

California Management Review

BUSINESS AND SOCIETY

Thin Political Markets:
The Soft Underbelly of Capitalism

Karthik Ramanna

Improving Private Sector Impact on
Poverty Alleviation

Paul Clyde • Aneel Karnani

INNOVATION

Global Clusters of Innovation:
Lessons from Silicon Valley

Jerome S. Engel

Engaging with Startups to Enhance
Corporate Innovation

Tobias Weiblen • Henry W. Chesbrough

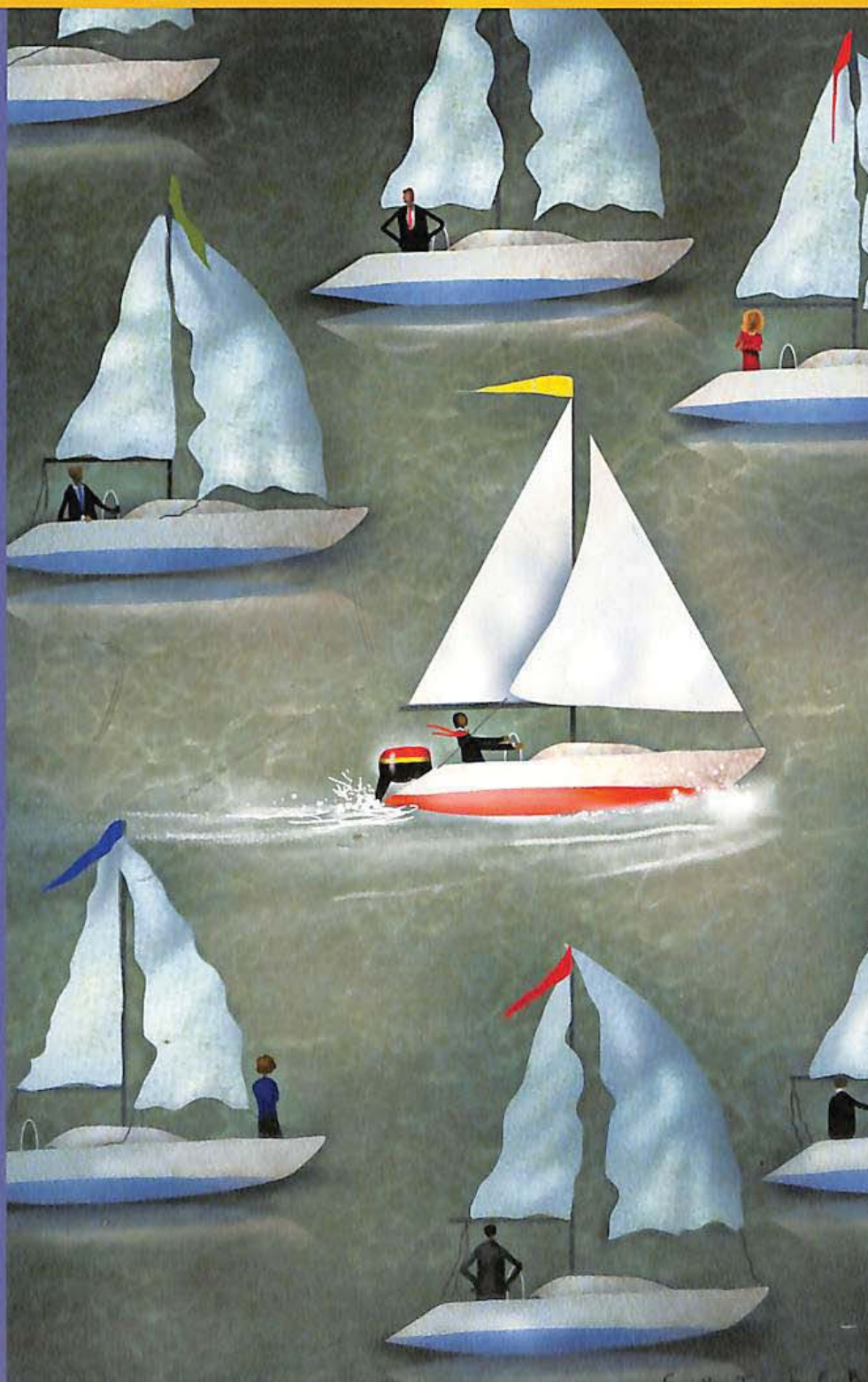
3D Robotics:
Disrupting the Drone Market

Toby Stuart • Chris Anderson

EMPLOYEE DEVELOPMENT

How a One-Time Incentive Can Induce
Long-Term Commitment to Training

Teck-Hua Ho • Catherine Yeung



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SUMMARIES

5 Thin Political Markets: The Soft Underbelly of Capitalism

Karthik Ramanna

"Thin political markets" are the processes through which some of the most complex and critical institutions of our capitalist system are determined—e.g., our accounting-standards infrastructure. In thin political markets, corporate managers are largely unopposed—because of their own expertise and the general public's low awareness of the issues. This enables managers to structure the "rules of the game" in self-serving ways. The result is a structural flaw in the determination of critical institutions of our capitalist system, which, if ignored, can undermine the legitimacy of the system. This article provides some ideas on how to fix the problem.

20 Improving Private Sector Impact on Poverty Alleviation: A Cost-Based Taxonomy

Paul Clyde and Aneel Karnani

The past few decades have seen an increasing role for the private sector in poverty alleviation. The variety of names used to describe these initiatives—corporate social responsibility, social enterprise, base of the pyramid, impact investing, not-for-loss business, and corporate philanthropy—obscures the similarity among them: they all sacrifice economic profits in return for social impact. This article uses economic theory to develop a cost-based taxonomy of private sector initiatives in poverty alleviation by taking into consideration which costs are being subsidized. This highlights the incentive effects, allowing the donor to increase the efficiency and impact of the initiative.

36 Global Clusters of Innovation: Lessons from Silicon Valley

Jerome S. Engel

Can innovation and entrepreneurship stimulate economic growth in diverse communities, or is it only effective in a few unique places like Silicon Valley? This article identifies the salient components, behaviors, and linkages that characterize Silicon Valley and explores how these characteristics apply in a diverse selection of economic communities in Europe, Asia, and Latin America. It focuses on the role institutions—such as governments, universities, major corporations, and NGOs—play in shaping such communities. It provides insights for government policy makers on how to enhance their region's innovation potential, and offers strategies for entrepreneurs and venture investors as to how to leverage the benefits of clusters of innovation, wherever one is located.

66 Engaging with Startups to Enhance Corporate Innovation

Tobias Weible and Henry W. Chesbrough

When it comes to agility, startups have an edge over large corporations – whereas large corporations sit on resources which startups can only dream of. The combination of entrepreneurial activity with corporate ability seems like a perfect match, but often goes unused. This article examines how large corporations from the tech industry have begun to tap into entrepreneurial innovation from startups. Prominent examples are used to inductively derive a set of four models commonly used to engage with startups and to describe their characteristics, challenges, and rationales. While corporate equity is the key mechanism behind

more established models, newer approaches replace equity with shared technology to connect both worlds with fewer organizational costs. This article presents a typology of corporate mechanisms to engage with startups that balance speed and agility against control and strategic direction, to map the ways companies can bridge the gap between themselves and the startup world.

91 3D Robotics: Disrupting the Drone Market

Toby Stuart and Chris Anderson

This case study focuses on 3D Robotics, a drone company with UAV platforms. It examines what 3DR should pursue at the critical inflection point within its history and highlights what is unique about 3DR, particularly when compared to a more traditional non-open, non-Maker company. (Keywords: Entrepreneurship, Corporate Strategy, Market Entry, Open Source, Innovation, Crowdsourcing)

113 How a One-Time Incentive Can Induce Long-Term Commitment to Training

Teck-Hua Ho and Catherine Yeung

Can a one-time incentive induce workers to commit to short- and long-term training to remain competitively employable? A one-time offer of \$60 was given to workers who finished two courses within 4 months. It had a remarkable, positive effect on training participation during this period, and a sustained effect beyond it, but this only occurred when two psychological techniques were used to increase commitment to training and to shape perceptions of the incentive. These results have practical implications for companies and governmental organizations wanting well-trained workforces to sustain growth in competitive environments.

California Management Review

SPECIAL ISSUE ON HYBRID ORGANIZATIONS

Hybrid Organizations:
Origins, Strategies, Impacts, and
Implications

**Nardia Haigh • John Walker • Sophie Bacq •
Jill Kickul**

Benefit Corporation Legislation and the
Emergence of a Social Hybrid Category

**Hans Rawhouser • Michael Cummings •
Andrew Crane**

Making Hybrids Work:
Aligning Business Models and
Organizational Design for Social
Enterprises

**Filipe Santos • Anne-Claire Pache •
Christoph Birkholz**

Hybrid Organizations as Shape-Shifters:
Altering Legal Structure for Strategic
Gain

**Nardia Haigh • Elena Dowin Kennedy •
John Walker**

How Hybrid Organizations
Turn Antagonistic Assets into
Complementarities

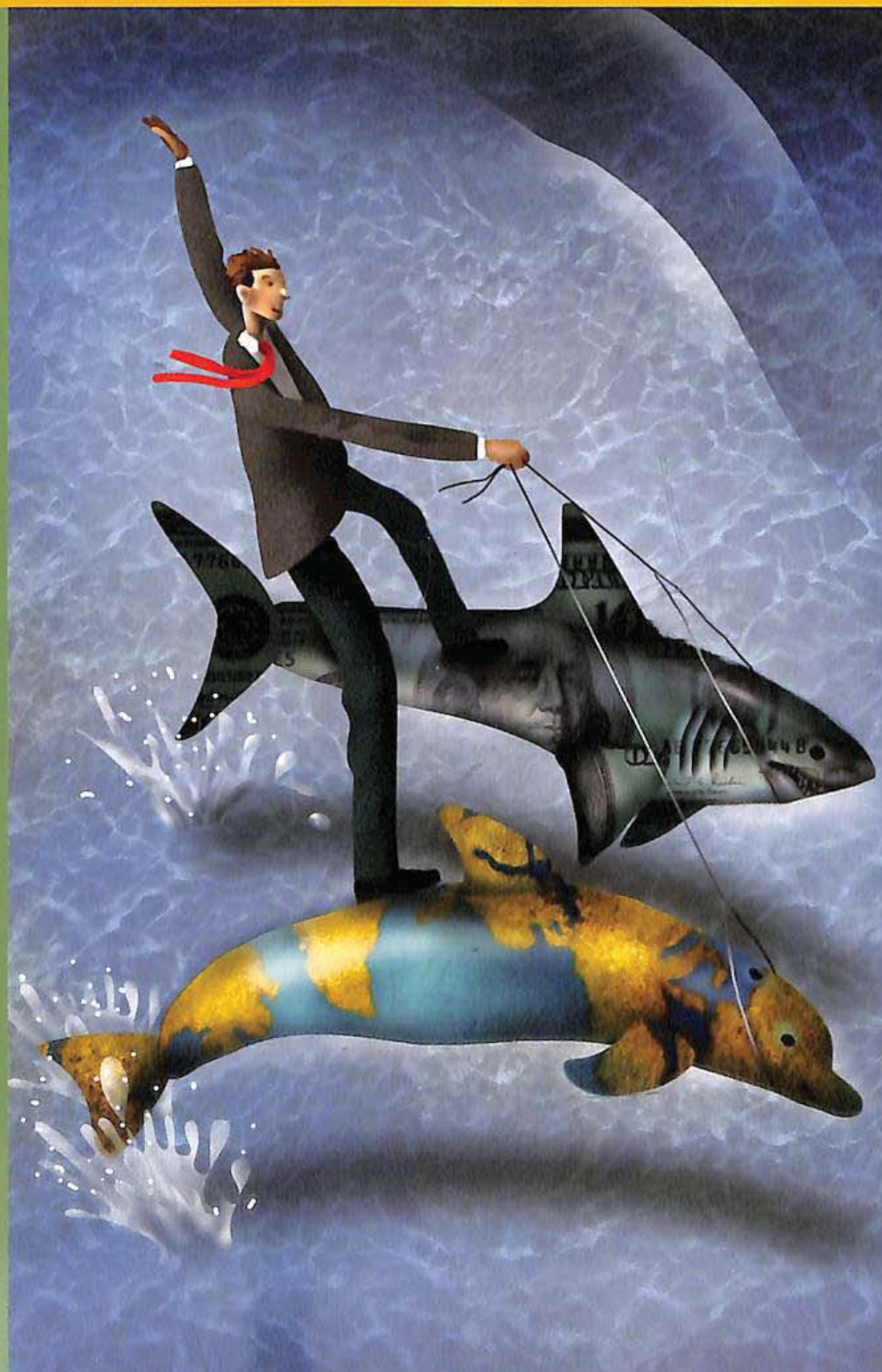
Kai Hockerts

Identifying, Mapping, and Monitoring the
Impact of Hybrid Firms

Diane Holt • David Littlewood

Strategic Responses to Hybrid Social
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Matthew Lee • Jason Jay



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SPECIAL ISSUE ON HYBRID ORGANIZATIONS

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SUMMARIES

5 Hybrid Organizations: Origins, Strategies, Impacts, and Implications

Nardia Haigh, John Walker, Sophie Bacq, and Jill Kickul

This introduction to the special issue on hybrid organizations defines hybrids, places them in their historical context, and introduces the articles that examine the strategies hybrids undertake to scale and grow, the impacts for which they strive, and the reception to them by mainstream firms. It aggregates insights from the articles in this special issue in order to examine what hybrid organizations mean for firms and practicing managers as they continue to grow in number and assume a variety of missions in developing and developed countries.

13 Benefit Corporation Legislation and the Emergence of a Social Hybrid Category

Hans Rawhouser, Michael Cummings, and Andrew Crane

Previous research highlights tensions that social hybrids face by spanning categories. This article explores the emergence of legislation to support a new category for social hybrids, focusing on Benefit Corporation legislation in the United States. It presents quantitative analysis of state-level factors that make a state suitable for a social hybrid category (attractiveness for for-profit business and nonprofits, existing social hybrid organizations, legislative intensity, and political leanings) followed by qualitative analysis of the arguments marshaled for the creation of the Benefit Corporation legal form. These findings raise important insights for research on social hybrids and suggest a range of practical implications.

36 Making Hybrids Work: Aligning Business Models and Organizational Design for Social Enterprises

Filipe Santos, Anne-Claire Pache, and Christoph Birkholz

Hybrid organizations pursuing a social mission while relying on a commercial business model have paved the way for a new approach to achieving societal impact. Although they bear strong promise, social enterprises are also fragile organizations that must walk a fine line between achieving a social mission and living up to the requirements of the market. This article moves beyond generic recommendations about managing hybrids in order to highlight a typology of social business hybrids and discuss how each of the four proposed types of hybrid organizations can be managed in order to avoid the danger of mission drift and better achieve financial sustainability.

59 Hybrid Organizations as Shape-Shifters: Altering Legal Structure for Strategic Gain

Nardia Haigh, Elena Dowin Kennedy, and John Walker

Social entrepreneurs navigate a complex landscape of legal structures in which they need to select among for-profit, nonprofit, and mixed-entity structures. This study of 48 hybrid organizations identifies why social entrepreneurs chose one legal structure over another and explains what motivates half of them to change their legal structure as they build their enterprise. It highlights the critical desire for flexibility among social entrepreneurs, discusses the implications that changes to legal structure may have for companies and hybrids in partnerships, and explores how companies can leverage hybrid structures to go beyond their current scope of CSR initiatives.

83 How Hybrid Organizations Turn Antagonistic Assets into Complementarities

Kai Hockerts

This article focuses on people excluded from traditional markets as employees, producers, or consumers on the grounds that they lack the appropriate skills. It describes the processes through which these perceived liabilities can be overcome by so-called hybrid organizations. Hybrids pursue explicit social missions through business-inspired earned-income strategies, with the express goal of creating market disequilibria. This article demonstrates the challenges hybrids face and outlines how to overcome them by identifying hidden complementarities and creating new ones, by eliminating the need for complementarities, and by creating demands for antagonistic assets, or by using partnerships.

107 Identifying, Mapping, and Monitoring the Impact of Hybrid Firms

Diane Holt and David Littlewood

There is growing recognition that hybrid organizations can play a critical role in tackling intractable global sustainable development challenges. At the same time, acute social, environmental, and economic challenges are opening up "opportunity" spaces for hybrids. Different institutional contexts are also leading to variable hybrid forms linked to the focus of their mission and their profit-oriented status. This article presents a process for identifying, mapping, and building impact indicators based on a study of 20 hybrid organizations in Sub-Saharan Africa.

126 Strategic Responses to Hybrid Social Ventures

Matthew Lee and Jason Jay

How do established companies respond to the entry of hybrid social ventures in their industries? Hybrid social ventures—new companies that combine business and social missions—compete with established companies for customers and employees, but also share an interest in the advancement of established companies' sustainability activities, creating opportunities for collaboration. Based on the analysis of eight established consumer-facing companies, this article presents a framework for understanding how these companies' responses to hybrid social ventures differ. These differences are based on opportunities they perceive for sustainability-oriented value creation with their own customers and employees.

California Management Review

MANAGING RESOURCES

Balanced Workplace Flexibility:
Avoiding the Traps

Ellen Ernst Kossek • Rebecca J. Thompson •
Brenda A. Lautsch

Consumer Markets for Remanufactured
and Refurbished Products

James D. Abbey • Margaret G. Meloy •
Joseph Blackburn • V. Daniel R. Guide, Jr.

MANAGING THE CROWD

CGIP: Managing Consumer Generated
Intellectual Property

Pierre Berthon • Leyland Pitt • Jan Kietzmann •
Ian P. McCarthy

Crowdsourcing-Based Business Models:
How to Create and Capture Value

Thomas Kohler

DISRUPTING INDUSTRIES

Overcoming Barriers to Entry in an
Established Industry: Tesla Motors

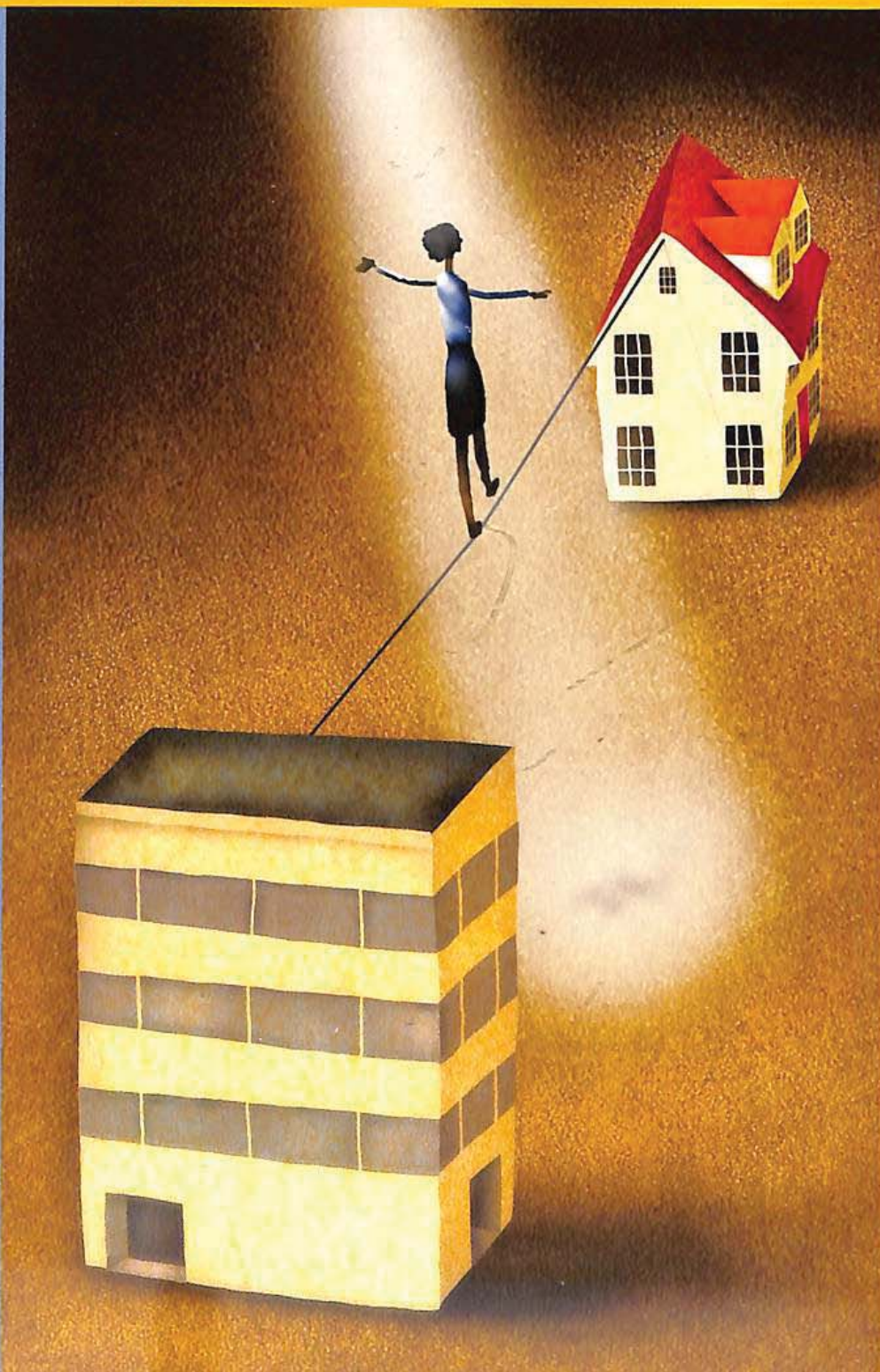
Edward Peter Stringham • Jennifer Kelly Miller •
J.R. Clark

Castlight Health: Disrupting the Health
Care Industry

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Kristiana Raube



SUMMARIES

5 Balanced Workplace Flexibility: Avoiding the Traps

Ellen Ernst Kossek, Rebecca J. Thompson, and Brenda A. Lautsch

This article identifies three types of traps that can emerge when implementing workplace flexibility—altered work-life dynamics, reduced fairness perceptions, and weakened organizational culture—and provides core lessons for managers seeking a balanced flexibility approach. First, managers must become flex-savvy to understand the variation that exists in flexibility practices to align implementation with the workforce and organizational context. Second, implementing flexibility must not be treated as an accommodation but as a broader systemic organizational change empowering individuals and teams. The article provides a Worksmart case to highlight how to avoid traps and implement balanced workplace flexibility across multiple stakeholder interests.

26 Consumer Markets for Remanufactured and Refurbished Products

James D. Abbey, Margaret G. Meloy, Joseph Blackburn, and V. Daniel R. Guide, Jr.

Consumer product returns in the United States are approaching three-hundred billion dollars annually. In the majority of cases, the returned products are perfectly functional convenience returns. Managers have a multi-billion dollar profit opportunity to reuse the products by strategically employing remanufacturing. Yet, remanufacturing has multiple barriers that must be understood and addressed. This article addresses several key managerial issues regarding remanufactured consumer products. First, will consumers buy remanufactured products? Second, will the green consumer segment desire remanufactured products? Third, will remanufactured product sales cannibalize new product sales? Finally, this article provides guidance regarding pricing and cannibalization mitigation strategies.

43 CGIP: Managing Consumer Generated Intellectual Property

Pierre Berthon, Leyland Pitt, Jan Kietzmann, and Ian P. McCarthy

Two related trends characterize the recent past: value propositions are migrating from the physical to the informational, and value creation is shifting from firms to consumers. These two trends meet in the phenomenon of "consumer generated intellectual property" (CGIP). This article addresses the question: "How should firms manage the intellectual property that their customers create?" It explores how CGIP presents important dilemmas for managers and argues that consumers' intellectual property should not be leveraged at the expense of their emotional property. It integrates these perspectives into a diagnostic framework and discusses eight strategies for firms to manage CGIP.

63 Crowdsourcing-Based Business Models: How to Create and Capture Value

Thomas Kohler

Technology has transformed individuals from mere consumers of products to empowered participants in value co-creation. While numerous firms experiment with involving a crowd in value creation, few companies turn crowdsourcing projects into thriving platforms with a powerful business model. To address this challenge, this article analyzes successful platforms to identify patterns of effective crowdsourcing-based business models. The results provide guidance for managers who need to create new (or adapt existing) business models.

85 Overcoming Barriers to Entry in an Established Industry: Tesla Motors

Edward Peter Stringham, Jennifer Kelly Miller, and J.R. Clark

The automobile industry's high costs of entry, economies of scale, and network effects from distribution, fueling, and service lead many to conclude that new entrants have no chance. Tesla Motors has overcome many barriers to pioneer electric cars. Starting with partnerships and a minimum viable product, Tesla is working to innovate and scale up. Tesla now produces a top-selling luxury car and has a market capitalization twice that of Fiat Chrysler and half that of General Motors or Ford. Tesla has shown that a startup can enter and disrupt the status quo in one of the most established industries.

104 Castlight Health: Disrupting the Health Care Industry

Kristiana Raube

This case study focuses on Castlight Health, a company that offered web-based health comparison tools for consumers. The company provided its tool through a business-to-business based subscription model where the employees of Castlight's clients could research health care costs before receiving care. The case study focuses on the company's newest product, a reference-based pricing product and whether this concept was a short-term fad or whether Castlight Health could successfully implement this new product and strategy.

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FAMILY FIRMS

Family-Driven Innovation:
Resolving the Paradox in Family Firms

Alfredo De Massis • Alberto Di Minin •
Federico Frattini

Resources and Innovation in Family
Businesses: The Janus-Face of
Socioemotional Preferences

Danny Miller • Mike Wright • Isabelle Le
Breton-Miller • Louise Scholes

Managing Turbulence: Business Model
Development in a Family-Owned
Airline

Marcel Bogers • Britta Boyd • Svend Hollensen

Family Assets and Liabilities in the
Innovation Process

Morten Bennedsen • Nicolai Foss

Diagnosing Innovation Readiness in
Family Firms

Daniel T. Holt • Joshua J. Daspit

MANAGEMENT STRATEGY

The Three Faces of Bounded Reliability:
Alfred Chandler and the Micro-
Foundations of Management Theory

Liena Kano • Alain Verbeke

BUSINESS AND SOCIETY

Fair Trade USA: Scaling for Impact

Jennifer Walske • Laura D. Tyson



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- 5 Family-Driven Innovation: Resolving the Paradox in Family Firms
Alfredo De Massis, Alberto Di Minin, and Federico Frattini
This article presents an integrated, contingency perspective on family firm innovation called Family-Driven Innovation (FDI). The framework highlights the need for consistency between a family firm's strategic innovation decisions and its idiosyncrasies to achieve and sustain competitive advantage through innovation. This article also offers some directions for future research on FDI and serves as an introduction to this special section on family firms.
- 20 Resources and Innovation in Family Businesses: The Janus-Face of Socioemotional Preferences
Danny Miller, Mike Wright, Isabelle Le Breton-Miller, and Louise Scholes
Family business socioemotional preferences are often Janus-faced. Some strive to create a strong business they can pass on to offspring by building innovation-promoting resources such as human, relational, and financial capital. Other family firms cater to family desires for unqualified nepotism, altruism towards undeserving kin, and appropriation of firm assets to fulfill parochial desires that erode these resources. This article explores how such preferences, together with their impact on resources and the innovation demands of their markets, shape the approach to innovation.
- 41 Managing Turbulence: Business Model Development in a Family-Owned Airline
Marcel Bogers, Britta Boyd, and Svend Hollensen
How can a family business reduce environmental uncertainty and dependence by developing its business model, changing the logic of creating and capturing value through its activities? Cimber, a Denmark-based family-owned airline, has developed different business models since its establishment in 1950. Resource dependence theory can help illuminate the actions that Cimber took in this process. The family played an important role in balancing internal and external influences, shaping the scope and complexity of the business model, and creating specific path dependencies.
- 65 Family Assets and Liabilities in the Innovation Process
Morten Bennis and Nicolai Foss
Innovation in family firms is often driven by family assets, valuable resources that are particularly prevalent in family firms. For example, they have particularly strong networks that can be deployed in an innovation context. These family assets can over time atrophy and stifle rather than stimulate innovation performance. However, family firms can fight this process by institutionalizing innovation within the family and the firm by means of family and corporate governance and through incentivizing key individuals in the innovation process.
- 82 Diagnosing Innovation Readiness in Family Firms
Daniel T. Holt and Joshua J. Daspit
Innovation is essential for family firms to remain competitive. One means to enhance the success of innovation within family firms is to assess readiness prior to beginning the innovation process. This article introduces the Readiness for Innovation in Family Firms (RIFF) framework, which provides a diagnostic assessment and identifies multiple factors associated with innovation

readiness. By applying the RIFF framework, managers of family firms can focus on specific factors that prepare the firm to engage in the innovation adoption process, increasing success.

97 The Three Faces of Bounded Reliability: Alfred Chandler and the Micro-Foundations of Management Theory

Liena Kano and Alain Verbeke

Alfred Chandler, the celebrated business historian, provided detailed descriptions of the reasons for failed human commitments and the managerial tools needed to prevent/remediate such failings in the context of large business firms. Chandler's historical narrative identifies three distinct "faces" of bounded reliability—opportunism, benevolent preference reversal, and identity-based discordance—as the main drivers of commitment failure. Adopting bounded reliability (BRel) as a micro-foundation in management studies will raise the quality and relevance of scholarly recommendations to improve managerial decision making and action, because analysis of BRel challenges closely mirrors the real-world problems facing practicing managers.

123 Fair Trade USA: Scaling for Impact

Jennifer Walske and Laura Tyson

This case study focuses on Fair Trade USA (the leading third-party certifier of fair trade products in North America) and founder, President, and CEO Paul Rice and his challenges scaling FT USA. The case study covers the growth strategies that he and his team are debating at a key point in FT USA's history amidst increasing competition from other certification organizations like Rainforest Alliance and Utz and general market confusion over consumer packaging labels. Rice and his team are grappling with how to make the Fair Trade USA label more prevalent as well as how to build a viable, long-term business model. The case discusses FT USA's role in helping companies like Hershey's develop sustainable supply chains.