
Japanese Hybrid Organizations: Social Entrepreneurs' Prosocial Motivation and Inclusive Development

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Abstract

Background:

The private sector engagement in development potentially widens the gap between the middle to high-income populations and the extreme poor. A hybrid organization that pursues financial sustainability and social mission in parallel may benefit the most vulnerable. Social entrepreneurs play a key role in selecting the target beneficiaries of their hybrid organizations and thus determining the inclusiveness of their business.

Aims:

Focusing on hybrid organizations in the global health field, this paper aims to illustrate social entrepreneurs' prosocial motivation and its positive impact on organizational inclusiveness as a requirement for the achievement of No One Left Behind.

Methods:

This study investigates the relationship between organizational inclusiveness and individuals' prosocial motivation by surveying social entrepreneurs of five Japanese multinational companies which businesses were officially certified as inclusive businesses by UNDP-administered Business Call to Action.

Results:

The results show that highly motivated social entrepreneurs make extra efforts to involve the extreme poor in their business model and their parent organizations' rich enterprise resources enable the social entrepreneurs to efficiently run their complex organizations by fostering self-efficacy.

Conclusion:

Unlike social entrepreneurs who must launch their hybrid organization from scratch, social entrepreneurs can physically and mentally make use of their parent organizations' rich resources and involve the most vulnerable populations. Thus, social entrepreneurs are less likely to widening the gap in developing countries.

Keywords: *Hybrid organization; social entrepreneur; prosocial motivation; Japan study; and global health*

Introduction

Hybrid organization is one that combines different institutional logics in unprecedented ways (Scott & Meyer, 1991). Social entrepreneurs are change agents who launch a hybrid organization within an existing organization, while social entrepreneurs venture their own organization such as a social enterprise (Alt & Craig, 2016). Social entrepreneurship serves as a bridge between traditional for-profit companies and social enterprises that pursue economic and social objectives simultaneously. Addressing social issues that would jeopardize companies' growth strategies, the increased amount of enterprise resources have transformed into developmental resources for poverty alleviation. Going beyond Corporate Social Responsibility (CSR) projects, multinational companies are expected to engage in

“inclusive business” as an alternative developmental method in impoverished countries. In addition to social entrepreneurs who launch market-based activities from scratch, a large number of existing organizations are engaged in venturing a hybrid organization that aims at achieving not only financial but also social objectives.

Traditional aid agencies such as the United Nations and the World Bank Group recognize multinational corporations (MNCs) as an important stakeholder for poverty alleviation. MNCs have financial resources, human resources, technology, and knowledge. Those enterprise resources can transform into developmental resources, which meets the urgent needs of development agencies and governments in need for more developmental resources and innovative approaches to achieve the Sustainable Development Goals (SDGs). Reflecting the main take away from the Millennium Development Goals (MDGs), the SDGs are designed to work through the private sector, in addition to the public sector and civil society, to address the inequality between and within countries.

Likewise, MNCs also have pressing needs of transformation into sustainable organizations. Sustainable management comes along with the SDGs. In addition to risk management such as securing access to natural resources and sustainable procurement, the SDGs offers MNCs a new direction for. For example, the demands for reducing infectious diseases, providing clean water and sanitation, preventing air pollution, and improving maternal health through distributing nutrition-balanced food are growing. MNCs may be able to regard those social issues as business opportunities.

However, MNCs may have both a positive and a negative influence on the vulnerable in least developed countries. On the one hand, the more enterprise resources are being turned into developmental resources. But on the other hand, involving extremely poor populations who do not have purchasing power is extremely challenging for MNCs. Charging a small amount of money or hiring some selected people who are literate might exclude the most vulnerable populations. Attaching too much emphasis on low to middle income populations is more likely to widen the gap between the poor and the poorest.

Taking off from the Bottom of the Pyramid (BOP) business, inclusive businesses are expected to be a solution to mitigate MNCs’ negative impact on inequality. In 2008, the United Nations Development Program (UNDP) launched an initiative called Business Call to Action (BCtA) to facilitate existing companies’ development of more inclusive business models. Although companies have to go through a strict screening process to become a BCtA member, this initiative has no penalty and voluntary-based when its members violate their commitments to creating social impacts in developing countries. That is, MNCs’ ethical decision-making might make a difference in the developmental outcome.

The previous research raises the question of how hybrid organizations within MNCs make an ethical decision as a result of social entrepreneurs’ prosocial behavior. This study focuses on social entrepreneurs as a key agent to make MNCs more inclusive, based on the concept that individual actions shape organizations and actors can become institutional entrepreneurs despite institutional pressures (Battilana, 2006, p. 655; Battilana, Leca, & Boxenbaum, 2009, p. 74). Aiming at illustrating how individuals’ prosocial motivation affects organizational inclusiveness, the author collected data from five social entrepreneurs in each MNC headquartered in Japan, the least developed country in terms of the perception of social values toward entrepreneurship (Kelly, Singer, & Herrington, 2015).

The results of my study suggest that MNCs' resources provide self-efficacy with highly risk-averse Japanese entrepreneurs. Their prosocial motivation married with self-efficacy enables social entrepreneurs to make prosocial behavior, in other words, to make an extra effort to involve the more vulnerable populations. As a result, Japanese hybrid organizations can achieve high inclusiveness over time regardless of organizational constraints such as financial pressure and the affordability of their products and services.

Literature Review

In this section, the first part discusses mainstreaming private sector engagement in the context of poverty alleviation and global health, and raises MNCs' potential as a developmental actor as well as a developmental risk that for-profits may not be able to address inequality. The second reviews the emergence of hybrid organizations and how the public sector encourages MNCs to launch hybrid organizations within them. The third explores the commonalities and differences among commercial entrepreneurs, social entrepreneurs, and social entrepreneurs. The final part, as the background of the following case study, illustrates the macro-level situation for Japanese change agents, Japanese business custom, and Japanese characteristics such as their extremely high risk-aversion.

Private sector engagement in development

Global health is one of the fields that companies can have a significant impact (Zedlmayer, 2011). For-profit companies have played an important role in providing affordable healthcare products and services in developing countries as the MDG 8.E. describes that technical and financial contributions by the private sector are more impactful on the vulnerable people (World Health Organization, 2014). Social enterprises are widely accepted as an effective approach to improving global health (Bockstette & Stamp, 2011; Kielburger & Kielburger, 2015). For example, the U.S. based EMBRACE, co-founded by five Stanford MBA students, manufactures and distributes its affordable and easy-to-use infant warmers in developing countries (Stanford Graduate School of Business, 2011). Its incubators are designed to save low-birth-weight infants lives and cost 25 USD each (Stanford University, 2007). In contrast, traditional incubators cost approximately 20,000 USD, which rural hospitals in developing countries cannot afford (Stanford Graduate School of Business, 2011, p.11). EMBRACE has saved 200,000 premature infants across 20 countries including Afghanistan, Ethiopia, Haiti and South Sudan, according to its website (EMBRACE website).

In addition to born-hybrids (hybrid organizations that social entrepreneurs set up from scratch), existing multinational companies are also one of a key stakeholder in providing tangible and intangible resources with those in need in developing countries (Sturchio & Mahmoud, 2013). MNCs' financial resources, human resources, and technology are essential to improving global health (Fidler & Drger, 2009). Regarding the financial contribution alone, 6.2 billion USD out of total 35.9 billion USD disbursement of development assistance for global health was donated by private sources in 2014 (Institute for Health Metrics and Evaluation, 2015). For example, Takeda Pharmaceutical Company launched a ten-year program named the Takeda Initiative. This initiative aims at developing and strengthening the capacity of healthcare workers to fight against infectious diseases in Tanzania, Nigeria, and Senegal, disbursing approximately 10 million USD (Takeda Pharmaceutical Company Limited website). Another example is the private sector's contribution to Ebola pandemic. In addition to donation including \$6.2M from IKEA and \$6 from Financial Prudential, 48 companies formed the Ebola Private Sector Mobilisation Group (EPSMG) in August 2014, and supported devastated areas through providing personnel equipment, building infrastructure, and lending expertise in construction, logistics, and distribution services

(OXFAM, 2014). What is more, for-profits' technology improves developmental efficiency (USAID, 2011, p.5). Long-lasting insecticide nets reduce infectious diseases, water-purifying sachets secure access to safe water, and nutrition-rich food improves maternal health. Partnering with Japanese mid-sized company, International Organization for Migration (IOM) used its water purification technology and provided the access to safe water to 50,000 internally displaced persons in twelve months (Ito & Tokuda, 2013, p.47). IOM put more value on its technology than traditional methods including water wells, stating "Poly-Glu is a cost-effective time-saving, simple to use and handle, environmentally-friendly technology used to flocculate turbid water. Most importantly, it is much less toxic than other chemicals used to treat water, with chlorine (International Organization for Migration, 2013)." As such, traditional multinationals have contributed to achieving the SDGs as much as the Official Development Assistance (ODA).

Aside from these positive contributions by the private sector, scant attention has been paid to negative effects of the private sector-led inclusive businesses (Hall, Matos, Sheehan, & Silvestre, 2012). The previous randomized controlled trial research showed that charging even very small fees for health-products substantially reduced adoption (Keim, 2012; Mobarak, Dwivedi, Bailis, Hildemann, & Miller, 2012). Wr et al. (2011) illustrated that the take-up rates dramatically fell when the programs of deworming, water disinfectant, and long-lasting insecticidal bed nets charged small fees. With charging 9 to 30 cents, the take-up rate of deworming program dropped from 75% to 19%, water disinfectant's declined by 30%, and long-lasting insecticidal bed nets' dropped by 60% (Wr et al., 2011). This low take-up rate would result in poor outcome. The poor have less access to healthcare products, which might spread the negative spillover effects in their community. What is worse, Wr et al. (2011) pointed out that the small fees barely raised revenue for hybrid organizations to achieve financial sustainability.

Targeting the middle-income population and setting a higher price are commonly used solution to achieve financial sustainability (Thornton, 2013). Yet, hybrids' charging more fees would reduce affordability, thus exclude the poor who had no purchasing power. This exclusion may widen the gap between the poor and the extreme poor, which would result in the unachieved SDGs. It is important to pay more attention to this potential negative influence, that is social exclusion (the denial of equal access to opportunities imposed by certain groups of society (Behrman, Gaviria, & Szekely, 2003), of hybrid organizations.

Hybrid organizations to accelerate progress on the SDGs

Hybrid organizations are defined as entities that pursue a social mission while relying on a commercial business model (Cooney, 2006). In addition to traditional legal options, that is, a for-profit or a nonprofit, some hybrid organizations have legal status such as Limited Liability Companies (LLC), Low-profit Limited Liability Companies (L3C), newly enacted benefit corporations in the U.S., Community Interest Company (CIC) in the U.K., and Belgian Social Purpose Company (Cooney, Koushyar, Lee, & Murray, 2014; Puyvelde, Vrije, & Jegers, 2016). Besides these legal frameworks, the U.S. based non-profit B Lab has certified more than 1,650 organizations as socially and environmentally beneficial hybrids with the purpose of differentiating these socially motivated for-profits from green-washing companies (B Lab website).

Social enterprises, which are usually small and legally categorized as non-profits, are not the only form of hybrid organizations. Regardless of legal status, profit-seeking organizations with a dual focus on social and economic goals are hybrid organizations. Social enterprise is

just an extreme case for hybridization and MNCs are able to establish a hybrid organization within themselves (Battilana & Lee, 2014; Holt, 2015). Kistruck & Beamish (2010) depicts structural configurations of social entrepreneurship and categorizes them into seven structures: Internal operation; cross-divisional coordination; partial subsidiary; complete subsidiary; joint-venture subsidiary; formal external partnership; and informal external partnership. The first is the most integrated structure and the last is the most separated one.

As overwhelming numbers of MNCs have applied the concept of Creating Shared Value (CSV) to their management strategies since 2011, global leading companies, mostly on a trial basis, established hybrid organizations that adopt one of the above structures. Inspired by the concept of CSV, Fortune magazine has released “Change the World” list since (Fortune website). The listed companies were evaluated as one highly aligned business opportunity with social impact. Fortune magazine ranked GlaxoSmithKline, which announced that it would no longer file drug patents in the lowest-income regions of the worlds, at the top, and listed Nestle, Coca-Cola, Unilever, Johnson & Johnson, and PepsiCo in the top 50. According to Fortune magazine, Nestle publishes a “Creating Shared Value” report and delivers products with essential minerals and nutrients in low- and middle-income countries. As another example of the implementation of the CSV concept, Coca-Cola turned 1.2 million women across 60 countries into entrepreneurs from 2010 to 2015 in collaboration with UN Women and the Bill & Melinda Gates Foundation.

The UN and other traditional developmental agencies promote inclusive businesses that engage low-income people as consumers, producers, suppliers, and distributors of goods and services (Business Call to Action website). Since they launched the BCtA initiative to accelerate private sector engagement in development, 137 companies were certified as BCtA members that make commitments to improve lives and livelihoods of millions through commercially viable business as of Aug 2016. Thirty-three self-reported BCtA members benefiting global health collectively committed to contribution to the SDG 3 (Good health) through improving 113 million people’s health outcomes by 2030. As Ahmad & Ramayah (2012) suggested that ethical business behavior was becoming more important not only for born-hybrids but also for MNCs (p. 484).

Social entrepreneurs: individuals’ prosocial motivation and behavior

During the period of 1991 to 2013, 256 articles listing either “social enterprise,” “social entrepreneurship,” “social ventures,” or “social business” as its keywords were published in major management and organizational studies journals (Lee, Battilana, & Wang, 2014, p. 244). Only 16% of articles purely focused on social enterprises were conducted on the individual level, whereas majority on the organizational level. Thus, researchers have paid scant attention to individuals. Also, prior to 2009, more than 75% of empirical articles apply qualitative methods of data collection. Although quantitative and mixed-method research are growing (28% in 2013), quantitative research remains the dominant approach in this field.

Many commonalities exist between social and commercial entrepreneurship; however, the previous studies revealed important differences such as organizational priority, required competence, and motivation. Both commercial and social entrepreneurs pay attention to economic, social, and environmental benefits, but social entrepreneurs’ intention to social value creation surpasses economic value creation (Bacq, Hartog, & Hoogendoorn, 2016). To realize their intention, social entrepreneurs must have knowledge of how to operate at the nexus between the private, public, and non-profit worlds, building networks of support across diverse constituencies (Kickul & Lyons, 2016, p. 21).

Another difference between commercial and social entrepreneurs can be explained from a

psychological perspective. Social entrepreneurship is herein defined as the pursuit of opportunities to create social value by developing innovative solutions to meet social needs, deploying resources in novel ways to stimulate social change, or launching new enterprises aimed at generating positive returns to society (Johanna Mair & Marti, 2006). Gras & Lumpkin (2012) defined social entrepreneurs as individuals who aimed to create positive social impacts and outcomes that could be assessed in economic terms (p. 8).

A previous study showed that social entrepreneurs had less self-confidence when it comes to their entrepreneurial skills compared to commercial entrepreneurs (Bacq et al., 2016, p. 713). Other studies showed that the even less-confident individuals ended up taking the risk of launching their own social enterprise. (Mair & Noboa, 2006) illustrated how individuals' empathy for the disadvantaged members of society and moral judgments triggered a social entrepreneurial behavior. (Miller, Grimes, McMullen, & Vogus, 2012) theorized about how compassion motivates an individual's choice to engage in social entrepreneurship, explaining that compassion reduced risk aversion and placed greater weight on the benefits in individuals' prosocial cost-benefit analysis.

In addition to social entrepreneurs' lower confidence, Bacq, Hartog, & Hoogendoorn (2016) also figured out that they do not perceive entrepreneurship as a desirable career choice. Strong prosocial motivation, the desire and drive to benefit others, makes individuals less risk averse. However, highly risk-averse individuals' perception of the costs may exceed their perceived benefits. In that case, individuals are reluctant to be engaged in social entrepreneurship.

Those highly risk-averse but prosocially-motivated individuals are more likely to be social entrepreneurs. Social entrepreneurship or corporate social entrepreneurship takes place within an existing organization such as large for-profit companies (Kickul & Lyons, 2016, p. 247). Individuals within large firms are able to think and act like entrepreneurs, but what makes social entrepreneurs different from social entrepreneurs is that they work through their core business to create both economic and social values that benefit the corporation and its community (Ashley, 2009, p. 2; Kickul & Lyons, 2016; Kistruck & Beamish, 2010, p. 736). Social entrepreneurship is also distinguished from CSR, a very broad spectrum including philanthropy, cause-related marketing, and environmental sustainability, in the sense that social entrepreneurs create truly shared value a genuine blending of economic and social values (Kickul & Lyons, 2016). Inclusive businesses that pursue their economic goal of increasing their market and enhancing their brand by including low-income individuals and groups in their value chains as a way to address the social problem of poverty are an example of social entrepreneurship (Kickul & Lyons, 2016, p. 250).

Social entrepreneurs who are reluctant to take a risk of setting up their own hybrid organizations avoid self-sacrificing, although they are deeply compassionate for the vulnerable populations. Previous studies revealed that high prosocial motivation, coupled with high self-concern, appeared to generate the most sustainable contributions to others (Bolino & Grant, 2016; Frimer, Walker, Lee, Riches, & Dunlop, 2012). Bolino & Grant (2016, p. 617) concluded that intrinsic motivation made helping less-sacrificing and yielded employees an autonomous and sustainable desire to help rather than a sense of pressure to contribute. Social entrepreneurship might be a solution to negative aspects of being prosocial, such as compassion-fatigue, burnout, and poorer job performance (Bolino & Grant, 2016, p. 645).

Japan study: Macro perspective, Japanese MNCs' characteristics, and individuals' risk aversion

Social entrepreneur research within Japanese companies is almost nonexistent. Google Scholar listed no article with the combination of the keywords of “social,” “intrapreneur,” and “Japan” as of Sep 2016. Japanese National Diet Library has 13 articles, which were written in Japanese and published after 2003 when Japanese MNCs started measuring triple bottom lines, with the keyword of “entrepreneur (shanai-kigyouka)” in Japanese, but none of them focuses on social issues: ten articles mainly cover human resource strategy; two raise social entrepreneurship as a key component of management; and one deals with know-how of launching a new venture within a firm. Google Scholar showed 76 articles with the keyword of BOP business, but more than 65% of them investigated the macro environment or business. Only two researchers conducted the individual-level research. Japanese National Diet Library has five articles with the keyword of “inclusive business,” however, none of those studies is conducted at the individual level. At the individual level, some articles on social entrepreneurs and entrepreneurs have been published in recent years (Nishida, 2014; Umeda, 2015, pp. 164-204). Yet, most literatures, written in Japanese, described heroic social entrepreneurs or entrepreneurs, relying heavily on narrative description based on qualitative research (Nakamura, 2013).

At the macro level, Japan is one of the least developed countries in terms of business environment for social entrepreneurs due to the absence of pragmatic and moral legitimacy for them. The Global Entrepreneurship Monitor 2015/2016 reports that Japan's scores on “government policies: taxes and bureaucracy (Japan=3.7, Mean=3.9)” and “entrepreneurial education at school stage (Japan=2.3, Mean=3.1)” are below mean, and its score on “commercial and legal infrastructure” is ranked at the second from the bottom (Kelly, Singer, & Herrington, 2015, p. 143, 148).

Although Japan has Public Benefit Corporations that work solely for social benefit, there is no legal framework suitable for social enterprises that have two different objectives (Kono, 2015). Furthermore, the social perception of hybrid organizations is still extremely poor. Japanese nonprofits were founded under “The Law to Promote Specific Nonprofit Activities” enacted in 1998 after a large number of individuals helped the victims of the devastated earthquake in Kobe (Brown & Mackie, 2015). Because of their charitable origin, Japanese nonprofits are widely considered as a voluntary sector (Yamauchi, 2014). Transition from charitable organizations to self-sustaining social enterprises is not easy in Japan because their making-profit is not socially accepted yet (Yamauchi, 2014, p. 77).

Also, Japanese nonprofits are still under developed. The U.S. has approximately 1.5 million nonprofits with expense of 1.9 trillion USD (Oster, 2016). In contrast, Japan has 52,056 nonprofits and the market size of philanthropy is less than twenty-fifth of that of the U.S. According to the latest survey conducted by the Cabinet Office in 2015, the total number of social enterprises is 0.2 million in Japan, and the gross value added of social enterprises is approximately 0.16 trillion USD (Mitsubishi UFJ Research & Consulting Co., 2015). The absence of a legal framework and being a poorly funded minor sector make Japanese hybrids less attractive to young professionals.

From the perspective of moral legitimacy, Japan has negative cultural and social norms toward entrepreneurship as the Global Entrepreneurship Monitor 2015/2016 ranked Japan in 50th among 62 countries (Japan=3.8, Mean=4.7).

At the organizational level, Japanese companies have unique personnel systems and corporate

cultures that discourage social entrepreneurship and entrepreneurship: lifelong employment; a job rotation system; and extremely low financial incentives (seniority-based compensation system). Since the World War II, the practice of life-long employment has been Japanese MNCs' corporate culture and stimulated employees' loyalties (DISCO Inc., 2012). Creating consensus among stakeholders is evaluated as the most valuable skill in Japanese traditional companies, thus job rotations among business units are arranged by their HR division every two to five years. This short-term service might make it difficult for an employee to pursue the long-term developmental outcomes that are often evaluated by existing key performance indicators. Unlike western companies that require professional skills and provide flexible compensation program, Japanese companies compensate employees mostly based on seniority, that is, their length of service to the firms. Launching a new inclusive business in developing countries requires time to learn from failures just like social entrepreneurship; however, short terms in office and lower compensation for creating an innovative business model might discourage individuals from making an extra effort to create more inclusive business models.

Regarding the positive organization-level aspects of launching social venture within a Japanese firm, most Japanese multinationals have an inherited managerial philosophy called "sanpo-yoshi (good for three parties: the seller; the buyer; and society (Tanimoto, 2012))," and a high reputation for socially and environmentally responsible management. Also, Japanese MNCs' decision-making system, called "ringi," provides opportunities of proposing ideas to passionate employees with. Ringi is a consensus-based decision-making process (Ala & Cordeiro, 1999). In Japanese MNCs rewarding "wa (harmony)," employees are expected to respect hierarchical and often complicated relationships in order to obtain all parties' agreements step by step. This bottom-up decision-making process allows passionate employees more room to make hybrids more inclusive, on the flip side, it requires a tremendous commitment of time and energy. Thus, this paper explores individuals' motivation and the prosocial behavior that triggers their hybrids to serve the poorer populations.

At the individual level, Even at the individual level, Japan has an unfavorable environment for social entrepreneurs and entrepreneurs: high risk-aversion; negative perception toward entrepreneurship; low foreign language skills; and poor interpersonal contacts with the vulnerable populations. The Global Entrepreneurship Monitor reported that Japanese respondents showed the highest risk aversion and expressed fear of failure, compared to the other developed countries' respondents. 30% of American entrepreneurs and 37% of British entrepreneurs feel fear of failure, while 55% of Japanese do. Likewise, Japanese social perception toward entrepreneurship is significantly low. While 65% of American respondents and 60% of British respondents consider entrepreneurship as a good career choice, 31% of Japanese perceive entrepreneurship positively (Kelly et al., 2015).

Not only the pragmatic but also moral legitimacy also plays an important role in encouraging individuals to serve the vulnerable populations (Miller, Grimes, McMullen et al., 2012), thus this negative perception toward entrepreneurship might significantly affect individuals' prosocial cost-benefit analysis. Slightly differentiated from entrepreneurship, entrepreneurship can be hardly recognized by external stakeholders, which lowers individuals' perception of a risk. Being engaged in a new hybrid inside a firm is still risky because its failure probably harms employees' reputations, which directly affect their promotions and social capital inside their firm. This is why socially motivated individuals in Japan are more likely to choose being an entrepreneur over being an entrepreneur. Those

socially motivated but hidden social entrepreneurs are worth investigating in this study because they are the key enablers of making hybrids more inclusive through investing their time and energy in the bottom-up decision making process.

From the perspective of ability, Japanese low proficiency in foreign languages also makes individuals stay away from activities in developing countries. Interpersonal contacts with local people are the key drivers of generating compassion and other-oriented hope that strengthen individuals' commitments to the vulnerable populations (Grant et al., 2007; Miller et al., 2012; Tokuda, 2015). Most impoverished people in developing countries prefer speaking local languages to English, yet the younger generations and local coordinators are more likely to speak English. Unfortunately, the average scores of TOEFL in 2015 shows that Japan ranked second from the bottom in Asian countries (ETS, 2015). Because compassion, a key-motivating factor for becoming social entrepreneurs (Miller et al., 2012), is generated by the heartfelt experience of sharing pain of another (Hollis-Walker & Colosimo, 2011), verbal and nonverbal communication skills in foreign languages might determine individuals' commitments. In addition to the low language skills, Japanese have poor opportunities to contact with the vulnerable in impoverished countries. Many social entrepreneurs such as TOM's shoes' and VEJA's founders experienced backpacking in developing countries and witnessing poverty inspired them. But Japanese passport holder rate is only 24% (Ministry of Foreign Affairs of Japan, 2016), while 36% in the U.S. (U.S. Passports & International Travel) and 76% in the U.K. (Office for National Statistics). Japanese colleges barely set gap year programs and Japanese employees are reluctant to take a long vacation, as seen in the fact that workers are only taking an average of 39% (seven days) of their annual paid leave (Dixon, 2013). Insufficient exposure to the poverty might deprive Japanese people of a chance to be compassionate for the vulnerable populations.

Combining the above arguments, the author assumes that it is highly challenging for individuals to launch hybrids inside Japanese MNCs. Japan would represent an extreme environment for social entrepreneurs, at the same time, this study on Japanese social entrepreneurs would illustrate how they translate their prosocial motivation into action and how their motivation affects their hybrids' inclusiveness as a result of their prosocial behaviors.

Theoretical framework

Based on agent theory, Battilana, (2006) concluded that individuals' actions shaped organizations and that they were able to act as entrepreneurs despite institutional pressures. Therefore, my study analyzes data at two different levels, the organizational level and the individual level, paying close attention to dynamics between those two levels.

Several researchers focused on the psychological aspect of social entrepreneurs and their theoretical frameworks suggested that motivational factors were important in terms of differentiating social entrepreneurs from commercial entrepreneurs (Austin, Stevenson, & Wei-Skillern, 2006; Hockerts, 2015; Shepherd & Patzelt, 2015). Mair, Robinson, & Hockerts (2006) created a model of social entrepreneurial intention formation, illustrating that cognitive (moral judgment) and emotional (empathy) factors coupled with enablers (self-efficacy and others-directed social support) make individuals move forward to social entrepreneurial behavior.

Previous studies have already proven that prosocial motivation strengthens social entrepreneurs' commitments to their beneficiaries, although none of them mentions social entrepreneurs. Closely analyzing empathy as the trigger of social entrepreneurship, Miller,

Grime, McMullen, & Vogus (2012) draw on their research on compassion and prosocial motivation—the desire to benefit others or expand effort out of concern for others (Grant, 2008)—to build a model of three mechanisms that transform compassion into social entrepreneurship: integrative thinking; prosocial cost-benefit analysis; and commitment to alleviating others’ suffering.

Psychological studies on compassion complement this view, explaining the process of generating prosocial behavior. Interpersonal contacts with vulnerable populations generate compassion, and compassion reduces risk aversion and, in most cases, turns into other-oriented hope (Howell & Larsen, 2015, p. 52). This other-oriented hope paired with self-efficacy, a person’s belief that individuals can make a difference in others’ lives, strengthens commitments to the vulnerable populations (Hockerts, 2015). Moreover, other oriented-hope has a function of counteracting negative emotions and also reduces risk aversion (Howell et al., 2015, p. 53, 63). In this way, prosocial motivation turns into prosocial behavior such as undertaking one’s own hybrid organization.

Contrary to social entrepreneurs, social entrepreneurs have access to their companies’ resources. My study is designed to explore how psychological factors make MNCs’ employees become social entrepreneurs who take the role of institutional entrepreneurs within existing organizations and how resource-rich MNCs function as the enabler of social entrepreneurship.

In addition to an origin of social entrepreneurship, this paper focuses on the influence of social entrepreneurs’ prosocial motivation on developmental performance. Arend (2013) criticized that Miller, Grime, McMullen, & Vogus (2012) heavily focused on compassion as a trigger of social entrepreneurship. He encouraged the further research to examine how compassionate social entrepreneurs addressed market failures when prioritized target beneficiaries. Responding to this suggestion, my paper studies the correlation between organizational inclusiveness (involving the poor population in business processes) as a developmental performance indicator and individuals’ prosocial motivation.

Regarding prosocial behavior’s impact on organizational performance, positive organizational behavior literatures focused on the positive side of prosocial motivation show that compassionate leaders’ and individuals’ prosocial behaviors can enhance individual and organizational effectiveness (Cameron, Dutton, & Quinn, 2003; Dutton, Worline, & Frost, 2016; Podsakoff, Whiting, Podsakoff, & Blume, 2009; Stephan, Patterson, Kelly, & Mair, 2016). Bolino & Grant (2016) enriched this research by shedding light on the negative effects of prosocial behavior: exhaustion, inefficiency, injustice, ethical violations, and exploitation. Organizational support and monitoring system would mitigate these negative effects of prosocial behaviors.

This study explores social entrepreneurs’ prosocial motivation and prosocial behavior to investigate those influences on organizational inclusiveness as the most important indicator from the perspective of mitigating inequality.

Methods

The aim of this study is to examine the relationship between individuals’ prosocial motivation and inclusiveness at the organizational level. As Japanese social entrepreneur research is an emerging topic, an inductive grounded research was used in the process of data collection and analysis.

Sample

This study developed five case studies of Japanese BCtA members that focus on global health issues in developing countries. What defines a socially motivated business conceptually was still controversial (Short, Ketchen, & Bergh, 2014, p. 117) and there was no legal structure and no certified B corp in Japan. To overcome the difficulty associated with identifying and accessing data from appropriate samples of hybrids in the field of global health, the author selected BCtA member companies as authorized hybrid organizations. My cases were selected in a manner that represented a range of both successful and unsuccessful examples, not focusing on best practices.

137 companies were certified as BCtA members by the UNDP-led initiative of the Business Call to Action. 33 companies self-identified as an entity focusing on global health, seven of them had their headquarters in Japan (as of August 2016). The survey requests were sent to seven companies. Six of them responded, but one of them was not able to disclose their information due to their corporate policy. The response rate is 71.4%. According to Eisenhardt (1989), between four and ten cases is often sufficient to build a theory.

Participants

The vast majority of multilevel research studies was focused on top-down, cross-level effects, whereas emergence as a bottom-up process was largely neglected by quantitative investigators (Cronin, Weingart, & Todorova, 2011; Kozlowski, Chao, Grand, Braun, & Kuljanin, 2013, p. 582). My study focused on individuals who were assigned to launch a hybrid inside their firms or who were primarily responsible for preparing ringi proposals (the bottom-up decision-making process).

Procedure

The author conducted a quantitative web-based survey and qualitative interview survey thus applying a mixed methods research strategy. Mixed methods research is useful when a researcher addresses the social and behavioral sciences (Johnson, Onwuegbuzie, & Turner, 2007). Greene, Caracelli, & Graham (1989) identified the five rationales of mixed methodological studies: triangulation, complementarity, development, initiation, and expansion. This study put more emphasis on quantitative study, giving preference to “development” (i.e., using the results from a qualitative method to help inform the quantitative method) of the five above. The author took the following steps to solicit responses.

First, an online survey was set up on Qualtrics; it consisted of approximately 31 items. This qualitative survey on individuals’ psychology was set up online with the purpose of reducing interviewer bias (the impact of the interviewer knowing what answers s/he wants to hear and pushing respondents to answer accordingly). The web-based survey consisted of two parts. The first section assessed each organization’s current conditions such as the structure of their hybrids; price of their products and services, and their target countries, so that it was easy for respondents to answer and to get ready for the later personal and psychological questions. In the second section, respondents were asked individual-level questions divided into four categories: capability (academic records and career); prosocial motivation (interpersonal contacts with the vulnerable populations, compassion for humanity, and personal relationship with their beneficiaries); risk aversion; and prosocial behavior (self-sacrificing, fund-raising effort, up-ward communication, and informal efforts).

Second, in-person interview surveys with the five respondents were conducted between

March and July 2016, aligning with the idea that case studies rely much more on a triangulation of data sources including interviews and archival documents. Semi-structured interviews were conducted on an individual, face-to-face basis. These interviews 90-180 minutes in length and were recorded under the interviewees' permission. In each interview, respondents were asked to comment on their organizations' history (structural changes and expansion of their business), their decision-making processes, their relationship with their boss and other internal stakeholders, their personal experience with the vulnerable populations, their impression of the beneficiaries, and how they made an extra effort to involve the extreme poor in their business model.

Third, the author collected archival documents composed of items such as published reports, websites, and minutes of meetings. The author attempted to analyze the descriptions that resulted from the web-based survey, interview, and archival documents, focusing on individuals' prosocial motivation and its impact on organizational inclusiveness.

Measures

Human Development Index of a country. The predictor variable used in this study was "inclusiveness." Inclusiveness suggests that hybrid organizations, from the perspective of development effectiveness, involve the extreme poor in order not to widen the gap between the extreme poor and the poor in developing countries. The variable was assessed using the latest UNDP-ranked Human Development Index (HDI), ranging from 1 to 188 (e.g. a country with a higher number means a less developed country).

The other variables at the organizational level; At the organizational level, the dependent variables are (1) financial pressure, (2) innovativeness, and (3) affordability at the organizational level.

Financial pressure: Hybrids as a business unit (profit center) may face severe financial pressure, while hybrids that apply market-based approaches but internally belong to a cost center may have less financial pressure. Yet hybrids planning to be transferred to a profit center must have relatively strong financial pressure regardless of their current status. Based on the interviews, the author ranked the five companies according to their level of financial pressure (range = 1 to 5).

Innovativeness: Each company has different business models. The respondents were asked to select their business model from several choices: B to C (local consumers); B to C (consumers in developed countries); and B to G (the public sector such as government and international aid agencies). The responses were coded on three-point scales with B to C (local consumers) coded as 3, the most innovative model, B to G, coded as 2, and B to C (consumers in developed countries) coded as 1.

Affordability: Affordability is more likely to affect inclusiveness because the extreme poor cannot afford high-priced products such as solar lanterns and anti-malaria nets. Affordability reflects products' prices in USD.

Variables at the individual level: The individual-level variables are (1) capability, (2) prosocial motivation, (3) risk aversion, and (4) prosocial behavior. Although comprehensive discussion of these factors is beyond the scope of this study, the author selected those variables because previous research on social entrepreneurs concluded that prosocial motivation differentiates them from commercial entrepreneurs. In addition to capability as a social intrapreneur, prosocial motivation, risk aversion, and prosocial behavior as a result of

prosocial cost-benefit analysis were assessed.

Capability: Career hybridity of an agent is the key to the balance between social and economic objectives in hybrid organizations (Battilana & Lee, 2014; Lau & Murnighan, 1998, p. 717; Miller & Wesley II, 2010). It is essential for hybrid organizations to hire either employees who had work experience both in for-profits and nonprofits or train newly graduated students who have no work experience (Battilana & Dorado, 2010). Battilana & Lee (2014, p. 417) suggested that well-experienced workers might need to unlearn some of their habits. Based on the results from the web-based survey, the author provided a score of one to respondents if they had work experience in both sectors, academic records in developmental studies, knowledge about poverty reduction and global health, or interest in changing career to nonprofits or public sector (range = 0-7).

Prosocial motivation: Workers in the social sector possess stronger values and altruistic motivations related to their work in comparison to managers in the for-profit sector (Miller & Wesley II, 2010, p. 723), and what differentiates social entrepreneurs from commercial entrepreneurs is compassion (Miller et al., 2012). Previous studies showed that highly passionate social entrepreneurs were more likely to have access to tangible and intangible resources (Anglin, Allison, McKenny, & Busenitz, 2014). Puyvelde et al. (2016) also concluded that access to financial resources was the most important factor for hybrids' sustainability. Compassion is generated by interpersonal contacts as mentioned in the literature review, so the author gave them a score of one the respondents' interpersonal contacts with the vulnerable and their beneficiaries. Also, the respondents were given one question from the short version of the Compassion Love Scale: "when I hear about someone (a stranger) going through a difficult time, I feel a great deal of compassion for him or her" (The center for compassion and altruism research and education; Sprecher & Fehr, 2005) to assess on a seven-point scale range from 1 (not at all true for me) to 7 (very true for me) and they were asked whether they felt compassion when meeting vulnerable populations.

Risk Aversion: When individuals make a career decision or put extra effort in their work, their perceived costs and benefits determine their judgments. Risk aversion prevents prosocial motivation from transforming into prosocial behavior. Yet a previous study on psychology suggested that other-oriented hope generated by compassion reduced risk aversion (Howell, & Larsen, 2015). The level of risk aversion may vary across countries and nationalities (Gandelman & Hernández-Murillo, 2014), but the respondents in this study were Japanese who were born and raised in Japan. Beyond nationality, an individual with a spouse should have more perceived costs, so it should be a control variable; however, in this study, all the respondents were head of their households. Respondents were given a four-point response scale from "very risk-averse" to "not at all."

Prosocial behaviour: For-profits are tempted to target the middle-income segments because serving the extreme poor who do not have purchasing power is costly and its outcome can hardly be observed in the short-term. However, this exclusion may widen the gap among and within countries. Ethical decision-making about organizational inclusiveness depends on individuals' efforts to promote upward communication through ringi proposal in Japanese MNCs. At the individual level, highly compassionate individuals may be willing to make an extra effort to serve the extreme poor. Most socially motivated business people face dilemmas between prosocial behavior and anti-prosocial behavior (Grant & Campbell, 2007). Individuals may spend their time and energy inside (formal effort) and outside (informal effort) their firm.

In the section on prosocial behavior, the respondents were asked about four categories: self-sacrificing; fund-raising efforts; upward communication; and informal efforts. Each category was allotted one point if the respondents would be willing to take action to include the extreme poor in their business process under any circumstance.

Results

Respondents

Table 1 shows the target countries of the respondents' organizations, their products or services, and the UNDP-qualified development outcome. Two out of five companies not only sell but also donate their products in impoverished countries. Company A does not donate its products but it charges the different price depends on poverty level (8 cents in Northern Ghana, while 20 cents in Southern Ghana).

[Table 1]

Findings

Organizational constraints: The responses on target countries were coded into HDI. For example, Company A operates its inclusive business in Ghana, so it was coded '140' along with Ghana's HDI. The author arranged five companies in order of inclusiveness in Table 2. Company P achieves the highest level of inclusiveness, meaning it targets one of the poorest country, and Company I is at the lowest.

[Table 2]

Affordability: Surprisingly, MNCs with high-priced products can be more inclusive than others. Company P has the most expensive product, but the respondent diversified distribution methods: lease contract; rental service (3 USD per month); and donation through the international aid organizations and Japanese embassies. Donated solar lanterns were often stolen or resold when the respondent ran a pilot project in Kenya. He found out that leasing and renting solar lanterns through a person of great influence in a village maximized expected utility of their products and made his business more inclusive than selling or simply donating their products.

Company SC's long-lasting insecticide-treated nets are the second most expensive among the five companies, but delivered to the most impoverished or politically unstable countries. In addition to direct selling method, its respondent made use of the UN procurement process and his division's promotion budget. He visited African countries and tried to set up joint ventures wherever external funds were available such as Kenya, Uganda, and Mozambique. "When I visited Madagascar, the employees of our affiliated aluminum company were suffering from malaria. I tried to launch an anti-malaria project at its factory because I thought its project's success could promote a brand of our product. But this project faltered in face of the sudden recall by the then Minister of Public Health." Ultimately, he gave up launching inclusive business, and instead, with sales promotion expenses, decided to donate 110 thousand bed nets to children aged six months to five years old in Madagascar.

Company A's different pricing strategy makes its business more inclusive. When the respondent conducted a field survey in Northern Ghana, he thought that charging a fee in this impoverished area would be impossible. At the time, he decided to focus on Southern Ghana to make his inclusive business financially feasible. He occasionally mentioned the fact that Northern Ghana should have been out of his scope because of the lack of purchasing power in meetings with international aid agencies and the others in the public sector. As he expanded his network with USAID and several NGOs and developed his business ideas over time, he

noticed that the malnourished mothers and children in Northern Ghana should be targeted since the distribution of their nutrition-rich product may dramatically improve health outcomes. He decided to include Northern Ghanaian pregnant women, mothers, and children in his business process and to charge a smaller amount of fee (0.08 USD per product in Northern Ghana, and 0.2 in South Ghana). Company A's product is more affordable than Company P and Company SC, however, its target country is less impoverished. I next discuss how the respondents, managing financial pressure, chose their project sites.

Financial pressure: (Kistruck & Beamish, 2010, p.749) illustrates several forms of MNCs' hybrid organizations: internal operation, cross-divisional coordination, partial subsidiary, complete subsidiary, joint-venture subsidiary, formal external partnership, and informal external partnership. In my study, all the samples are the form of the internal operation. Yet, paying attention to the internal structure and its change should be key to understanding how organizational financial pressure affects individuals' prosocial behavior. The current forms of hybrids do not always explain the level of financial pressure that the respondents perceive. The interview surveys revealed that the respondents' hybrids changed their forms over time as seen in Table 3.

[Table 3]

Not only their current form but also their future plans affect individual's level of financial pressure that this hybrid organization was originally a part of another company. Within the company, a business unit developed, manufactured, and sold solar lanterns. The unit had a profit-making mission, but selling high-quality solar lanterns to the populations in developing countries was not profitable. So, some of the board members were skeptical of their solar lantern business' continuity. At the time, the respondent felt strong financial pressure. Meanwhile, Company P acquired the company including the unit of the solar lantern business. Company P's board members acknowledged that the solar lantern business had the potential of acquiring the reputation as a global-issue conscious company. To preserve the social objective, Company P relocated the solar lantern business unit under its CSR division. The respondent was continuously assigned to the solar lantern business even after the acquisition. He conceptualized the solar lantern business as an inclusive business, closely working with academia, UNDP, and local governments such as Kenyan Ministry of Environment and Natural Resources. He feels less financial pressure than before, because the relocation to the not-for-profit division might have provided the legitimacy to his inclusive business.

The results shows that highly compassionate individuals (the respondents of Company SC and Company I) are willing to make an extra effort even in their hybrids with higher financial pressure. However, hybrids with stronger financial pressure tend to put more emphasis on the potential of markets and feasibility when deciding where to launch their inclusive businesses. Before Company SC's respondent was appointed as a head of its hybrid organization, one of its board members had selected Tanzania as its first target country because Tanzania had more opportunities to attract funding than other countries that have the larger demands for anti-malaria nets. Company I entered India because its business unit was in charge of cotton and Indian farmers produced the largest amount of cotton in the world. Company P, which used to be a business unit, chose the Kenyan market over other African countries because Kenya had the middle-income populations who can afford solar lanterns.

In contrast, Company A and Company Sh put more emphasis on demands as well as feasibility. Company A's respondent decided to launch its project in Ghana for several

reasons. Company A's respondent knew that the technology developed by his same-age peer had great potential to solve malnutrition. He thought that its technology should be able to bring about substantial results in a country at the largest risk of malnutrition. Looking at the WFP's hunger map, he narrowed down a target to West African countries. The fact that Ghana was the center of the activities in West Africa for UN agencies and international NGOs and that Ghana also has a high-quality research institution made him determined his project location.

Similarly, Company Sh's employees decided to start their inclusive business in Bangladesh for several reasons. At the very early stage of selecting their target country, Bangladesh and India were likely candidates because both were geographically close to Japan and highly populated. Also, those countries had a large number of women suffering from Company Sh's area of concern, sanitation and gender issues. In the preliminary survey, they found it difficult to launch and scale up an inclusive business in India where there were a diversity of cultures, many local languages, and a caste system. They could not find a reliable partner in India, but were able to partner with an international NGO's Bangladesh office.

"We started this inclusive business from scratch. Our boss or human resource division did not appoint us. We applied for a job posting system to start this new project. We chose the concept as well as the project site. This was a totally bottom-up project. There were few supporters in the early stages, so it had been very hard for us to get an approval on our budget plan since 2011. In our company, a new business has to generate a surplus in three years. In reality, it usually takes ten years to run in black if we started from research and development, though. We had a very hard time when we presented interim reports on a regular basis. But in 2014, our new CEO changed our situation. He has his marketing and management experience in the Coca-Cola group, so he deeply understands BOP business. He told the PR division to advertise our project. Then, our project became public internally and externally. Now, the board members regarded our project as a long-term investment. We feel less pressure than before because more co-workers express understanding for our project at this moment."

[Table 4]

As seen in Table 4, two of five companies' market entries were based on top-down decision-making and the others came from the bottom-up proposals. Nevertheless, Company SC and Company P have expanded their business into multiple countries and the respondents drafted their expansion plan. Thus, these respondents' opinions directly reflect their organizational inclusiveness.

Correlations among variables: Table 5 presents the average, standard deviations, and correlations of the variables used in my surveys. This correlation analysis estimates the effects of the personal background on their hybrids' inclusiveness.

[Table 5]

Hybridity and Prosocial behaviour: Hybrid individuals are more likely to make an extra effort to serve the extreme poor, as there is perfect positive correlation (.92) between career hybridity and prosocial behavior. Company SC and Company I's respondents had high levels of career hybridity, and both of them are willing to make an extra effort for serving the extreme poor.

Company SC's respondent has extensive experience in for-profits as well as more than ten-years' experience as a volunteer in a nonprofit. In addition, he had a strong desire to change his career to nonprofits that would allow him dedicate himself to eradicating malaria and

creating jobs in Africa. His high career hybridity might allow his prosocial motivation to turn into his prosocial behavior. Regardless of internal opponents, he often made efforts to find internal and external financial resources to set up plants in impoverished countries such as Malawi and Madagascar. As his second option, he tried to sell anti-malaria nets through UNICEF, local governments, and NGOs. His last approach was to donate nets to the vulnerable populations such as mothers and children as long as his unit's promotion budget was available and the outcome of nets distribution was projected to be desirable. He had to focus heavily on financial sustainability as the director of a business unit, and did not make further efforts. He never sacrificed his time, money, and his personal life, but tried to maximize social values as long as his business idea was financially feasible in a long-term.

Company I's respondent also had her rich experience in for-profits and nonprofits. She was a developmental expert with a master's degree and, with her role in the hybrid, expected to focus on its developmental side such as the field-level monitoring and evaluation. This expected role provided her no room to make extra efforts for raising external funds or for increasing internal budgets to serve the extreme poor. Instead, she invested her time and energy in informal settings. Inspired by her repeated business trips to the local cotton farms and her conversation with farmers in intermediate level Hindi, she often mentioned the populations whom her business could not cover through her social media. Expecting other stakeholders' assistance, she often mentioned the existence of extremely poor populations, which her hybrid's inclusive business was unable to help, in her speeches to college students, and officers from the UN, Japanese embassy in India, and the Cabinet Office.

Compassion: Based on the assessment of Compassion Love Scale, the respondents from Company SC, Company I, and Company Sh showed extremely high compassion and Company P's respondent showed relatively high compassion for humanity. However, all the respondents answered "No" to the item asking if they felt compassion for their beneficiaries. Based on these responses, Japanese people might be reluctant to use the word "compassion" when describing their feelings about the vulnerables. Instead of feeling compassion, Company P's respondent said, "when I first met the African people in an off-grid village, I thought they were strong-minded or rather dependable."

Company SC's respondent frequently mentions his inspiring experience in Africa, saying, "I can't forget that I encountered a crying mother who just lost her baby. Her baby died of malaria. At the moment, I strongly thought I had to deliver an anti-malaria net to this person. I can't give them a large amount of money, but I am able to deliver five-dollars nets at least. And that's what I have to do." He might have felt compassion for this mother as well as self-efficacy that strengthens his commitment to his prosocial behavior, although he answered "No" to the compassion item. His other comment on his extra efforts for including the extreme poor in his business process illustrated the difficulty of hybrids' balancing social and economic objectives.

"Malawi was the country where I thought was the most impoverished and devastated by malaria. Also, I thought that our product could save local people. Witnessing our success in Tanzania, a local entrepreneur approached me to talk about joint-venturing a new manufacturing firm. My bosses raised an objection. I finally persuaded these opponents partly because our investment was a small amount. We built a plant in Malawi, but it was bankrupted. We did not have enough funding available in Malawi to run the plant."

This comment also suggested that this highly compassionate respondent had tested the limits of an inclusive business and that a mixed-entity model, combining a for-profit and a nonprofit

in a hybrid, could be a way to serve the extreme poor.

Self-efficacy: Japanese MNCs' rich resources such as financial resources, human resources, products and services, and technology are the key enablers to make compassionate individuals become social entrepreneurs. As seen in the previous comments, Company SC's respondents thought that there was something he could do for the vulnerable people suffering from malaria. His company's existing product, anti-malaria nets, and its proved social benefits convinced him so. Coupled with self-efficacy backed by this company's resources, his compassion for the mother who just lost her baby turned into his commitment to delivering his products to the mother and similar populations in the least developed countries. In the same manner,

Company A's respondent was highly passionate about demonstrating his company's existing amino acid technology for alleviating malnutrition

"In 2008, my boss was originally planning to allocate a CSR budget to donation to WFP or other partners. But I thought it would be just a one-time contribution and have less social impact. Then, I knew that my same-age co-worker had dedicated his time and energy to develop amino acid technology. But the efficacy of his findings was not yet demonstrated on the ground. So, I came up with the idea that his technology might alleviate malnutrition in developing countries. At the time, WHO and international NGOs started paying greater attention to deficiencies in essential nutrients as the underlying cause of diseases and deaths. This inspired me to push back the original philanthropic idea and to propose the idea of inclusive business applying amino acid technology to solving global issues."

In addition to this first effort, he made another effort against the internal and external opponents. His confidence in the his coworker's technology made him robust as a social entrepreneur, as seen in his following comment;

"My boss approved my inclusive business plan in 2008, but my plan was almost killed in the beginning of 2009. At first, I developed an enriched drink with my coworker in the R&D division. But in a developing country, our bottled drinks were displayed on the same shelves as Coca-Cola and other competitors' drinks and young people, who were different from those most in need, often bought our product without knowing its utility. What is worse, UNICEF and other developmental agencies would not procure any bottled drinks because there was a high possibility that mothers, getting the wrong idea that the bottle drink could be an alternative to milk, neglected their efforts to breast-feed. Then, my inclusive business idea became stuck. This project was almost called off. But I really wanted to send out his amino acid technology into the world. So, I went back to the basics and reinvented the product concept. I decided to focus on infants and mothers as our beneficiaries. The concept was much more clarified and attracted more actors such as UNICEF and GAIN (Global Alliance for Improved Nutrition). Also, I noticed that our company's expertise was powderization. In the end of 2009, I asked the R&D team for developing a powdered product that provides infants and mothers with sufficient nutrition. After that, my inclusive business idea worked. Combining my company's strengths, amino acid knowledge and powderizing technology, is the only way to be recognized as a business."

Company Sh's respondent was sure that her company's existing technology and knowledge could make the Bangladeshi women healthier and more beautiful. When she launched the inclusive business project in April 2011, her team consisted of five full-time employees, voluntarily transferred from other departments, and ten part-time R&D experts. Although her team ended up developing new products localized in Bangladesh where it was extremely humid, her company's existing know-how of manufacturing sunscreen saved development

time. This new product development process brought about reverse innovation: the know-how of manufacturing skincare products with Halal certification; and a new technology of enhancing protection against UV rays when in contact with sweat or water. The former would expand her company's business opportunities in Muslim countries and the new sunscreen technology was employed to Company Sh's newly released sunscreen for the Japanese market in 2016. Their localized products (face cleanser, skincare gel, and sunscreen) have been sold in 16 villages in which the average income is between 128 to 256 USD per month; however, she has tried to include the poorer populations in her inclusive business model as well.

“The obstacles were not only monetary but also gender-oriented issues. Bangladeshi women rarely have the right to make decisions for their households. They had no confidence and hesitated to speak up in front of people. From the health perspective, they had a dietary habit of taking plenty of sugar, oil, and salt. This habit led a lot of skin problems. In addition, they had little knowledge of hygiene and beauty such as washing hands before applying skincare product. We held more than 2,300 workshops in 2014 and more than 27,000 people attended to learn about sanitation and skincare. I know only 10% of the participants can afford our products. We do not exclude the extreme poor without purchasing power so far. But now I think we have to shift out target audience to the upper class. In Bangladesh, NGOs and other developmental agencies help the extreme poor people, so we, as a for-profit, should help the poor people between the lowest and the middle class in financially sustainable way. This transition is our next year's plan.”

Likewise, Company P's respondent wanted to combine the existing technology of manufacturing solar lanterns and his knowledge of refugees and people in off-grid area. It took more than one year for Company P's R&D division to reflect his requirements, but he knew that his company had enough resources to develop a new product. Their new solar lantern has a cellphone charger function, affordable pricing (at half the price of the previous model), and handles enabling women or refugees to take it to the restroom at night. As such, compassionate individuals require MNCs' resources that provide them self-efficacy when they make a prosocial action.

Prosocial motivation and behaviour: There is positive but weak correlation (.30) between prosocial motivation and prosocial behavior. Two reasons might explain this weak correlation. First, the respondents' high compassion might have reduced their risk aversion as Company SC's extraordinary efforts and Company I's informal activities suggested. Regardless of their higher level of risk aversion than average, Company SC's respondent invested his time and energy in upward communication and collecting financial resources. As described above, Company I's highly compassionate respondent, taking the less risky method, pushes herself to benefit the extreme poor at the expense of her personal time and energy.

Second, the employees' perceived risk in Japanese MNCs might be much larger than that in other developed countries and the respondents' compassion might not be able to offset risk aversion. That is, the highly risk-averse respondents' perception towards costs exceeded their perceived benefits as a result of their prosocial cost-benefit analysis.

Paying attention to the prosocial cost-benefit analysis conducted by a social entrepreneur in Japanese MNCs, Company Sh's respondent's answers explain these two assumptions well. She had high prosocial motivation as well as high risk-aversion. She had high potential as a social entrepreneur because she was majoring in developmental economics and had the

interpersonal contacts with her friends in developing countries. Still, she preferred working for the MNCs to being a social entrepreneur. Nonetheless, she was motivated enough to move into action. Regardless of her high risk-aversion, she applied for launching an inclusive business and made efforts to serve the marginalized populations. She said,

“When I home-stayed in an Indian family belonging to the lowest caste, I thought there was something my company and I could do for them. I saw many local people smiling happily, but they were dying of Malaria or other preventable diseases. I can’t forget local ladies’ faces when I visited Bangladesh after deciding to launch our project there. Trying out our prototyping cosmetics, they seemed to be truly filled with a feeling of well-being. When I saw their faces, I noticed that not only ladies at the high class but also people at the inferior class had exactly the same feelings that they wanted to become beautiful. Also, no complex technology was required. The appropriate usage would contribute to enhancing sanitation and their beauty. I was filled with a feeling of satisfaction. At the same time, I thought this project was necessary for the future of our company since the market in developed countries has been shrinking. I do not like taking a risk, but I do not mind taking a risk as an employee of my company. That’s why I wanted to launch this risky project and I often make an extra effort to persuade decision-makers.”

Also, the result that no respondent was willing to sacrifice their personal gain implied that individuals in MNCs seem to be both self-centered and altruistic, which is the most desirable combination from the perspective of sustainability. The respondents were at less risk of compassion fatigue. Company A’s respondent, the least compassionate individual, said, “I do not make any extra effort to serve the extreme poor in case that the idea was not financially feasible even in the long-term,” although he spent his personal time attending academic conferences related to inclusive businesses. Company SC’s respondent, the most compassionate individual, said, “I do not spread my words through blogging or social media simply because I am not familiar with those emerging media. Also, I have never asked external stakeholders such as the UN, NGOs, and governments for help to serve the extreme poor even though I often witnessed them in impoverished countries. I just focus on what I can do as a business person.” Similarly, highly compassionate Company I’s respondent said, “I do not sacrifice my personal life. I am not willing to lower the current level of living. The poor people have their own lives, too. If they were willing to make a difference in their lives, I am willing to work to benefit them to the extent that I could maintain my life. An incisive business is not able to save everyone. Instead, a systematic change is required.” As seen in these comments, social entrepreneurs in Japanese MNCs have their belief in market-based approach as well as deep understanding of the businessperson’s capacity. In Japan where there have been plenty of discouraging factors at macro to micro-level, MNCs’ resources may play a key role in social entrepreneurship and social entrepreneurs’ prosocial behavior.

Prosocial behavior and organizational inclusiveness: The quantitative analysis shows no correlation between the respondents’ prosocial behavior and their organizations’ inclusiveness. Three reasons might explain this: market-driven decision-making on target country and the limitation of individuals’ role.

Firstly, four out of the five companies made a decision on targeting segment, based on commercial logics. Company SC’s and Company P’s respondents had no influence on decision-making on their first project sites as illustrated in Table 4., although they chose their project sites after the first choice. Company SC’s and Company P’s board members had relationships with the high-level representatives of the targeted countries and Company SC

had already invested the local joint venture. Company I, paying less attention to HDI or other developmental indicators, decided to launch its project in rural Mumbai because the majority of cotton procurement was from a local company in that area. This top-down or market-driven decision-making might negatively affect the organization-level inclusiveness.

Accordingly, the individuals might have the limited influence on the organizational inclusiveness despite the fact that Japanese MNCs' bottom-up decision-making process is more likely to realize employees' ideas. For example, the economic recession in Japan and the declined demands for pre-organic cotton forced Company I to downsize its project. At the individual level, it is almost impossible for its respondent to expand her project to poorer areas. Company A and Company P's respondents clearly stated that they chose the safer option in terms of feasibility when choosing the locations, saying "accumulating small successes is very important to gain understandings internally and externally", "if I failed the first project, the board members would not have agreed on providing me the second chance. Launching a small project in relatively resource-rich area is the key to expand inclusive business in my company." Japanese companies might be less tolerant for failures because of their stakeholders' high risk-aversion. These conservative choices are more likely to prioritize the low- to middle-income populations, excluding the extreme poor especially at the early stage.

Discussion

Organizational constraints such as financial pressure and affordability had less-than-expected influence on the organizational inclusiveness. Even a hybrid organization that is under the same level of financial pressure as other profit-making businesses can run a highly inclusive business in developing countries. Mixed entity model, a hybrid model that has both a for-profit and a nonprofit entities such as EMBRACE (Haigh, Dowin, & Walker, 2015), cross-subsidizing model (setting the different pricing such as Aravind Eye Care System and Company A), and extra promotion budgets (e.g. Company Sh) would improve organizational inclusiveness.

Rather, top-down, random-meeting based, market-driven, and conservative decision making on targeting segments would decrease the level of organizational inclusiveness. Similar to social entrepreneurs' random-meeting based targeting (Tokuda, 2015), Japanese top executives may decide their target segments depend on their personal networks, paying scant attention to HDI or other developmental indicators. For example, Company P's top executive chose the first target country because he happened to have a relationship with the country's high-level government official.

While Japanese bottom-up decision-making process allows social entrepreneurs to increase organizational inclusiveness, Japanese social entrepreneurs' decisions may be so market-driven and/or conservative that their projects become less inclusive. Company SC's respondent had to choose only the countries with financial access, Company I chose its supplier's location as its project site, Company A's respondent placed great value on project partners' location and started its project from higher-income area, and Company P's respondent conducted its first feasibility study in an off-grid village with rich social capital to prove a rental business model based on the villagers' trust worked well and to gain internal approval of expanding its inclusive business from the board members. Most MNCs put more emphasis on feasibility. The respondents' market-based and conservative decision-making is appropriate from the perspective that inclusive business should be financially sustainable and closely linked to MNCs' core businesses; however, these decision-making approaches can be

the largest obstacle to organizational inclusiveness.

This individual-level decision-making generates a prosocial behavior depending on prosocial cost-benefit analyses. Individuals take both prosocial motivation and costs into account when making a decision about whether they take a prosocial action. In the process of prosocial cost-benefit analysis, the respondents' interpersonal contacts with the vulnerable population reduce individuals' risk aversion and strengthen individuals' prosocial motivation. This strong prosocial motivation coupled with self-efficacy leads to prosocial behavior. Thus, even in Japan which is the least developed setting for social entrepreneurs, prosocially motivated individuals can take a risk in forms of being a social entrepreneur, proposing challenging ideas, and investing their personal time and energy in benefiting the vulnerable populations. Japanese social entrepreneurs are more aware of self-efficacy (a enabler) and sense of mission (a cognitive driver) than compassion (an emotional driver), although cognitive and emotional drivers should be married with enablers when they become a social entrepreneur. None of the respondents answered that they felt compassion for their beneficiaries, but four out of five expressed their high compassion for humanity. This inconsistency may come from Japanese common sense and the difference in definition of compassion. Japanese widely share a sense that compassion-based support is rude to beneficiaries. The term "compassion (dojo in Japanese)" is often used in negative setting, while "empathy (kyokan in Japanese)" has positive nuance, although compassion and empathy are often used interchangeably in social entrepreneurship schools and empathy is defined as "a family of responses to another that are more other-oriented than self-focused, including feelings of sympathy, compassion, tenderness, and the like (Batson, 1991: 86)". My future research should pay special attention to these terms.

Lastly, this study reveals that the Japanese social entrepreneurs are both self-centered and altruistic. This seemingly conflicting sense of value is the best combination in terms of sustainable engagement in hybrid organizations. They conducted their prosocial cost-benefit analysis and chose not social entrepreneur but social entrepreneur as a rational career choice. As a policy implication, proactively sharing information with those social entrepreneurs is essential for traditional developmental practitioners because inclusive businesses are not able to cover the extreme poor and the social entrepreneurs rarely share that information. Assistants from traditional development agencies and nonprofits can complement for-profits' market-oriented approach to poverty alleviation and this public-private partnership may mitigate the gap between the poor and the extreme poor.

Limitations

While this study provides a useful quantitative and qualitative analysis on social entrepreneurs' prosocial motivation and its impact on their hybrids' inclusiveness as performance in the context of development, there are a few limitations associated with the present analysis. First, the sample was too limited to generalize the conclusion. Although focusing on a country (Japan) and an industry (global health) was necessary for more meaningful comparison, rich sample size might help further statistical research. Second, this inductive case study relied on single respondents from each company, which method had been criticized (Kumar, Stern, & Anderson, 1993). The respondents are the social entrepreneurs who actually launched their hybrid organizations from scratch; however, future research will include their co-workers or bosses to double-check the social entrepreneurs' responses.

Implications

Regardless of these limitations, the author tried to illustrate what motivated social entrepreneurs to launch a hybrid organization within their companies and how their prosocial motivation, in spite of organizational constraints, encouraged them to involve the extreme poor in business processes. It is true that hybrid organizations run by prosocially motivated individuals can be a major developmental actor because they provide their financial resources, human resources, and intangible resources such as technology to serve the vulnerable populations. Yet, it is also important to remember the limitations of MNCs' hybrid organizations in which entrepreneurs often struggle with balancing economic and social objectives. Even prosocially-motivated entrepreneurs sometimes have to exclude the extreme poor from their businesses due to their organizational constraints. The selection of their beneficiaries may lead to the widening gap between the beneficiaries and the excluded populations. This social exclusion is more likely to be a significant obstacle to the SDGs. Considering this limitation of social entrepreneurs within MNCs, traditional development agencies had to collect information on the coverage of hybrid organizations' activities and to achieve interagency coordination under the objective of accelerating the progress of the SDGs including promoting global health.

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Appendix

Table 1

Overview of the respondents' companies and their inclusive businesses

<u>Name</u>	<u>Location</u>		<u>Product/ service</u>	<u>Development outcome</u>
	<u>Market-based</u>	<u>Donation</u>		
Company P	Kenya, Ethiopia and others	Dadaab refugee camp and others	Solar lantern	Replacing kerosene lamps to 1 million solar lantern by 2018, Reducing energy spending (\$0.3/day), Reducing over 30,000 CO2 of greenhouse gas emission.
Company SC	Tanzania, Kenya, and others	Malawi, Madagascar, and others	Long lasting insecticide- treated nets	Distributing 60 million nets in 80 countries, Saving 6 million people (especially pregnant women and children) in 10 years, Employing 7,000 people (90% women).
Company Sh	Bangladesh	-	Sanitation, skincare	Improving hygiene, nutrition and health among 40,000 low- income women in rural Bangladesh.
Company A	Southern Ghana	(Northern Ghana ¹)	Nutrition- balanced food	Improving nutrition of 200,000 children aged 6-24 months by 2017.
Company I	India	-	Providing guarantee to purchase pre- organic cotton yields during the three-year organic conversion process	Enabling 9,500 families to transition to organic cotton farming, Increasing the local farmers' income by up to 30%, Getting rid 30,000 acres of land from harmful agrochemicals.

^a Company A sets the price in Northern Ghana less than the half of that in Southern Ghana.

Table 2
The organizational level inclusiveness and constraints

	<u>Inclusiveness</u> (Human Development Index)	<u>Price</u> (USD)	<u>Financial Pressure</u> (High 5 –Low 1)
Company P	184	30	3
Company SC	180	5	4
Company Sh	142	0.1	1
Company A	140	0.1	2
Company I	130	0	5

Note. The retail prices vary, depending on market, distribution channel, and volume. Based on the interview surveys, these prices are economically viable price.

Table 3
Structural paths of hybrid organizations


<u>Financial Pressure</u>	<u>Name</u>	<u>Initial form</u>	<u>Current form</u>	<u>Next step</u>
	Company SC	Profit Center	Profit Center	Profit Center Upselling
	Company I	Profit Center	Profit Center	Profit Center Downsizing
	Company A	Cost Center	Cost Center	Profit Center More inclusiveness
	Company P	Profit Center	Cost Center	Cost Center More inclusiveness
	Company Sh	Cost Center	Cost Center	Cost Center Upselling
Strong				
Weak				

Table 4

Decision-making drivers and processes on targeting segments


<u>Financia</u> <u>I</u> <u>pressure</u>	<u>Name</u>	<u>1st location</u>		<u>2nd location</u>	
		<u>Driver</u>	<u>Top-down</u>	<u>Driver</u>	<u>Top-down</u>
Strong  Weak	Company SC	Market-driven	Yes	Market-driven	No
	Company I	Market-driven	No	Market-driven	No
	Company A	Demand-driven/ Market-driven	No	Demand-driven	No
	Company P	Market-driven	Yes	Demand-driven	No
	Company Sh	Demand-driven	No	Demand-driven	No

Table 5

Mean, standard deviation, and correlations of the study variables

	<u>Mean</u>	<u>SD</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>
<i>Organizational-level</i>	155.20	24.90						
1 HDI								
2 Financial pressure	3.00	1.58	.10					
3 Price	7.04	13.01	.76	.06				
<i>Individual-level</i>	4.20	1.78	.23	.97*	.03			
4 Hybridity								
5 Prosocial motivation	6.60	2.70	.28	.12	.13	.18		
6 Risk aversion	2.60	0.55	.52	.87	.49	.87	.37	
7 Prosocial behavior	1.04	0.54	(.01)	.87	(.32)	.92	.30	.67

Note: N=5