1. Introduction

Policymakers, academics, and the public are acutely aware of the urgent need to redesign the governance of global capitalism in response to recent financial, environmental, and social crises. The objective of this book is to explore new possibilities for the innovation, production, and delivery of solutions for some of the most pressing social challenges of the twenty-first century. Among the challenges facing the world at present, with long-term consequences, are inequality, including unequal access to education, health, and energy. With growing recognition that policy responses that posit states against markets produce dismal results, various actors are addressing social challenges requiring collective mobilization and action, and correspondingly, scholars are reconceptualizing governance as an outcome of these actions. Persistent inequality amidst low levels of socio-economic development calls for new institutional arrangements. How this challenge is being addressed with the rise of the hybrid domain lies at the heart of this book. Our goal is to engage with the question of collective capacity-building for a broad and multidisciplinary audience, from those in innovation, science and technology policy, entrepreneurship, governance, and development.

1.1 THE HYBRID DOMAIN

The book will conceptualize the hybrid domain, which refers to an ever-growing “middle” that lies between states and markets. As Stiglitz (2008) notes, “the closer integration of the countries of the world – globalization – has given rise to a greater need for collective action.” Based on observations of social innovation in India, we develop a conceptual framework that acknowledges the shifting boundaries and blending interests between the public and the private domains. Collaboration has been acknowledged as a key organizational attribute in various forms of governance, including polycentric governance, network governance, and heterarchies. Yet, the emphasis has remained on the role of the state in governance, with little acknowledgment of the subtle changes in capitalist societies that defy previously accepted categorization. For
instance, acknowledging the the role of civil society organizations and social enterprises, if at all, is very nascent.

We conceptualize the hybrid domain as a newly emerging domain that overlaps public and private interests. We analyze the stakeholders in this hybrid domain – to demonstrate the swelling of the middle – and, by doing so, critique what has become the basic analytical framework in understanding economic governance – state versus markets. The rise of the hybrid domain signifies the shift from shareholder-driven to stakeholder-driven capitalism on the one hand, and the growing role of civil society organizations as key stakeholders working in conjunction with the state and corporations in pursuing social missions on the other. However, there is an important distinction between social needs and market opportunities, even if they may converge or overlap in many instances. Such convergence of needs and opportunities has been observed from multiple perspectives, ranging from “shared value” (Porter & Kramer, 2006) in business management to inclusive development (Dreze & Sen, 1999) in the development literature. Finance increasingly intersects with social missions as well, as the concept of “philanthro-capitalism” indicates (Bishop & Green, 2008).

While the hybrid domain involves both social and economic missions, new organizational entities ensure the integrity of dual missions by emphasizing stakeholders, not shareholders. Moreover, various aspects of the hybrid domain have been reported and analyzed as separate processes; the marketization of the state on the one hand, and the socialization of markets on the other. We believe it is useful to understand the two processes in a single conceptual framework, and examine the interactions among for-profit, non-profit, and various hybrid entities that produce social innovation. Most broadly defined, social innovation refers to innovation with strong social impacts, one that is designed to fulfill unmet social needs of underserved populations.

The reasons for the rise of the hybrid domain are many and complex. Most broadly, both statism and capitalism of the twentieth-century variety are no longer viable. The collapse of the Soviet Union in the late 1980s was the final nail in the coffin to the centrally planned economy model. The weaknesses of the market as a mode of governance have been regularly exposed by economic crises – the most recent of which was the 2008 financial crisis that began in the United States, followed by the European crisis from 2010 and the Greek crisis of 2015. More specifically, the retreat or failure of the state and growing inequality has brought the role of the state under scrutiny on the one hand, while corporate scandals have led to increasing suspicion of the private sector on the other hand. These tendencies have all contributed to the shift in societal
legitimacy and the division of labor in balancing economic and social objectives. As a result, an increasingly important role for non-governmental, non-profit organizations as representatives of civil society, combined with technological innovation, particularly in information and communication technologies (ICTs), is having a profound effect on the lives of people around the world.

Social innovation lies at the intersection of changing state–market relations, institutional design, and technological innovation. The use of the term “social innovation” grew more than 67 times in the past 15 years, from 24 in year 2000 to 1,614 in 2014 in the legal and journalistic database compiled by LexisNexus. Despite its appeal and potential, a precise definition of social innovation remains elusive, and its current usage varies widely in the literature. Although social innovation has long been attempted under various guises, and technological advances have promised to tackle poverty, illiteracy and poor physical infrastructure, the impacts on the poor have thus far been limited. For example, the “appropriate” technologies movement of decades past suffered from limited transferability and weak institutional support including insufficient funding, along with a perception that the technologies deployed were inferior (Zelenika & Pearce, 2011). By contrast, grassroots innovation, such as jugaad (Hindi for local improvisation) in India’s informal sector, has recently come to be celebrated as a reflection of ingenuity in meeting needs in conditions of scarcity (Radjou et al., 2012). But its diffusion, for commercial ends or otherwise, still faces significant challenges, including the high transaction costs for scouting and documentation, the need for value-addition and finance, and ambiguous intellectual property rights (World Bank, 2007).

With recent attention turning to systems and policies oriented toward more socially inclusive and pro-poor designs (Altenburg & Lundvall, 2009; Foster & Heeks, 2013; Sonne, 2012), the timing is ripe to develop a synthetic approach that involves the state, markets and civil society. This is especially so with growing public interest in ethical investments and the priorities of corporations in the Global North shifting from the single- to the triple-bottom-line of social, environmental, and economic objectives, following Elkington (1997). Corporate social responsibility (CSR), and the rise of benefit and certified B corporations in the United

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1 Other examples of grassroots innovations involving improvised solutions in one form or another include shanzhai in China, and jeito in Brazil, although contexts shape the meanings of these terms. As a result, jeito, which circumvents state regulations, is associated with corruption, and shanzhai, which circumvents intellectual property (IP) regulations, often translates as counterfeit products.
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States, also suggests the reconceptualization and the reconfiguration of economic and social objectives. Non-governmental organizations (NGOs) too have become more professional, at times commercialized, increasingly globally networked, and technologically proficient (Roberts et al., 2005; Weisbrod, 2000). In addition, there is heightened interest in social entrepreneurship in North America and Europe, with social entrepreneurs becoming transnational to address social missions. The phenomenon of social entrepreneurs crossing borders to operate beyond their domestic markets has not been analyzed in the academic literature.

While social innovation is also observed in the Global South, empirical evidence has not been collected systematically to understand how the process of macro-level and micro-level shifts in institutions and innovation intersect with shifts in global governance. Our goal is to reconceptualize multi-stakeholder collaborative governance through the concept of the hybrid domain that better combines economic and social goals more effectively in the context of the Global South.

By conceptualizing governance in emerging markets beyond the traditional division of labor between for- and non-profit entities, and state versus non-state actors, we aim to better understand the significance of social innovation emerging in the Global South. Particularly in the context of “state failure,” where states fail to deliver services that fulfill the basic needs of the population, collaborative governance can serve as a useful alternative to blend economic and social objectives by overriding organizational boundaries which were previously considered ideologically incompatible and, therefore, unbridgable. We seek to articulate how corporations, states, and civil society organizations develop common agendas, despite the differences in their primary objectives. The process of coordination in developing a common agenda, in innovating and designing solutions, and in generating relevant institutions constitutes the rise of the hybrid domain.

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2 According to the UN (2003), NGOs are non-profit, self-organizing institutions in which membership is voluntary. The non-profit status has been created “for the purpose of producing goods and services whose status does not permit them to be a source of income, profit, or other financial gain for the units that establish, control or finance them” (p. 12). For the World Bank, NGOs encompass a broader range of private organizations, “that pursue activities to relieve suffering, promote the interests of the poor, protect the environment, provide basic social services or undertake community development” (Malena, 1995, p. 7).
1.2 SOCIAL INNOVATION IN INDIA

As Sheppard and Leitner (2010) observe, the contemporary socio-spatial imaginary of development “repeatedly reconstitutes the first world as the source of development expertise” (p. 192). Using empirical evidence on social innovation in India, this book conceptualizes hybrid governance as a new form that combines economic and social missions and blends the public and the private domains. India serves as a useful case to understand how local innovations to solve local problems can be devised with global technologies for scalable solutions. The inclusion of low-income populations in the Global South as contributors of knowledge for social innovation promises impacts that earlier attempts could not deliver. At the macro level, social innovation offers potential for systemic changes and inclusive development through new organizational configurations. At the micro level, we examine how various styles of collaboration are catalyzing social innovation.

Today, India is recognized for its production and delivery of ICT/BPO (business process outsourcing) services (Wessner & Shivakumar, 2007). This has been attributed to state initiated liberalization policies since the mid-1980s (Evans, 1995; Heeks, 1996; Heitzman, 2004; Kohli, 2006; Parthasarathy, 2000), the shortage of engineers in the developed world (Parthasarathy, 2004), the onset of the Internet (Arora et al., 2001), and the role of Non-resident Indians in Silicon Valley (Parthasarathy, 2004; Saxenian, 1999, 2006).

India’s strength is still understood to rely largely on cost arbitrage. In fact, the country has long been viewed to be an inappropriate location for
R&D. As recently as 2001, India was ranked among the bottom third of countries in the world in UNCTAD’s (2005) innovation capability index. Only in the past decade has India emerged as a location of knowledge production (Aoyama & Parthasarathy, 2012; Chaminade & Vang, 2008; Parthasarathy & Aoyama, 2006). Correspondingly, India has recently moved up the ranks in a more recent Global Innovation Index, ranking 81st among 142 countries (Dutta et al., 2015).

Our focus on India is motivated by the country’s recent shift from being merely an offshore delivery center for ICT services to a favored location for global corporate research and development (R&D) activities. There are over 1,700 private sector R&D facilities in India (Department of Scientific & Industrial Research, 2014), and they are highly concentrated in major cities, as shown in Figure 1.2. Many multinational enterprises (MNEs) have R&D facilities in the country for reasons beyond cost arbitrage. It is estimated that over 1,000 MNEs conduct R&D in India, including 30 percent of the top 1,000 global R&D organizations.3 Patent applications in India almost doubled in the eight-year period from 24,505 in 2006 to 42,951 in 2014,4 and applications for US patents grew six-fold, from 506 to 3,044 during the same period.5

Against the backdrop of this development, we contend that various social innovation stakeholders are increasingly viewing India as an ideal learning laboratory. India makes an attractive laboratory for social innovation for many reasons. First, even among Asian countries, which are home to the largest number of poor people in the world, the situation in India continues to be dire. Despite the rapid economic growth in the past 15 years, a large percentage of the population still lives in poverty (see Chapter 5).6 India’s predominant post-independence development models, whether the Nehruvian strategy for industrial self-sufficiency or the Gandhian ideal for self-reliance, failed to produce adequate infrastructure. Competing ideological frameworks, the reality of a lumbering (and often corrupt) state bureaucracy amidst institutionalized socio-economic inequalities, and urban–rural gaps, have given rise to active grassroots innovation and the engagement of various hybrid domain

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3 According to data provided by India Brand Equity Foundation.
4 Data provided by the Government of India, Controller General of Patents Designs and Trademarks.
6 According to the UNDP (2014) India’s Human Development Index ranked 135 among 187 countries.
**Notes:** The smallest circle represents one private sector R&D facility located in a taluk (village). The size of the circles corresponds to the number of R&D facilities in each taluk where such facilities are present.

**Source:** Developed by authors with support of REU Supplement to National Science Foundation Grant (BCS-1127329). Based on the data provided by the Government of India, NSTMIS (National Science and Technology Management Information System) Division, 2015.

**Figure 1.2  R&D Facilities (Private Sector) in India, 2015**
stakeholders and transnational interests. India thus offers a unique and prominent vantage point from which to observe the hybrid domain.

Second, India’s inadequate infrastructure and its diverse socio-cultural environment serves as a laboratory for the challenges commonly faced in many multi-lingual and multi-ethnic countries of the Global South. Third, the Indian government’s recent emphasis on inclusive development has generated interest in exploring a new avenue of empowerment for the poor by articulating their role beyond traditionally conceived livelihood sustenance. Fourth, the Indian economy is known as among the most entrepreneurial in the Global South, with a high rate of business start-ups. For instance, according to the Indian industry association Nasscom (2015), India’s start-ups number over 3,100, with only the United States, United Kingdom and Israel boasting of more.

India is emerging as a location that specializes in conducting design engineering based on perceived needs of populations in the Global South. Those MNEs which hoped to generate profit by tapping into the base of the pyramid (BOP) market (Kolk & van Tulder, 2006; Prahalad, 2002, 2009; Prahalad & Hammond, 2002; Whitney & Kelkar, 2004), however, now acknowledge that a wide gap exists between their hope and the reality of poor consumers. Instead, the fastest road to MNEs’ future bottom lines may well be through their contributions to development initiatives, in the form of CSR initiatives, collaboration with the state for social innovation, and the transfer of knowledge and enabling technologies among various stakeholders, including grassroots NGOs.

The emerging collaboration between MNEs and NGOs signals a new organizational approach in the context of the Global South to overcome entrenched information and power asymmetries. Befitting the world’s largest democracy, civil society organizations thrive in India, with the official figure at nearly 3.2 million (Central Statistical Office [CSO], 2012). Furthermore, transnational social entrepreneurs (TSEs), mainly transplants from the Global North, including those not of Indian origin, play an increasingly pivotal role in coordinating globally sourced technology, business know-how, and financing, to develop solutions to critical local problems.

The emergence of India as a location of social innovation demands a reorientation in our theoretical and empirical understanding of the geography of innovation. Innovation has long been assumed to be predominantly skill-driven, rather than market-driven. But, as recent research on “frugal innovation” (Ranordai & Herstatt, 2015; Zeschky et al., 2011) has shown, there is greater recognition that contextual intelligence held by users and consumers in India plays a central role in
successful social innovation. Also, knowledge gained in India can generate new demand in other parts of the Global South with similar infrastructural or institutional conditions, or in some cases, making its way to markets in the Global North. AsGovindarajan and Trimble (2012) note, it can take the form of “reverse innovation,” evident in, for example, General Electric’s ultra-portable electrocardiograph equipment which was designed for emerging markets such as India.

### 1.3 METHODOLOGY

This book is based on our joint research, which was funded by the US National Science Foundation (BCS-1127329).\(^7\) To develop in-depth case studies of corporate and civil society involvement in social innovation, we relied on a questionnaire survey and in-person, semi-structured interviews. The questionnaire survey was designed to generate comparable indicators for the broadest possible number of firms, and was distributed to MNEs conducting R&D in India. Semi-structured interviews were conducted with various social innovation stakeholders including MNEs, NGOs, and social enterprises in major Indian cities to access information unavailable from published sources. This generated new insights and qualitative evidence that informs the nature and extent of social innovation taking place in the country.

#### 1.3.1 Questionnaire Survey of R&D Activities of Multinational Enterprises

In the absence of a comprehensive and publicly accessible database, we began by compiling a list of R&D facilities in India from government sources. We then manually selected all firms that were deemed R&D intensive and excluded those that were no more than glorified data processing or production facilities, as the database included a few “offshore development centers” which typically conduct neither research nor product development. To ensure the inclusion of MNEs that conduct innovation without stand-alone R&D facilities, an extensive media analysis of recent articles in Indian business and technology magazines was conducted to add to this database. The database constructed as a result

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\(^7\) National Science Foundation Grant (BCS-1127329), *The Global Shift in R&D Alliances: Multinational Enterprises (MNEs) and the Quest for the “Base of the Pyramid” (BOP) markets.* Geography and Spatial Science Program, 2011–16.
was our primary sampling frame of 620 MNEs with R&D facilities in 2012.\(^8\) Email requests to participate in the questionnaire survey were sent to firms identified in the sampling frame, and we received 158 valid responses.\(^9\) We used cross-tabulation to examine the interdependence between pairs of key questions in the survey.\(^{10}\)

1.3.2 Semi-structured Interviews with Social Innovation Stakeholders

We conducted semi-structured interviews with social innovation stakeholders in six major cities (Bangalore, Chennai, Hyderabad, Mumbai, Pune, and the National Capital Region around Delhi). The list of interviewees, with their affiliations and identity suppressed, is included in the Appendix as Table A.1. We identified social innovation stakeholders through media and website analysis, and among the attendees of two conferences in Bangalore.\(^{11}\) We also employed snowballing techniques during the interviews to identify additional stakeholders. The social innovation stakeholders interviewed included MNEs, NGOs, social entrepreneurs, and global foundations. In total, 115 interviews were conducted between May 2012 and December 2014, roughly half of which were executives of foreign MNEs with R&D facilities in India, while the rest were NGO collaborators in R&D alliances and social enterprises. We also conducted in-person and telephone/skype interviews outside India (the United States, Japan, Singapore, Hong Kong, and the Netherlands), to access Indian experts in those locations or to get a perspective from the corporate headquarters. The majority of MNEs interviewed established R&D facilities in India after 2005.

Social enterprises were a diverse group and situated across a broad spectrum, with some transitioning from non-profit to for-profit status,

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\(^8\) Zinnov, a consulting firm in India claims that there were over 900 MNEs with R&D facilities operating in India in 2015, and over 3,100 start-ups in technology fields.

\(^9\) Our primary targets were R&D lab directors or section heads. When formal R&D sections did not exist, the survey was sent to the Directors of Marketing.

\(^{10}\) Cross-tabulation analysis shows a relationship between two variables using a bi-variate contingency table. The existence and strength of the interdependence can be determined by the chi-square.

\(^{11}\) The two conferences were the 13th International Conference on Mobile Data Management, July 23–26, 2012, and the Association of Computing Machinery’s 3rd Annual Symposium on Computing for Development, January 11–12, 2013.
while others were closer to commercial enterprises active in social sectors. In general, self-identified social enterprises adopt corporate governance that prioritizes stakeholder rather than shareholder perspectives. Most social enterprises we interviewed were established after 2005, with a cluster of firms established around 2009–10. The NGOs we interviewed included grassroots, national and global NGOs, and most had been active for at least a decade in India. The majority of interview participants were Indian nationals.

1.4 BOOK ORGANIZATION

Chapter 2 explores existing frameworks of collective action problems, including Ostrom’s common property resources framework and her polycentric governance. It also explores network forms of governance, Jessop’s notion of heterarchy, and institutional bricolage. The goal of the chapter is to broaden the scope of the debate over social innovation, and to situate it as both an outcome of governance in transition and an essential vehicle to produce global public goods.

Chapter 3 elaborates the key conceptual framework of this book, the hybrid domain. Particular emphasis is placed on how it fulfills economic and social missions, and how it conceptualizes competing missions, or seeks synergies between missions. The chapter also discusses the stakeholders of social innovation, where their perspectives converge and diverge, the nature of their involvement, and how they have transformed in recent decades.

In Chapter 4, we develop a geographically nuanced definition of social innovation that is conceptually useful in the contemporary global context. We discuss controversies and competing paradigms, with firms viewing knowledge resources as market intelligence on the one hand, and non-profit organizations conceptualizing social innovation as community assets for empowerment on the other. The chapter includes an overview of the debates on social innovation in the Global North and discusses how state devolution, privatization, and austerity measures provide the context. We then discuss how social innovation in the Global South differs in its features, orientation, and emphases due to its distinctive context, such as state failures and grassroots self-help movements. We examine the role of learning-through-collaborating in inducing and incentivizing social innovation, and propose a shift in conceptualizing the knowledge of market demand to a knowledge of community needs.

In Chapters 5–9, we extrapolate trends, generalizable challenges, and lessons learned from empirical evidence in India to other areas of the
world. In Chapter 5, we present a brief overview of the historical-institutional underpinnings of India’s capability for social innovation. This capability is an outcome of the evolution of state policy and the private sector, and a combination of state and market failures. The first section focuses on how the influence of different ideologies has led to the present condition and policy orientation toward “inclusive development,” while the second section focuses on the extent to which the BOP market advocacy by Prahalad is influential and/or perceived and viable by stakeholders. Our findings suggest that the limits of the concept of the BOP market are well understood and shared across various social innovation stakeholders in India today, and a far more pragmatic approach in learning the needs that arise out of emerging market conditions is adopted.

In Chapter 6, we discuss both the engineering and institutional dimensions of design in the private sector, deployed to narrow the gap between technology and needs. We begin with misconceptions about India’s contemporary innovation. We discuss how R&D activities in India are no longer confined to cost arbitrage and how de-featuring, or “frugal” innovation, and “secondary marketing” are increasingly viewed as an ineffective strategy for market share expansion. Instead, the focus has shifted toward bottom-up design, design for constraints, and cross-vertical/industrial solutions. India is emerging as a laboratory where needs for emerging market living conditions are learned and solutions are devised. Learning contextual knowledge is done through local presence, experiencing, amplifying, and by seeking synergies across sectors. Finally, as India becomes a seedbed for social innovation, new designs, business models and organizational innovation are also increasingly transferred to other areas, not only to areas where similar emerging economy conditions apply, but also to affluent economies in the Global North.

Chapter 7 presents 14 case studies, which illustrate how cross-domain collaborations and new technologies, in different measures, are combined for social innovation. Examples include affordable medical diagnostic tools; an employment-matching service between urban middle-class clients and domestic help combining a web platform and mobile phone access; and a mobile telemedicine system micro-franchising, complete with a mobile pharmacy. These examples represent not only Indian conceived innovations, but are also intended for exports to other areas of the Global South.

In Chapter 8, we focus on domain flexibility of the hybrid domain, and examine various forms of organizational transitions and the blurred boundaries between stakeholders of social innovation. We compare and contrast
the effectiveness of charity and social innovation collaborations, both of which involve NGOs as collaborators but with distinctive functions. We examine the rationale behind establishing social enterprises, and why some NGOs are converting to social enterprises. We explore the opportunities and challenges in, and the variety of forms of learning through, collaborating. We also examine the rise of hybrid organizations: those that combine, in one way or another, for- and non-profit sub-entities in their organization. We conclude this chapter by demonstrating the variety of collaborative governance that surrounds social innovation, identifying common features and examining differences.

In Chapter 9, we explore the rise of TSEs as empirical evidence of scalar flexibility of the hybrid domain. In particular, we examine TSE relocation to India from the Global North (USA, Australia, UK, the Netherlands), to fulfill social and economic objectives. Our research suggests that they are inspired by the needs of the poor in the Global South, are networked among themselves as well as with global sources of finance, and are often supported by communities and mentors in elite academic institutions.

Chapter 10 draws our theoretical claims and empirical evidence together to substantiate the rise of the hybrid domain. We explore how collaborative governance for social innovation in the preceding chapter can be rescaled to address issues in the global commons.

1.5 CAVEATS

A book as interdisciplinary as this demands a few explanations for readers and caveats for our arguments. This book focuses on the changing nature of governance with both state and market involvement, through understanding newly emerging stakeholder involvement in social innovation in the twenty-first century. We left out other dimensions of state–market relations, such as the political dimensions of corporate citizenship and corporate influences in politics (for example, campaign finance reform in the United States). By highlighting the emergence of the hybrid domain, our goal is to remind scholars and practitioners of the conceptual deficiencies of single-stakeholder advocacy that relies on conventional actors such as the state, the market, or grassroots solutions. We also aim to contribute to debates over theorizing governance. Given the complexities, the heterogeneity and the risks of failure of collaborations, scholars have often shied away from conceptualizing the “middle-ground.” Yet, through this book we argue that the empirical evidence more than suggests that it is time to acknowledge, understand, and
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corporalize head-on what lies at the intersection of governance and innovation.

Strongly dichotomous views are often easier to argue than fusing multiple views. Blended logics and mixed strategies are more difficult to convey convincingly, particularly when newly emerging phenomena could easily be disregarded as temporary, marginal, or isolated examples that do not follow as incipient trends. By way of example, when one of us (Parthasarathy, 2000) proposed to write about the rise of Bangalore as a new ICT agglomeration as a dissertation at the University of California, Berkeley in 1994, a committee member commented that the phenomenon may well turn out to be short-lived.

As Sassen (2006) notes, “tipping points”, or galvanizing moments of foundational shifts in governance, are often gradual and difficult to detect. Although time will be the ultimate judge, we believe that our perspective offers an avenue to consider the possibility of an impending tipping point, in which the process of reformulation is taking place in various formal and informal institutions to cope with the societal challenges of the twenty-first century that are increasingly global in nature.