draper Richards Kaplan Entrepreneur, an award that more than recognition, funds social enterprises leaders who have ideas capable of being scalable and exceptionally sustainable. Perhaps the most important awards are the GiveWell Standout Charity in both 2014 and 2015 and the Life You Can Save in 2015 and 2016. Both these

[27] https://livinggoods.org/brac-partnership/
[28] https://livinggoods.org/who-we-are/mission-and-values/

awards recognize organizations that are greatly effective at reducing poverty and its consequences, generating an impact and putting new funds to a greater use, elevating LG' name and credibility and making the organization an appealing one to receive donations, which they depend on (see exhibit 2 for a detailed list of awards).

LG: Funders and Partners

Financing Living Good's Operations

LG's strategic partners are who undoubtedly made such an impact possible to happen. To be present in many counties and different countries, LG needs funds to sustain their operations (see exhibit 4) and that is why they rely on partners who share their vision. They are organizations that share the passion for change, the excitement for innovation and the commitment to rigorous guidelines and measurement tools, which can determine and evaluate the truthful impact. With a venture capital approach to financing, it seeks large donations and commitments from organizations and individuals who share their vision. This philosophy of flexible funding accelerates innovation and enables them to act fast and try new things, always learning quickly and searching for improvements. [29] For example, from the current partners, Cisco helped launch the mobile technology platform, which is key in today's operations, and GiveWell reviewed their operations and gave them more credibility to reach even more allies. The diagram below shows LG's funders and partners in detail:

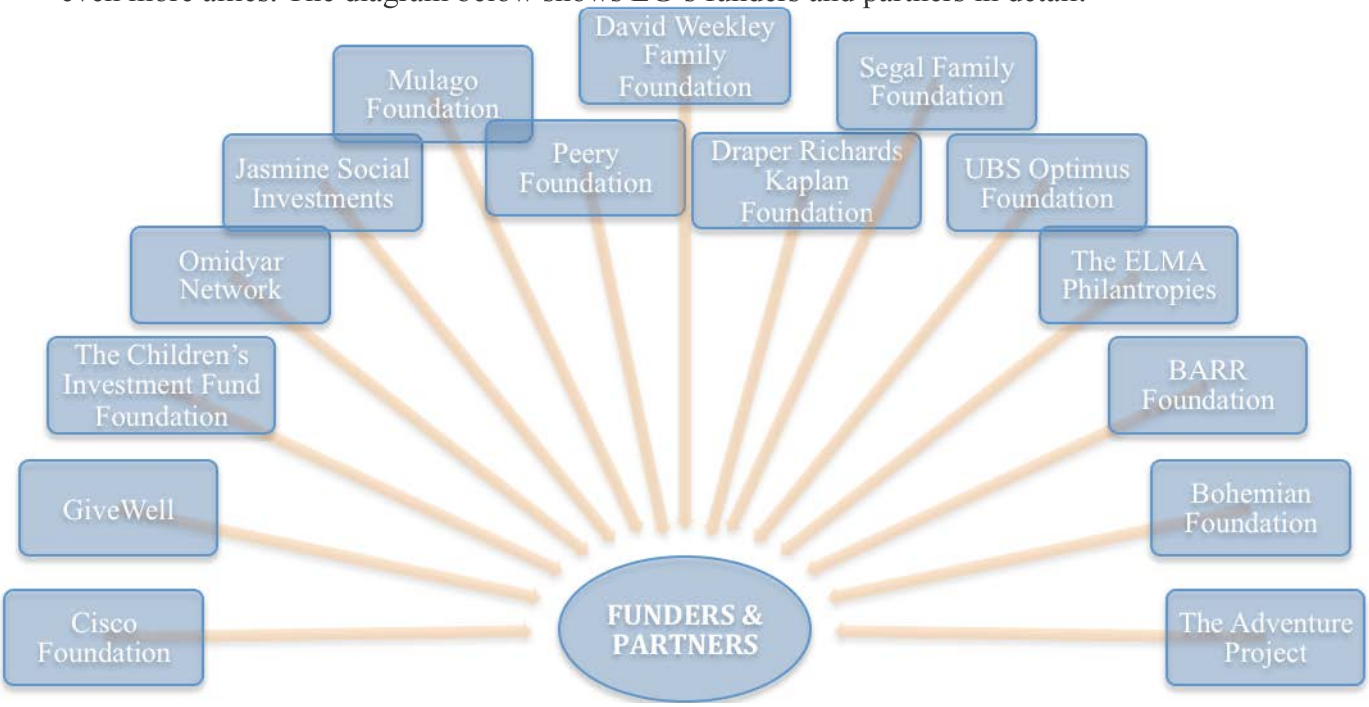


Figure 1: LG's funders and partners (Source: thesis author)

[29] https://livinggoods.org/who-we-are/funders/

Partners

Because different countries have different structures and necessities, LG has strategic partners, depending on the place. In Uganda the organization has its own network of agents and BRAC as a partner, working closely with the ministry of health. Nowadays it has around 3000 Health Promoters, a number expected do double over the next 4 years. This partnership is of the most importance to the success of both organizations, and focuses on strategy and business planning, as well as impact evaluation and fundraising. In Kenya, the program was converted to the CHP model, which was launched in 2015. In Myanmar, Population Services International (PSI) is replicating and adapting LG model to improve the sustainability and impact of its network of agents. In Zambia, LG is working with CARE International to help them develop a sustainable entrepreneurial health worker platform, helping with every aspect of the systems, from fundraising to impact planning. Finally, the Clinton Foundation in Peru hired LG to help them design a business model and build a door-to-door franchise.[30]

The Game Changing Hybrid Business Model

LG' system assents on two basic pillars: on one side and as briefly explained before, the organization depends on flexible funding from its partners; and on the other side, their "Avon Ladies" are capable of generating an income, and both these aspects combined are what makes the model sustainable and capable of generating an impact.

The LG model generates retail revenues that pay for the products, a retail margin that provides motivating incomes for the agents, and wholesale margins that cover much of the field distribution costs. With this hybrid model LG solves two of the most vexing problems in community health—how to keep vital products in stock, and how to pay the millions of needed health workers."[31]

Sustainability

The System & Model

From the very beginning LG wanted to target diseases that accounted for around 2/3^{rds} of mortality, like malaria, worms, tuberculosis, HIV and diarrhoea. Their crucial goal was to focus on illnesses that could be treated at a very low cost and with preventable measures; ones

[30] https://livinggoods.org/partner-with-us/
[31] https://livinggoods.org/what-we-do/sustainability/

that if not targeted would certainly claim lots of lives. They started by partnering up with microfinance organizations and NGO's to leverage on what was already built and together with the money they got from donors (see exhibit 4), they started developing their model.

In 2007 LG started operating with BRAC under a joint venture, hoping to take advantage of BRAC's groundbreaking discoveries and already implemented presence, infrastructure and network. This partnership allowed LG to scale up quickly and avoid further costs of renting warehouses and hiring people. Already a very well known and reliable organization, BRAC was one of LG most important partners with its microfinance programs already in place in Uganda, called Village Organizations (VO).

Living Good's model is built on their network of door-to-door women, which are called CHP's and function like "Avon Ladies". The CHP's were first recruited from BRAC's programs and were already familiar with microfinance and its benefits and therefore they were motivated and aligned with LG' vision and goals. Basically, the model incentives and empowers these women to purchase medicines and other specific products, which they can sell locally and door-to-door at a small mark-up and obtain a small income for themselves. In order to obtain women fully committed to the cause, all CHP's have an intensive three-week training, where topics related to healthcare and prevention and diagnosis of diseases are covered. After this period they are given a uniform (see exhibit 5) and get a small loan from BRAC to purchase their initial stock of products, and most importantly, the members of BRAC groups automatically became costumers for LG.

Part of making the model work is getting the community familiar with what is being done. CHP's were introduced to the community in schools, NGO's, village heads and even churches, so everyone in a given county would know whom to call to solve the problem. CHP's are considered part of family as they make time to meet their costumers and truly worry about them. They check on children's health, advise parents on improving "at home health practices" and support and educate pregnant moms; as well as advising families on how to improve their wealth and sell other important products like solar lights, water systems and stoves. Each one is responsible for 150 to 200 households and has to visit them every month. On top of this, CHP's are required to educate people about staying healthy and they are required to keep records of all the transactions and contacts they make with patients. To

keep the model effective, every month CHP's receive refresher training and coaching so they always distinguish problems they can solve and ones that should be treated in a hospital.
The crucial aspect is that CHP's are at the centre of the system. Because they live in the communities they serve, they absolutely understand the needs of their neighbours. Those women are empowered entrepreneurs who earn an income and at the same time are helping improve the lives on their community.

Building a Sustainable Model

To keep operations going smoothly, LG understood that the CHP's had to run a sustainable business, capable of supporting itself. In the company's view, they wished that by empowering those women they could perhaps take them far away from poverty. A crucial turning point to achieve this and build a sustainable model was when the company realized that only selling medicines would not be enough for CHP's to achieve economic sustainability and a good income. So on top of medicines LG also provided CHP's with personal care products like washing and bathing soaps, which could help them earn a higher income. Basically they added products that could have an impact (improve health or save money) and were of hard accessibility to those populations.[32] (exhibit 6)

Carrying these extra products had a low marginal cost and since CHP's now had several products to sell, they could cross subsidize and for example charge lower margins on more essential products like medicines. LG sold prevention and treatment products, which were responsible to promote health; and the later added products, the personal hygiene ones like soap, were used with as an incentive, as CHP's could sell them in bulk at a higher mark-up. Slaughter even said that around 30% of the income came from soap sales and he envisioned that subsidized products would act like cost leaders and bring costumers to CHP's.

It is impossible to refer to sustainability without addressing the scalability issue. LG envisioned the creation of a sustainable distribution platform that could be created by scaling up the model, which could only be done if they sold more than just medicines. Innovative products that could help save money and fuel and would contribute to household savings were tested in the market, and these included solar lamps, water filters, reading glasses and high-efficiency fuel stoves. For example in Uganda, poor families spent between $2 and $5 on

[32] http://www.givewell.org/international/top-charities/living-goods#RunninganetworkofCommunityHealthPromoters

charcoal and wood every week. During 2008 LG started selling high efficiency Uganda manufactured stoves through CHP's, which had a cost of $20 and used half the fuel to generate the same amount of heat. In order for poor families to have access, these could be paid over 16 weeks with the saving in fuel, which amounted to $1 per week.[26]

Because LG is absolutely committed to helping the communities, they are constantly paying attention to people's needs and finding ways to help while at the same time keep the model sustainable. The crucial aspect is that the business model is self-funded, empowers women and provides them with a living wage. On top of bringing change to entire communities, the model also brings change to the lives of poor women, the CHP's, by giving them power and ownership of their lives. If the CHP's earned more they would be inclined to invest more time on their work, which in turn would benefit the community to. With the increase of CHP's productivity, LG was also benefitted, making the business model sustainable.

Impact

LG' reason for being is to improve lives. We employ the best monitoring and evaluation tools available to ensure we are achieving our mission.[33]

What does impact mean?

With the philosophy of targeting diseases that can actually be treated at a very low cost, LG has been living up to its potential, actually having an impact in the communities where it operates at a very low cost. In order to increase the potential impact of the model, the company provides incentives to both CHP's and consumers, by doing promotions on some products and give special discounts to older people, as well as creating promotional strategies in schools. CHP's had other incentives like phones, bicycles to help them in transportation matters and free products dependent on reaching their targets. The idea is to reach the greatest amount of people possible and generate the highest possible impact. Putting together all operations, in the first year LG recruited around 400 CHP's and was able to reach 550 000 people.

Data obsessed to assess impact

LG is very strict about monitoring its impact and constantly monitors and registers data in order to set targets and reach its goals. First of all the field agents from LG meet CHP's once

[33] https://livinggoods.org/what-we-do/measuring-impact/

a month to restock supplies and collect payments, but most importantly, they monitor the storage done by CHP's to ensure that products have not deteriorated. Field agents are responsible to collect data regarding patient contacts and transactions made, which will later be transferred to a central database and used by LG to study the impact.

On top of the data collected by field agents, LG also relied on CHP's to record some numbers from every single household prior than beginning their actions. These data included number of children treated and their ages, water sources, sanitation facilities, spending on healthcare, usage of nets, disease cases, pregnancies supported, new-born visits, follow-ups and in-stock rates. CHP's would then record and log every patient interaction on their smartphones in Living Good's app. All of these would be measured periodically to truly assess CHP's impact.

The health app and central database allow the company to see results against health and sales target for every CHP in real time.[33] Stakeholders are provided with detailed reports and all data is shared with government partners, as transparency is a real deal. It was shown that the company's rigorous targets were achieved in a randomized study performed in 2014 by the Children's Investment Fund, which stated that LG was able to cut child mortality by more than 25% at only $2 per person. The study covered about 250 villages, which included 8000 families. Impact is a reality for this American based organization, and at the end of 2014 LG and its partners supported 1300 CHP's and served a population of 1 million.

Key Success Factors of the hybrid model

Summing up the success of the organization, we will now focus on the combined factors that allowed LG to create such an efficient and successful system. From the organization's own point of view, their business model had all the characteristics of a successful franchise system: fully committed agents with checked backgrounds, strict and careful quality product monitoring, training and follow-up, promotions, uniform branding, the mobile platform that has been created, penalties for disrespecting the rules and very importantly, the low cost practice possible through the large scale of operations. On top of these factors, their emphasis on strategic local partners, the already established distribution platform and strict monitoring,

the affordable pricing policy and the brand itself, are other factors that contribute to this huge success.

By relying on local partners, LG can take advantage of their already established infrastructure and network, to recruit and get access to best potential CHP's, as well as reducing overhead and administrative costs. Because they buy in bulk, eliminated the need for actual stores and have created a super efficient supply chain than includes both private and public resources, LG is able to have lower prices than its competitors, which is of the most importance to their financial sustainability. Serving the communities is what really matters, and therefore is it necessary to develop a consistent and respectable brand; that is why CHP's wear uniforms and use branded material, so they can be easily recognized as agents and representatives and start building an identity for the organization early on.[34]

Last but not least, it is important to mention the role that mobile phone have been having over the last couple of years. The app includes real time treatment reminders, where CHP's upload data to LG central database; quality control is both quicker and cheaper as when agents log treatments, LG can talk with clients immediately to check for diagnose accuracy instead of monitoring being done on foot. As agents leave their phone numbers on every household they go to, help is only a phone call away; and more specifically, once a client is pregnant, she is registered in the agent's community and will receive messages to promote a healthy pregnancy, which helps build a stronger costumer relationship. This mobile platform was built to drive demand, increase access and decrease delivery costs. Today phones are the most important tool in LG' success: they empower agents, deliver target health messages, dramatically lower the cost of marketing and monitoring as everything is much more efficient, and they incentive social connections and relations, which drives impact and success.[35]

The Future

Having already established a network of operations in 4 countries, there are various challenges coming in LG way. The company is committed to monitor and control every aspect of its operations, but with the growth in operations perhaps LG' ability to effectively

[34] http://groundwork.mit.edu/resources/living-goods-2010-minicase/
[35] http://www.mhealthknowledge.org/sites/default/files/1749-MAMA-Spotlight-June-v1-JH_1.pdf

monitor and support all CHP's may be compromised. It is imperial to find innovative solutions to coordinate CHP's and continuously align their incentives with the organization's policies. On top of decreasing child mortality, more broadly LG is responsible for introducing the Avon model in the healthcare industry, and understanding its true efficiency is crucial. Only one randomized study was performed in 2014 and that is not enough to fully assess the impact and efficacy of the model. If this can in fact be done, the success of future similar programs can be somehow calculated and learned, which in turn will incentivize replication to other countries. Because the organization continues to grow, and just like in other industries, there will be a need to redefine core competencies in order to keep being effective. With its many partners, LG must decide which parts of the business it should own and which ones can be strategically outsourced to partners.[34]

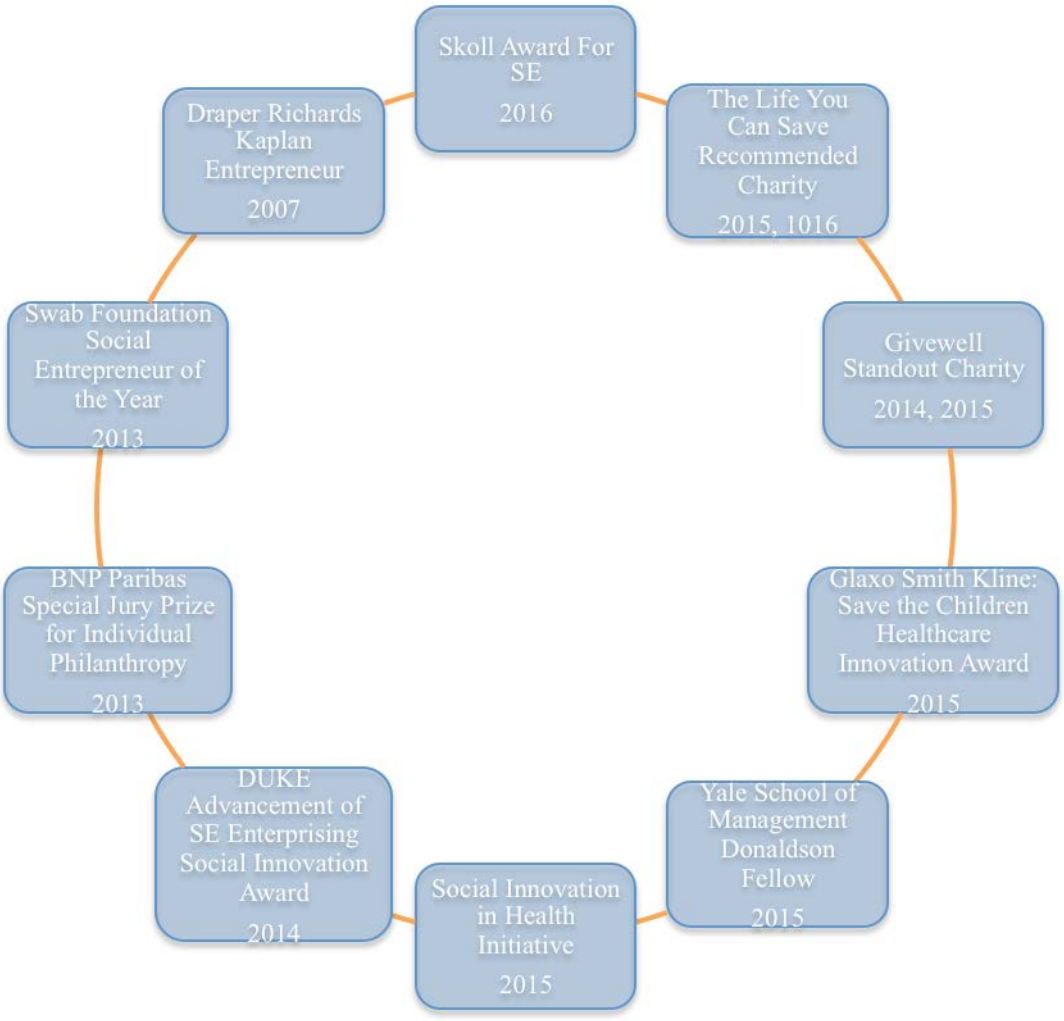
On a final note, it is important to mention that LG believes in sharing their methods and tools with other organizations in order to facilitate replication and create a stronger impact. As they know that no single organization can solve the problems by itself, they recently established a separate division that provides consulting services to partners who wish to replicate their system. Looking ahead it is imperative that LG shares their policies and looks for potential partners in new locations, who can be taught about how to optimize and replicate the micro franchise systems, so the problems in forgotten parts of the world can start to be truly tackled.

Exhibits

1- Chuck Slaughter, LG's founder

Source: https://twitter.com/slaughterchuck

2- List of LG's awards



Source: thesis author

3- LG's expenditures (in millions)

	2012	2013	2014	% of expenditures 2012-2014 | excluding unallocated
LG Uganda	$0.59	$0.79	$1.26	26% | 44%
LG Kenya	-	$0.50	$0.79	13% | 22%
BRAC Uganda	$0.60	$0.15	$0.36	11% | 18%
Other partnerships	$0.09	$0.32	$0.53	9% | 16%
Unallocated (primarily US-based operations)	$1.16	$1.71	$1.28	41% | N/A
TOTAL	**$2.43**	**$3.47**	**$4.22**	

http://www.givewell.org/international/top-charities/living-goods#ScalingupinUganda

4- LG's scale-up budget in Uganda 2015-2018 (in millions)

	Expenditures	Program revenue	Donor funding needed
Living Goods Uganda	$11.29	$1.02	**$10.27**
BRAC Uganda	$14.98	$0.93	**$14.05**
Partnerships	$6.52	$3.25	**$3.27**
Other (primarily US-based)	$5.68	-	**$5.68**
TOTAL	$38.48	$5.21	**$33.27**

http://www.givewell.org/international/top-charities/living-goods#ScalingupinUganda

5- CHP's uniform and starter-kit

https://livinggoods.org/what-we-do/the-living-goods-system/

6- Products sold by LG

Sales by Product in Uganda (Jan 2011- August 2014)

	Sales (USD)	% of total sales	Units sold	Living Goods margins	CHP margins
Soap	$229,379	24.9%	324,381	1-13%	4-24%
Cookstoves	$204,434	22.2%	51,843	0-25%	11-31%
Fortified food	$89,109	9.7%	243,718	4-19%	6-11%
Malaria treatments	$65,760	7.1%	93,284	23%	33%
Solar lighting and power	$62,455	6.8%	3,041	-40-30%	2-46%
Delivery kits	$57,137	6.2%	18,115	20%	10%
Diapers	$36,027	3.9%	16,771	10%	9%
Pain, cough & cold	$34,579	3.8%	35,442	9-37%	8-66%
Menstrual pads	$27,826	3.0%	20,652	7-17%	8-12%
Contraception	$25,673	2.8%	42,327	20-33%	28-44%
ORS and zinc	$13,829	1.5%	74,419	10-26%	7-33%
Deworming	$10,874	1.2%	6,588	36%	48%
Mosquito nets	$8,397	0.9%	2,579	12-24%	7-23%
Antibiotics	$8,190	0.9%	6,990	25%	44%
Other (e.g. vitamins and minerals, fuel, water treatment, toothpaste)	$47,817	5.2%	97,303	0-75%	5-100%
Total	$921,486	100.0%	1,037,453		

http://www.givewell.org/international/top-charities/living-goods#ScalingupinUganda

7- LG's estimations on cost per life saved

*based on forecasting for different mortality rates

Cost Per Life Saved	2015	2016	2017	2018
Low Case	6.086	4.527	3.812	3.536
Mid Mortality	4.773	3.551	2.990	2.773
Best Case	2.898	2.156	1.815	1.684

http://www.givewell.org/international/top-charities/living-goods#ScalingupinUganda

8- SWOT Analysis (possible topics for students discussion)

	Opportunities in time	
	Short/ Medium term	***Medium/ Long term***
Strengths	Business Model Technology platform Network effect	New features and activities for CHP's Possibility of selling additional products (franchises)
Weaknesses	Dependency on donor funds Limited partners Strict Monitoring	Dependency on funds Regulations …

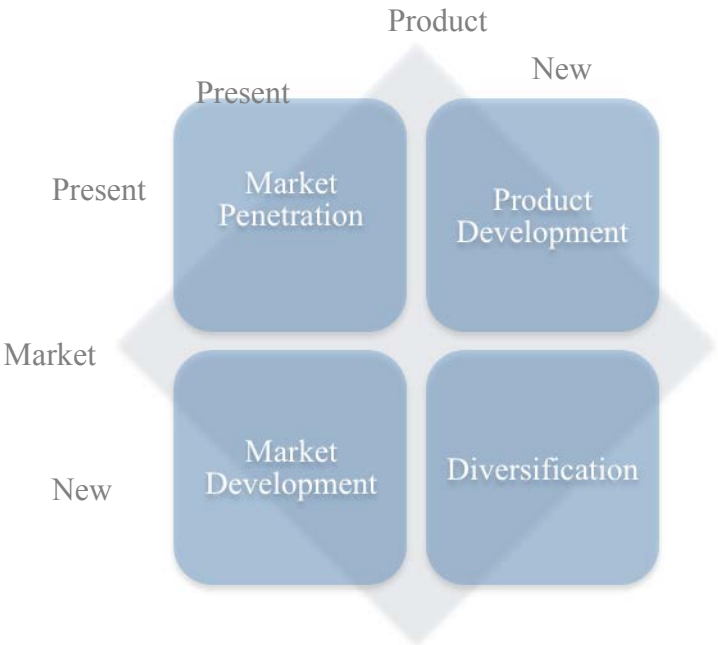
Source: thesis author

9- VRIN Analysis (possible topics for students discussion)

Competence	Valuable	Rare	In-imitable	Non - Substitutable	Conclusion
Brand Image	X				
Business Model	X	X			
Network Effect	X	X	X	X	Sustainable CA
Mobile platform	X	X			
CHP's	X	X	X		
Product range	X				

Source: thesis author

10- Ansoff Matrix



Source: thesis author, adapted from http://www.ansoffmatrix.com

CHAPTER 5- TEACHING NOTES

Case Summary

The case study "Living Goods: Sustainability and Impact of Hybrid Models in Healthcare Systems" is centred on LG, an American based social enterprise created in 2007 with operations in both the African and Asian continents. Chuck Slaughter, the organization's founder, is a social entrepreneur with a passion for ideas that can bring game changing impact at a scale. From his own personal experience he understood the need for a solution able to tackle the major challenges of health systems in developing countries.

In a broad sense, one can say that LG goal is to improve health status of entire county populations by delivering to them much needed medicines and products. With the innovative hybrid business model, LG was able to develop a sustainable and impactful business and reach millions of people. Nowadays a fully established organization, it operates in Uganda, Kenya, Myanmar and Zambia, with strategic partners depending on the locations, and also provides consulting services to organizations that wish to replicate the model. Their "Avon Ladies" are responsible for taking care of poor households and improving their life quality, feeling empowered to always do better.

LG operations and their particular model are deeply analysed. It also tackles the importance of measuring impact so that there is hard proof that the model works and is worth replicating, and on top of that, drivers for success and future plans are also analysed.

Learning Objectives

The case study is aimed at students with an interest in SE and strategy, with a passion for ideas that can disrupt an industry. It could be a valuable resource in courses related with entrepreneurship and strategy, as it presents a successful example of a social enterprise and touches on important strategy lessons, both in general but more specifically in the healthcare industry.

Main goals:

- To increase students' awareness about health systems in Africa and the major challenges: lack of funding and resources and no infrastructures and distribution

strategies. LG's solution illustrates how can millions of people get access to basic healthcare and how important it is to efficiently use resources

- Students will fully understand the organization and its goals, logistics and expansion strategy. They will understand how a successful social enterprise works and how important this type of organization is to help solve problems in developing countries, as well as how developed nations can efficiently help developing ones.
- The personality and ideals of Chuck Slaughter will show students how social entrepreneurs think and what they aspire to achieve.
- To show the importance of strategic partnerships in healthcare, depending on the location and environment. If each organization specializes on what they do best, the potential impact will undoubtedly be greater.
- To illustrate how important it is to assess and measure impact in a transparent way, and the importance of transparent funding systems.
- To build upon the importance of having a sustainable model, as LG knows that it is the only way to keep operations going and generating impact.
- To encourage discussions around hybrid business models and how can they be useful. LG understood that only by relying on funds and generating an income could it really cause game changing impact.

Teaching Questions

1. How can hybrid models help address basic problems in healthcare in developing countries?

To start addressing this question, students should be cleared on what a hybrid model really is. First and foremost, it is crucial to keep in mind that both financial sustainability and improving social welfare need to be achieved (Haigh and Hoffman, 2012). It is imperative to understand that there is no independence between commercial revenue and social value creation, as one will influence the other, and for the healthcare industry, it means that an endless number of opportunities can be exploited.[36]

The rising costs, the legal aspects blocking the actions of well-known NGO's and the increase in competition for funding and donations, make very little room for innovation and actions that can truly disrupt the healthcare solutions offered in the developing world. Hybrid models

[36] http://ssir.org/articles/entry/in_search_of_the_hybrid_ideal

have the potential to bring a much-needed change. The crucial aspect is ensuring that the global strategy aligns activities that generate income with ones that generate impact; hence one of the hybrid's central challenges will cease to exist (Santos, Pache and Birkholz; 2015).

In the specific case of the healthcare industry, students need to comprehend that by combining social and commercial value, an enterprise not only generates profit, but also money that will surely be reinvested with the purpose of fulfilling the social mission (i.e. increase health status of the poor). Some developing countries are very poor and the lack of conditions, infrastructures and money, all contribute to the unfortunate health status and presence of horrible diseases. So with hybrid models donor funds can be used to improve health status of the poor; and because the model sustains itself and also generates profit, large continuous donations might not be needed, meaning, an additional amount of funding will be used on solutions that yield not only more revenue but also more social impact.

To conclude, there are still a lot of severe problems concerning the healthcare industry, but hybrid models have the potential to tackle them. Because poverty levels are very high in developing countries and there is not an infinite amount of money to invest, innovative and efficient solutions are necessary, and that is what hybrid organizations like LG's one have to offer (subchapters "The Story" and "Sustainability"). By not relying solely on funds, there is more freedom and resources to focus on what truly matters: improving the health of poor nations. Donor funds will be used to develop newer and even more efficient strategic solutions aligned with the mission, and the money generated will keep operations going over time to achieve a greater impact.

2. What are LG main challenges and how can the organization overcome them?

In what the future has in store for LG, students will surely find challenges ahead. Nevertheless, this question should encourage them to discuss LG business model and operations, in hopes that they find risk factors and areas for improvement. Using business tools and frameworks will help summarize and put in perspective some of these factors, therefore students should start by doing a SWOT analysis where they evaluate strengths and weaknesses and see opportunities in the spectrum of time (exhibit 8). Moreover, a VRIN analysis (exhibit 9) should also de conducted, as this will make them fully examine LG's resources and how valuable they are, see if they constitute a competitive advantage or not, implying what challenges and risks might exist.

By carefully reading the case, students will surely pick up on general challenges for LG, until they reach the last section (The Future), where they are explained more in detail. The picture on the left side shows LG's major challenges, which are explained below in further detail:

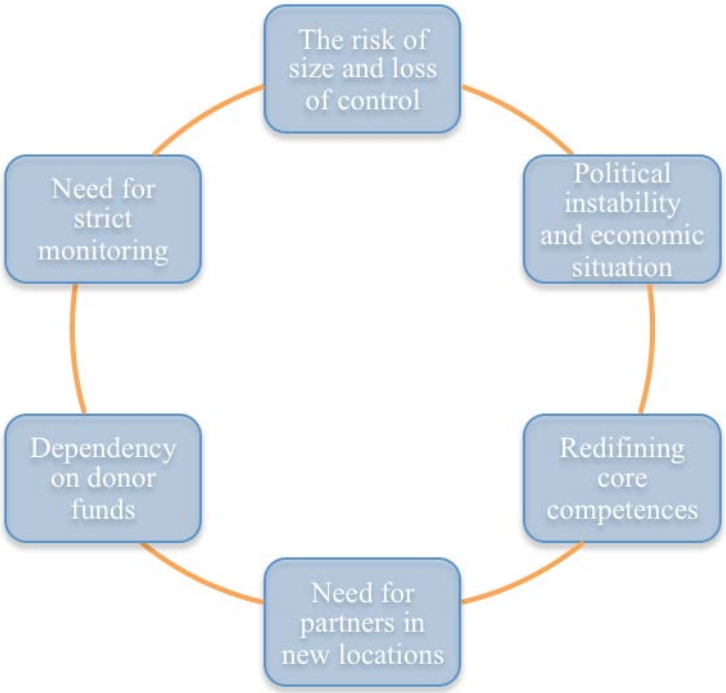


Figure 2: LG's Challenges (source: thesis author)

- Size is a risk, and with the growth in operations it becomes harder to monitor and support all CHP's. LG needs to coordinate CHP's in a continuously innovative way and provide them with incentives aligned with the organization's policy and mission.
- The country's political instability and economic situation (e.g. wars, lack of democracy…) might bring some problems in entering new locations and revising strategies. For example, due to Kenya's now decentralized government, LG needs to address which counties to choose, how they can move inside and freely distribute the products.
- Dependency on donor funds. If LG doesn't receive all the money it planned for, scalability and smooth run of operations can be compromised over time.
- The need for strict monitoring and finding new ways to assess impact will be crucial in the future, either to attract partners or show donors the money is being put up to good use. As LG uses a model that was developed in a different industry, the need to prove it has results in healthcare is even bigger.
- Redefining core competencies to keep being efficient. With the growth in operations, control is lost, and if LG's does not decide on what should strategically be outsourced, it can be lost on its business model.

- The need for partners in new locations. It is impossible for LG to do everything alone, therefore they have to keep providing consulting services, trust and rely on partners and share their proven model; it is the only way to achieve impact.

3. LG relies on partners to replicate its model and generate game changing impact. Can this be limiting them in entering new locations?

To address this question students should keep in mind expansion and diversification decisions and rely on the Ansoff matrix (exhibit 10). Moreover, LG's mission and vision should be clear, as they allow inference about the organizational nature and future goals. Additionally, one must also consider the factors that might influence expansion; here we can talk about health indicators, the existence of potential partners, new innovative ideas and the possibility of replicating the model.

It is present throughout the case study that LG relies heavily on partners, as they are crucial for the success of operations. Without BRAC it would have been impossible to start and without Cisco the so valuable mobile platform would not exist. Partners are chosen strategically and they are responsible for specific sets of actions. On top of that, big and well-known organizations ask LG's for help and the shared success is what brings the greatest impact. By siding with large NGO's and local governments, the model's influence will be higher and it is the only way *"to improve the health and wealth of 50 million people in 10 years"*.

It would be impossible to enter in a new country completely alone, as the problems are proven too severe to be handled effectively by one organization alone. In a sense, students could argue that partners do limit LG, as it is imperial to have at least one in each country, someone who will replicate the already proven model. It is better to focus on fewer locations and truly have an impact, than trying to enter everywhere, which would cause a rise in costs and possibly the collapse of LG's operations.

4. What innovative solutions can be thought of in order to address the challenges presented in the last two paragraphs of the Case Study (the future)?

As stated in section 6 of the case study, LG faces some challenges in its future journey. Since CHP's are a crucial part of the model, LG's must find ways to keep them motivated, offer them permanent support and monitor their operations. The mobile technology platform

developed by Cisco should be a tool that helps monitoring CHP's and LG should keep betting on it. New features like a weakly plan for CHP's and a permanent support line with someone from LG always available for CHP's can be incorporated. Moreover, a network of CHP's can be created on the mobile platform, where these women can share their stories and learn from each other, making the whole process more efficient. A point rating system can also be implemented and function like an incentive; people in different households can rate their CHP's, and the best ones could get additional rewards, namely discounts next time they come in to buy products, additional training or even free products for their own families, in this way they will stay motivated and aligned with LG's nature.

On another side, one must think about the control of operations in order to fully address the efficiency of the model. Only one randomized study was performed, and since that was not enough, perhaps another study can be done (like the one mentioned in the impact section of the case study), and LG should try to find an independent partner organization to do it, so the results will not be biased. Another interesting topic for students to debate would be the idea that LG's could develop a quantitative metric system in a partnership with Cisco, capable of measuring its own operations and efficacy, so time would not need to be spent on performing randomized studies every year.

There is also the need to redefine core competencies to keep the model efficient. LG sells different products, which can be divided into different categories. In the long run, new products can even be introduced and the company can take advantage of the sustainable distribution platform in place. But trying to control every aspect might be a risk and require a great amount of effort. To overcome this challenge, students should discuss LG's possibility of dividing its products in different major categories – i.e. health products; solar lights & cook stoves; water filters. These will integrate different products and there is also the opportunity to introduce a new line, and in doing so, there is the possibility of transforming them into separate franchise companies in order to better distribute the efforts.[37]

[37] http://globalhealth.mit.edu/wp-content/uploads/2011/05/Living-Goods-pdf.pdf

CHAPTER 6 – CONCLUSION

Conclusion

Trying to assess if hybrid models are capable of solving severe health problems in developing countries was the central research question throughout this dissertation. For this purpose a Case Study based on the organisation LG was used. If the reader is clearer on how SE can help fight diseases and poverty, as well as the potential that hybrid models have to be scalable and sustainable in the developing world, the main purpose was achieved. The healthcare industry is the largest in the world and one of the fastest growing (Das, 2015); therefore it presents itself as one of the most attractive to study hybrid models and their potential impact. The Research Question underlining this dissertation, about hybrid models and their sustainability and impact, was fully investigated, and the reader may find the most interesting findings in the paragraphs below.

The African continent is one of the most challenging regions in terms of poverty, health indicators and human development, since it includes a great part of developing countries. The actions of NGO's and governments, alongside the presence of social organizations who can provide innovative and efficient solutions are crucial to change the situation and increase life-quality. Proofs on how essential effective health systems are to improve health status of those "forgotten" nations have been provided, since focusing on the healthcare industry is key to develop Africa. By focusing on LG's operations, we were able to infer on the need of an innovative and efficient business model, capable of offering disruptive solutions in developing nations. As an example of a successful enterprise, LG's story shows that only donations and foreign aid are not enough to tackle such severe problems, and the money donated by developed nations alone does not stand a change in improving the situation. Moreover, LG's hybrid model was able to transform the healthcare situation, as it solved diverse issues related with transportation, distribution and efficient use of resources. Demonstrated as a credible enterprise, other well-known organizations like PSI come and look for advice on how to improve their own models. Because impact and results have been proven, LG's model has the potential to solve present issues and really improve health status of entire populations.

The presented case study also focuses on the importance of having a sustainable business model, which does not rely solely on donor funds, as that is the only way in which a social

enterprise can survive over time. By providing consulting services, LG is making sure that it successful model is being replicated and more millions of people are being helped. Finally, the importance of strategic partnerships and the need for strict control in monitoring impact, were also demonstrated as crucial for LG's success, and are something that other social organizations should keep in mind.

Limitations and Future Research

By tying together findings from both the Literature Review and the Case Study, some conclusions were reached, as presented above. There are, however, several limitations surrounding this research.

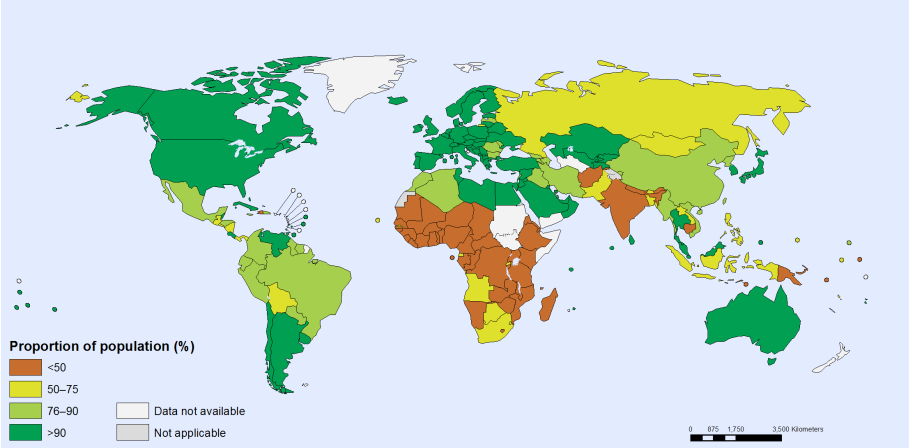
First and foremost, the approach chosen was a case study, which focused on only one company, meaning that the data exposed regarded only LG, and therefore it might not reflect what is happening in the industry. On top of this, all the information collected during research consists of secondary data and publicly available. The lack of primary data like interviews, surveys or focus groups constitute a sure limitation to the case study and to the dissertation as a whole.

No in-depth questions were asked to someone who works inside LG and knows deeply about its operations. Therefore, the case study was written based solely on the authors point of view, and in spite of being aware of subjectivity, this might be revealed as tendentious. In the future, a more objective vision will be necessary. Furthermore, the unavailability of more detailed figures namely LG's sales per county and number of households served limit the conclusions and make it impossible to present hard numbers. Adding on, the existence of only one randomized study to assess impact, only allow to draw general conclusions about LG's impact, like that the program reduced under-five mortality by 5%. Other health indicators have been improved and diseases like malaria and HIV are on the path to be controlled, as well as unwanted pregnancies. However it is impossible to present numbers on these factors, as there are no more studies available and LG and its partners do not publicly show this data. Lastly, SE is a qualitative topic and means different things for researchers. The different perspectives on sustainability and hybrid models might prevent further developments around these topics. Nevertheless, we hope to have concluded this dissertation by doing justice to LG's actions and the quality of its model.

Looking ahead, healthcare issues will exist in Africa and other developing nations for years to come. Therefore entrepreneurship and innovation strategies in healthcare will keep being a very interesting topic for researchers to investigate. Future research on hybrid models in healthcare could adopt a wider perspective by investigating thoroughly different programs, e.g. studies across several hybrid models in health and a comparison with traditional ones. Additionally, more in depth studies of other organisations using this model will be important in further elucidating the findings of this dissertation. Other interesting themes around strategies can focus on the usage of big data, since LG relies heavily on CHP's cell phones and innovative ways of using that data will surely appear. A research on LG's interaction with established partners like PSI would be interesting to assess scalability and understand how the model can be transposed to new locations and what challenges exist. There are endless possibilities and topics to cover in an industry that is still growing and transforming itself.

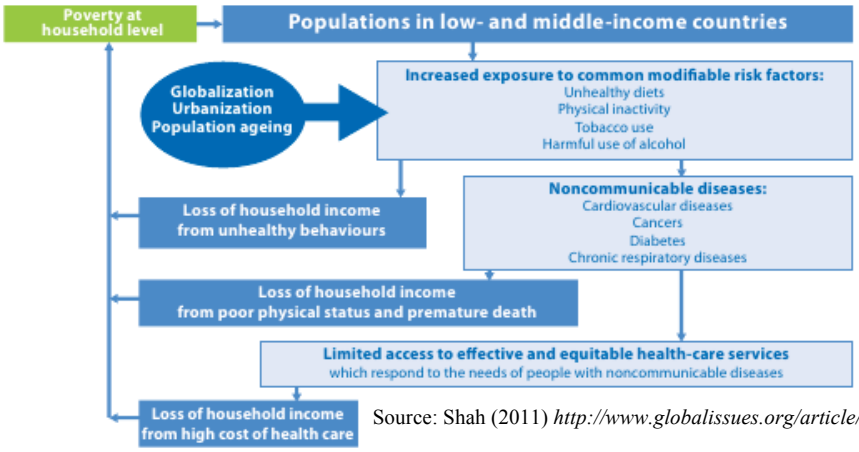
Annexes

1 – Proportion of population using improved sanitation facilities (2015)



Source: WHO; IER. *http://gamapserver.who.int/mapLibrary/Files/Maps/Global_sanitation_2015.png*

2 – Consequences of insufficient household income



Source: Shah (2011) *http://www.globalissues.org/article/588/global-health-overview*

3 – Identified access barriers to basic healthcare

Supply-side barriers	Demand-side barriers
Geographic accessibility	
• Service location	• Indirect costs to household (transport) • Means of transport available
Availability	
• Unqualified health workers, staff absenteeism, opening hours • Waiting time • Motivation of staff • Drugs and other consumable • Non-integration of health services • Lack of opportunity (exclusion from services) • Late or no referral	• Information on health care services/providers • Education
Affordability	
• Costs and prices of services, including informal payments • Private–public dual practices	• Household resources and willingness to pay • Opportunity costs • Cash flow within society
Acceptability	
• Complexity of billing system and inability for patients to know prices beforehand • Staff interpersonal skills, including trust	• Households' expectations • Low self-esteem and little assertiveness • Community and cultural preferences • Stigma • Lack of health awareness

Source: Jacbs et al (2001)
http://www.who.int/alliance-hpsr/resources/alliancehpsr_jacobs_ir_barriershealth2012.pdf

4 – Comparison between traditional and Hybrid models

Table 1 Key Distinguishing Factors Between Traditional and Hybrid Organizations.

	Relationship of Social/Environmental Issues to Organizational Objectives	Relationships with Suppliers, Employees, and Customers	Interaction with Market, Competitors and Industry Institutions
Traditional organizations	Social/environmental issues are addressed only if the organization has the organizational slack (e.g., resources, profit) and a strong business case	Relationships with suppliers, employees, customers, and suppliers primarily functional and transactional in nature. Cost factors are primary	Industry activity is premised on creating markets for traditional goods and services, appropriating and protecting competitive benefits, and altering industry standards for self-serving benefit
Hybrid organizations	The business model is configured to address explicit social/ environmental issues; organizational slack and the business case are secondary	Relationships with suppliers, employees and customers are based on mutual benefit and sustainability outcomes. Costs are considered but only after social and environmental outcomes are met	Industry activity is premised on creating markets for hybrid goods and services, competing successfully with traditional companies, and altering industry standards to serve both the company and the condition of the social and environmental contexts in which they operate

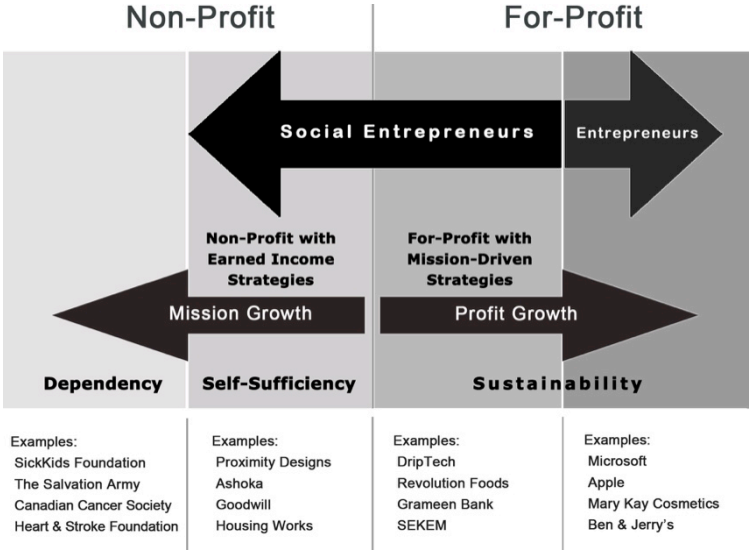
Source: Abu-Saifan (2012)
Technology Innovation Management Review, Feb 2012

5 – SE for different authors

Source	Definition	Core Characteristics
Bornstein (1998) tinyurl.com/6ucfnc6	A social entrepreneur is a path breaker with a powerful new idea who combines visionary and real-world problem-solving creativity, has a strong ethical fiber, and is totally possessed by his or her vision for change.	• Mission leader • Persistent
Thompson et al. (2000) tinyurl.com/7mkp7ah	Social entrepreneurs are people who realize where there is an opportunity to satisfy some unmet need that the state welfare system will not or cannot meet, and who gather together the necessary resources (generally people, often volunteers, money, and premises) and use these to "make a difference".	• Emotionally charged • Social value creator
Dees (1998) tinyurl.com/86g2a6	Social entrepreneurs play the role of change agents in the social sector by: • Adopting a mission to create and sustain social value • Recognizing and relentlessly pursuing new opportunities to serve that mission; • Engaging in a process of continuous innovation, adaptation, and learning; • Acting boldly without being limited by resources currently in hand; • Exhibiting a heightened sense of accountability to the constituencies served for the outcomes created.	• Change agent • Highly accountable • Dedicated • Socially alert
Brinckerhoff (2009) tinyurl.com/7w8dfs5	A social entrepreneur is someone who takes reasonable risk on behalf of the people their organization serves.	• Opinion leader
Leadbeater (1997) tinyurl.com/7exweb6	Social entrepreneurs are entrepreneurial, innovative, and "transformatory" individuals who are also: leaders, storytellers, people managers, visionary opportunists and alliance builders. They recognize a social problem and organize, create, and manage a venture to make social change.	• Manager • Leader
Zahra et al. (2008) tinyurl.com/87upzh3	Social entrepreneurship encompasses the activities and processes undertaken to discover, define, and exploit opportunities in order to enhance social wealth by creating new ventures or managing existing organizations in an innovative	• Innovator • Initiative taker

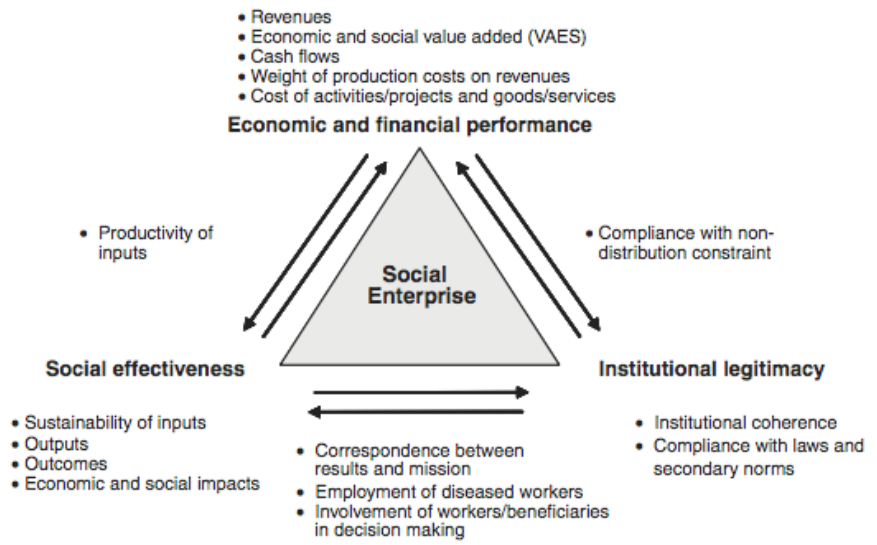
Source: Haigh and Hoffman (2015)
http://academiab.org/wp-content/uploads/2015/01/Hybrid-organizations_Organizational-Dynamics.pdf

6 – The spectrum of entrepreneurship



Source: Abu-Saifan (2012)
Technology Innovation Management Review, Feb 2012

7 – The multidimensional controlling model



Source: Bagnoli and Megali (2009)
Nonprofit and Voluntary Sector Quarterly

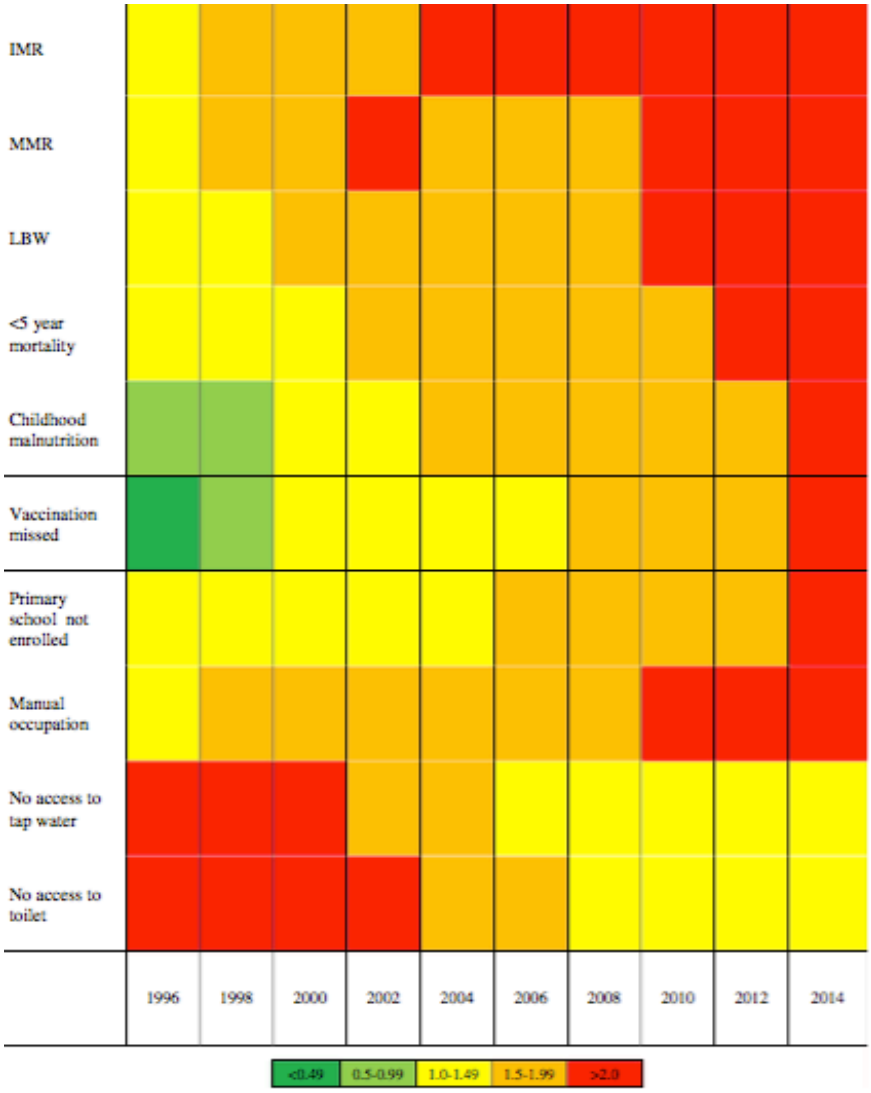
8 – Social Determinants of Health

Economic Stability	Neighborhood and Physical Environment	Education	Food	Community and Social Context	Health Care System
Employment	Housing	Literacy	Hunger	Social integration	Health coverage
Income	Transportation	Language	Access to healthy options	Support systems	Provider availability
Expenses	Safety	Early childhood education		Community engagement	Provider linguistic and cultural competency
Debt	Parks	Vocational training		Discrimination	Quality of care
Medical bills	Playgrounds	Higher education			
Support	Walkability				

Health Outcomes
Mortality, Morbidity, Life Expectancy, Health Care Expenditures, Health Status, Functional Limitations

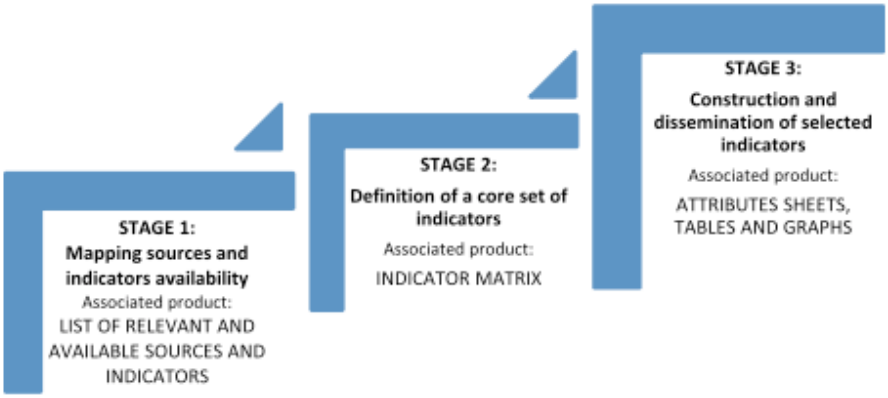
Source: http://kff.org/disparities-policy/issue-brief/beyond-health-care-the-role-of-social-determinants-in-promoting-health-and-health-equity/

9 – Health inequalities shown as odds ratio



Source: Jayasinghe (2015)
International Journal for Equity in Health

10 – Three stage methodology for the construction of an observatory on health inequalities



Source: Guerra et al (2016)
International Journal for Equity in Health

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