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## ABSTRACT<sup>1</sup>

Social innovations provide an important and useful means of addressing societal issues, especially when regulations and the market fail to do so effectively. While social innovations have been studied primarily in stable institutional contexts, the literature is rather scant when it comes to how social innovations are created and managed in extreme institutional environments—those marked by great instability and fragile institutions. Adopting an institutional perspective and building on a revelatory qualitative study of social innovation in Palestine, our study unveils the institutional dynamics of social innovations in extreme institutional contexts. More precisely, we theorize three barriers that hinder social innovation in such contexts: *institutional trap*, *effectiveness trap*, and *sustainability trap*. We also theorize five mechanisms through which these barriers influence each other dynamically: *mingling*, *surviving*, *undermining*, *binding*, and *reinforcing*. Taken together, these barriers and mechanisms shed light on social innovation processes taking place within extreme institutional environments.

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## INTRODUCTION

Social innovation (hereinafter SI) has generated a lot of attention from scholars and policymakers in the past two decades (Baglioni & Sinclair, 2018). It can be understood simply as a way to meet social needs that would not otherwise be met and to create social value that would not otherwise be created (Phills, Deiglmeier, & Miller, 2008). This growing interest is broadly attributed to the ability of SI to provide widespread solutions to several societal challenges (Borzaga & Bodini, 2012). The increasing recognition of SI is also driven by the more perceivable limits of the dominant for-profit enterprise model in managing its negative externalities, as well as the failure of public institutions to confront the increasing demand for social services (Bekkers, Tummers, & Voorberg, 2013; Phillips, Lee, Ghobadian, O'Regan, & James, 2015).

The literature on SI covers a variety of geographical contexts (Nwuneli, 2016), sectors (Göransson, 2017), and forms of innovation (Vézina, Selma, & Malo, 2019). We know that effective SIs need to adapt to the context in which they take shape (Lévesque, Fontan, & Klein, 2014; Osburg & Schmidpeter, 2013). Further, SI differs depending on the sector and how it interacts with contextual factors, such as technology (Edwards-Schachter & Wallace, 2017). What is rather underexplored, however, is how SI processes take shape within extreme institutional environments, marked by a chronic disruption of institutions and fragile states, while being “characterized by increased risk, greater uncertainty, and scarcer resources” (Barin-Cruz, Delgado, Leca, & Gond, 2016, p. 2). This is even more relevant because these extreme contexts generally reflect a great need for SI to solve the myriad social problems on the ground. A recent study examining SI processes in a post-conflict setting offers an interesting exception (Bozic, 2021).

Regarding recent calls to explore SI processes in contexts where institutions are volatile (Bozic, 2021; Haar & Ernst, 2016), we believe it is necessary to go even further by looking at SI dynamics in extreme contexts where institutional volatility is deeply rooted and enduring.

Because SI processes are deeply embedded in institutional arrangements in the form of normative, regulatory, and cognitive representations (de Bakker, Dorado, Marti, & Zietsma, 2015), understanding how they operate by exploring the influence of the extreme nature of the institutional context can enrich our understanding of SI beyond conventional empirical contexts. This is especially important considering the constructive role of institutional stability in socio-economic and entrepreneurial development (North, 1990, 2010). Hence, this research is guided by the following question: *How does an extreme institutional environment influence social innovation processes?*

To investigate this question, our qualitative research builds on the unique case of the Palestinian non-governmental organization (NGO) sector<sup>2</sup> (hereinafter PNGO), a rarely studied context in organizational studies (for a recent exception, see Arda & Banerjee, 2021). From an engaged scholarship perspective (Van de Ven, 2007), studying Palestine now is more relevant than ever, considering the turmoil within modern Palestinian society. Combining archival sources with 24 semi-structured interviews allowed us to deepen our understanding of the challenges related to SI in Palestine, where economic and social well-being is intrinsically tied to and must be understood within the particular historical and political context of the absence of meaningful sovereignty and statehood. The last two decades have experienced the emergence of new social, economic, and political challenges after the stumbling block of the peace process between the Palestinian Authority and Israel, which was supposed to form an independent Palestinian state. Since 2000, the Occupied Palestinian Territories—East Jerusalem, the West Bank, and Gaza—have experienced great political instability through the second Intifada (2000-2006), three wars against Gaza (2008, 2012, and 2014), and the strict Israeli blockade against Gaza since 2007 (Butt & Butt, 2016). Israel's presence is also felt beyond these instances of acute violence; the contemporary period of occupation is

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<sup>2</sup> The Palestinian NGO sector currently includes charitable societies, cooperatives, associations, development organizations and some other social interest groups, e.g., unions representing the disabled, women's organizations, youth movements, religious associations and other related bodies.

characterized by an increasingly entrenched and normalized infrastructure of checkpoints (Griffiths & Repo, 2018), threatened housing demolition (Joronen & Griffiths, 2019), and a system of permits that seeks to document and control the movement and activities (civil and political) of Palestinians in the Occupied Territories (see Berda, 2017).

The Palestinian Authority has struggled to meet its commitments to encourage civil society activity within this context. Advocates of PNGOs call for new responses to face compelling social challenges. They play an increasing role in the delivery of social services and in the socio-economic development process (Daiq, 2005; NGO Development Center, 2009). Perhaps because of large funding deficits and permit issues around building infrastructure, PNGOs have played an augmented role in health service provision, the agricultural sector, educational systems, and other social services since the 1990s (Abuiyada & Abdulkarim, 2016; Sarsour, Naser, & Atallah, 2011; Sullivan, 1996). In other words, given the lack of state provision in large parts of the Occupied Territories, it is considered that PNGOs deal with a major burden.

Adopting an institutional lens to studying how the extreme nature of the Palestinian context influences SI processes, we theorized three barriers allowing us to understand better the challenges faced by NGOs in Palestine: An “institutional trap” related to the broad institutional environment; an “effectiveness trap” associated with the way the NGO sector in Palestine developed; and a resulting “sustainability trap” related to inter-field dependence and inner shortcomings. We also theorize five mechanisms (*mingling, surviving, undermining, binding, and reinforcing*) that explain the interactions between these three barriers and how the extreme nature of the institutional environment hinders SI in Palestine. Interestingly, we show how the international context is both a source of opportunities (financial resources and projects) and constraints (imposed standards and political blockage) for PNGOs. Taken together, these insights significantly deepen our understanding of SI in extreme institutional contexts.

## **THEORETICAL BACKGROUND**

In this section, we first present the relevant empirical and theoretical research on SI, particularly the role of NGOs in achieving SI. We then discuss how and why an institutional perspective on SI is a relevant theoretical lens for studying how extreme institutional environments influence SI processes.

### **Social Innovation and NGOs**

In many different ways, SI proliferated in the last decade as a groundbreaking approach to address government and market failures and overcome philanthropic resource constraints (Sud, VanSandt, & Baugous, 2008). No consensus exists about what SI is (Lévesque et al., 2014), but it is generally defined as "the creation and implementation of new solutions to social problems, with the benefits of these solutions shared beyond the confines of the innovators" (Tracey & Scott, 2016, p. 51). In broader terms, SI is a novel way of thinking about, addressing, and solving social issues (Lévesque et al., 2014). SI is regularly presented as a means of social change, social transformation and/or institutional change (Dandurand, 2005; Lévesque, 2021). Therefore, change is at the very foundation of the concept of SI (Bouchard et al., 2015).

SI has drawn interest in various disciplines such as economics (Pol & Ville, 2009), management and organizational theories (de Bakker et al., 2015; Nilsson, Bonnici, & Griffin-El, 2015), rural sociology (Noack & Federwisch, 2020), geography (Moulaert, Maccallum, Mehmood, & Hamdouch, 2014) and psychology (Fairweather, 1967). Given the disciplinary and epistemological diversity that stirs academic conversations on SI, the variety of definitions and perspectives of SI is not surprising (Westley, Antadze, Riddell, Robinson, & Geobey, 2014). This did not prevent the literature in the last decade or so from considerably deepening our understanding of the dynamics and processes surrounding SI (Logue, 2019; Zietsma & Toubiana, 2019). SI researchers have focused on definitions (Choi & Majumdar, 2015), scaling (Riddell & Moore, 2015), institutional dynamics (de Bakker et al., 2015), emotions (Zietsma & Toubiana, 2019), the involvement of the third sector (Blanco-Ariza, Messino-Soza,

Vázquez-García, & Melamed-Varela, 2019), the involvement of universities (Göransson, 2017), bricolage (Kickul, Griffiths, Bacq, & Garud, 2018), and more.

Individuals, firms, communities, and stakeholders' actions are all generators of SI (de Bakker et al., 2015; Tracey & Scott, 2016). SI may be promoted by various actors such as private firms, public non-state organizations, state organizations, individuals, and NGOs (Blanco-Ariza et al., 2019; Gerometta, Häussermann, & Longo, 2005; Raufflet, Brès, Baba, & Fillion, 2016). The literature tends to recognize the important role of social entrepreneurs in generating SI (Baba, Hafsi, & Bradley, 2021; Elkington & Hartigan, 2008; Nicholls, 2010). Around the globe, NGOs are crucial in the SI ecosystem because they have a shared focus on social needs orientation, which is essential for their activities (Bozic, 2021; Nock, Krlev, & Mildemberger, 2013). In the theoretical and empirical literature, an important discussion has taken shape around the strong and direct link between SI and third sector actors such as NGOs (Andion, Lima Moraes, & Gonsalves, 2017; Beckmann, 2012; Gerometta et al., 2005; Goldenberg, 2009). When engaging in SIs, NGOs are particularly interested in co-creating public policies and improving public services in a context of growing threats to their funding and the shrinking of civic space (Galli et al., 2014; Seyfang and Longhurst, 2016; Andion *et al.*, 2017). In Latin America for example, SI is primarily in civil society organizations and communities (Van Leeuwen, 2018).

SI has also been said to be a remedy for the sustainability of NGOs (Andion et al., 2017). As traditional funding resources for NGOs continually decrease (Evers, 2020), and the competition for these resources increases (Reis & Clohesy, 1999), SI allows NGOs to be more innovative in their operations and processes (Jiao, 2011) and to improve the efficiency and the quality of their services to the community through, notably, professional business operations and marketing innovation (Battilana, Besharov, & Mitzinneck, 2017; Evers, 2020; Reis & Clohesy, 1999). Many international NGOs such as Oxfam and Greenpeace have been pioneers in adopting such innovative practices to achieve SI and sustain their financial resources

(Rhoden, 2014). In politically complex and volatile contexts such as Palestine, the discussion around the sustainability of PNGOs has brought attention to different stakeholders and policymakers (Atia & Herrold, 2018; Nakhleh, 1989; NGO Development Center, 2009). This discussion was lately intensified by the sharp decrease in external funding of the PNGO sector, which remains largely donor-driven (Atia & Herrold, 2018). For example, many of the PNGOs were obliged to decrease their activities—or cease them altogether—due to the cutting of U.S. Agency for International Development funds by the Trump administration following the refusal of Palestinian leaders to accept the Trump peace plan between Palestinians and Israelis. This added new social challenges and greater complexities to the very difficult socio-economic environment that already exists in Palestine, characterized by considerable institutional voids.

Unfortunately, how these contexts influence SI when institutions are volatile and failing is less explored in the literature. In countries with a politically complex and rapidly changing environment, social innovators—especially PNGOs—failed to create a financially sustainable model (Morrar and Sultan, 2020), which leaves them vulnerable to the agenda of donors and funders (conditional and political funds) that tend to neglect the societal needs of their beneficiaries (Morrar and Sultan, 2020). Further, political instability damages the institutional environment and leads to the fragmentation of the innovation ecosystem (Morrar and Arman, 2020; Gayle et al., 2012; Hammed, 2018; Leydesdorff and Meyer, 2006). It weakens collaboration between the innovation key players (Morrar and Arman, 2020; Gayle et al., 2012). In Russia, several institutional issues such as inefficiency of public funding and deeply rooted corruption were shown to impede SI development (Golovko, 2012; Bezrukova et al., 2017). Bozic (2021, p. 170) explored the “importance of external factors in the development of social innovations by the NGO sector from the perspective of the post-conflict context.”

SI is widely recognized as an effective solution to overcoming institutional voids and addressing key societal and economic challenges such as high unemployment, education, environmental protection, social inclusion of marginalized groups, or poverty reduction (Mair,

Martí, & Ventresca, 2012; Rivers, Armellini, & Nie, 2015; Sinclair & Baglioni, 2014). We nevertheless need to better understand how SI can take shape in institutional environments that are characterized by severe institutional voids and instability. This issue is all the more relevant considering that SI is especially valuable in countries where institutions and regulations might fail to protect and provide for society (Mair & Marti, 2009; Mair et al., 2012). In the following section, we will justify why an institutional perspective on SI is relevant to address this theoretical conundrum.

### **An Institutional Perspective on Social Innovation**

Over the past decades, institutional theory has become one of the most prominent theories and dominant perspectives in organizational studies (Lawrence, Suddaby, & Leca, 2009, 2011; W. R. Scott, 2013) particularly because of the omnipresence of institutions in everything that organizational actors undertake daily. Institutions are commonly defined as "the humanly devised constraints that structure human interaction" (North, 1990, p. 3) and the "multifaceted, durable social structures, made of symbolic elements, social activities, and material resources" (R. W. Scott, 2001, p. 49). They can be both formal (such as regulations and laws) and informal (traditions, tacit norms, and values).

It is generally recognized that well-established institutions are resilient because they enforce regulative, normative, and cultural-cognitive pillars (W. R. Scott, 2013). In contrast, fragile institutions within emerging economies are constantly challenged. Their extreme environments are characterized by high personal risk, greater uncertainty, and limited resources (Barin-Cruz et al., 2016). For entrepreneurs working in this volatile environment, understanding the challenges of their context is a difficult task. Interestingly, institutional theory has long focused on the stability of institutions and their influence on social dynamics (DiMaggio & Powell, 1983) with a clear reorientation towards institution change in the past decade (Micelotta, Lounsbury, & Greenwood, 2017). Institutional entrepreneurs, agents who intentionally work and act towards creating new institutions or modifying existing ones, are

key to these change processes. They usually imagine “trajectories of action” (Emirbayer & Mische, 1998, p. 971), allowing them to conceptualize the process of change with the aim of addressing “a vital problem or societal need” (Colomy, 1998, p. 272) and of proposing their institutional projects as a solution (Perkmann & Spicer, 2008).

Institutional theory recognizes volatile and dynamic institutional contexts in three ways (complementary rather than mutually exclusive). First, institutional complexity evokes a situation where actors face contradictory demands and requirements (sometimes coercive) from their institutional environment (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011). These demands can be implicit or explicit. They may be balanced and strategically managed by actors, but also dysfunctional when institutional complexity is such that it no longer allows organizational, social, or institutional life to operate appropriately (Jarzabkowski, Smets, Bednarek, Burke, & Spee, 2013; Ramus, Vaccaro, & Brusoni, 2017; Schildt & Perkmann, 2017). Second, institutional voids are situations where institutional arrangements are in a state of absence, failure, or weakness (Mair & Marti, 2009, p. 419). Institutional voids are hard to cope with because neither the formal nor the informal rules are clear. This leads to contradictory and incoherent behaviors. Thirdly, and perhaps more importantly, in their study of cooperative banking in Haiti after the earthquake of 2010, Barin-Cruz et al. (2016, p. 971) suggested that extreme operating environments are characterized “by increased risk, greater uncertainty, and scarcer resources.” They maintain that natural disasters can act as triggers leading to the emergence of extreme operating environments “because these extreme events may damage and disrupt institutions in such a way that actors can no longer fully rely on previously established institutions.” (p. 971)

Similarly, extreme institutional environments are more likely to occur in developing countries where informal institutions are dominant. This is perhaps best captured by the idea of institutional field, understood as “a recognized field of institutional life” (DiMaggio & Powell, 1983, p. 148). Mature fields can be conceptualized as well-structured configurations

of actors who are highly aware of their role within the field and who interact in distinct ways with other members of the same field (DiMaggio & Powell, 1983). In contrast, emerging fields are less structured, more volatile, and are characterized by relatively little coordinated action among their members (Hardy, 1994). Emerging fields do not prescribe apparent field-level norms and “perceptions of legitimacy among stakeholders can diverge and conflict” (Maguire, Hardy, & Lawrence, 2004, p. 673). Consequently, the adoption of new practices is difficult because there are no leading organizations to imitate or a widely recognized appropriate practice for actors in the emerging field (Hardy, 1994). While norms and practices tend to be widely diffused and endorsed by actors in mature fields, they are “narrowly diffused and only weakly entrenched in emerging fields” (Maguire et al., 2004, p. 659).

With these ideas in mind, we adopt the inhabited institution’s approach to explore how PNGOs navigate through extreme institutional environments (Hallett & Ventresca, 2006). Inhabited institutionalism stresses the importance of examining institutional dynamics through the lens of interactions between the macro (e.g., ideas, norms, habits, cultural schemes) and the micro (e.g., local embeddedness, social interactions, work activities). It is often presented “as a mesosociological approach” (Hallett & Hawbaker, 2019: 317), focusing on interactions. Rather than contrasting macro institutional phenomena with local dynamics, an inhabited institutional approach focuses on “local and extra-local embeddedness, local and extra-local meaning” (Hallett & Ventresca, 2006, p. 213). In so doing, we will pay attention specifically to “connections between what goes on deep inside organizations and broader phenomena outside” (Whittington, 2006, p. 617). We will explore how actors cope with extreme institutional environments as “part of the ordinary, everyday nature of work, rather than exceptional phenomena” (Jarzabkowski, Matthiesen, & Van de Ven, 2009, p. 289). Because practices correspond to shared routines (Whittington, 2006), they thus represent patterns of activities that take the form of coherence by “shared meanings and understandings” (Smets, Morris, & Greenwood, 2012, p. 879).

## RESEARCH METHODS

In this section, we outline and explain our methodological choices. We clarify the empirical context under study, the research design, our empirical material, and the process through which we analyzed our data. These insights ensure the quality and trustworthiness of this qualitative research (Lincoln & Guba, 1994; Patton, 2002).

**Research design.** To answer our research question, we adopt a qualitative approach (Patton, 2002). This research design is particularly suitable because qualitative approaches are useful for studying exploratory and under-explored phenomena. We rely on a comprehensive single-case study of a unique empirical setting: the PNGO sector (Yin, 2003). As suggested and amply discussed in the literature, single-case studies are highly conducive to immersion in a specific phenomenon with the goal of drawing more general theoretical insights that are relevant to other contexts (Dyer & Wilkins, 1991; Patton, 2002). Our case study can be described as ‘extreme’ (Yin, 2003) in the sense that the Palestinian situation is most likely unique in the world given the particular situation that has existed in Palestine for several decades. However, such a qualitative case is also “unique in its ability to address issues of description, interpretation, and explanation” and vital for “gaining an understanding both of what individuals experience and how they interpret their experiences” (Bluhm, Harman, Lee, & Mitchell, 2011, pp. 1869-1870). In terms of transferability, the extreme nature of the case is not a hindrance. Many countries around the world, especially those in the developing world, experience comparable socio-political situations, that is to say with important institutional voids and fragile, even failed, states (Baba, Hemissi, & Hafsi, 2021).

**Research Context.** Our article, we said, builds on the case of the PNGO sector, a rarely studied context in organizational studies. It is a relevant choice with respect to our research question considering that NGOs are usually considered as the main means of bringing about SI in volatile and extreme institutional contexts (Bozic, 2021). From an engaged scholarship perspective (Brunet et al., 2021; Van de Ven, 2007), studying Palestine now is more relevant

than ever. Israel has occupied the Gaza Strip and the West Bank, including East Jerusalem, since 1967, hindering UN Security Council Resolution 242 of 1967. The Israeli occupation is the greatest obstacle to development in Palestine; it imposes restrictions on the movement of people and goods, control over natural resources, settlement activities have contributed to the fragmentation of the Palestinian territory and hindered economic development and private investment. The result is that all aspects of Palestinian society are affected by Israeli occupation (Gordon, 2008). Overall, the Palestinian-Israeli conflict has created significant vulnerabilities across a wide range of social groups. For example, the conflict has impacted disability and a wide group of people with disabilities in extremely poor families are under-supported to realize their rights to education and healthcare (Pereznieto et al., 2016; Puar, 2017).

PNGOs have been portrayed throughout Palestinian history as playing a prominent and proactive role in advancing the Palestinian national movement (Qassoum, 2004). Moreover, the healthcare sector has been focusing on PNGOs to empower local communities and fill the health gap created by the absence of the official Palestinian government. In this sense, PNGOs have played a key role in the Palestinian health sector since the late 1960s (Abuiyada & Abdulkarim, 2016). Despite the dynamism of the PNGO sector, most local NGOs seem to be facing strategic challenges that limit their social impact. Their sustainability is continuously challenged. Debate continues among policymakers and local communities that PNGOs have failed to achieve their objectives in realizing real development for people and society and creating a sustainable model for themselves (Atia & Herrold, 2018; Nakhleh, 1989; NGO Development Center, 2009).

In Gaza, where the blockade exacerbates further the oppression of Palestinians in general and women in particular, SI has become crucial for women's empowerment. By focusing on women, these projects are challenging the existing institutions. They contest Palestinian patriarchy and that of the occupier; Israel has a long history of exploiting, violating, and exacerbating already uneven gender relations within the Occupied Territories (Griffiths &

Joronen, 2019). Many SI projects are found in area C<sup>3</sup>. They aim to increase the resilience of people there and find innovative solutions for the many societal challenges they face, such as the high rate of unemployment mainly among women. For example, the Seed Multiplication Bank aims to reduce vulnerability in the Palestinian farming communities, increase farmers' access to seeds, strengthen their ability to manage natural resources, and sustain food security and livelihood in the Jenin Governorate Northwest Bank. International NGOs conduct this project in cooperation with two local NGOs, one private firm, and the Jenin Governorate Farmers' Association.

**Empirical Material.** As is common and recommended for qualitative research, our research builds on rich and diversified empirical sources to ensure robust and meaningful theoretical insights, as well as data triangulation and rigor (Patton, 2002). First, we consulted and analyzed historical and archival sources, such as books, newspapers, national reports, and international institutions' reports to gain an understanding of the Palestinian context and institutional environment. These sources were mainly related to the state of the political crisis induced by the conflict with Israel and the blockade it imposed on Palestinians, the PNGOs, their history, development, challenges, and the way they are structured today. Second, semi-structured interviews were used to deepen our understanding of how specific NGOs in Palestine perceive their role, their sector, and the kinds of issues they face. In total, 24 semi-structured interviews were conducted, including 15 with the PNGO's top management. These semi-structured interviews matched our research objectives to the extent that our research is exploratory. Each interview lasted between 30 and 60 minutes. An interview guide was prepared in advance to keep the interviewees focused, by presenting the questions schematically. We considered the recording of the interviews essential for capturing the

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<sup>3</sup> Area C comprises around 61% of the West Bank area (Niksic, Eddin, & Cali, 2014) and is controlled completely by Israel. It is well known that the Palestinian prosperity lie in the enhancement of and rich in natural resources (e.g., fertile agricultural lands, water resources, minerals). In addition, due to the limited control for Palestinian government in Area C based upon Oslo agreement, this area contains many vulnerable groups.

interview data effectively and reliably (Jamshed, 2014). We were able to record 95% of the interviews despite the extreme nature of the environment in which we are conducting this research (Hällgren, Rouleau, & Rond, 2018), and despite the controversy that is likely to be raised about the recorded interviews primarily in such politically extreme and sensitive countries. Only one respondent refused to record the interview for personal reasons. Third, extensive participative observations were also conducted by the main author. Being an academic member with over ten years of working experience in one of the well-known Palestinian universities, the main author has vast experience as a consultant for several NGOs, helping them with their strategic thinking. This experience allowed us to understand, from the inside, what kinds of challenges these NGOs are facing. It also created a high degree of confidence among the interviewees, which facilitated the exploratory data collection overall. Extensive notes were taken during the observations. They have mostly served to guide our interviews, triangulate primary and secondary data, and refine our understanding of the issues NGOs face.

**Data Analysis.** Our data analysis process was based on an inductive logic (Gioia, Corley, & Hamilton, 2012; Thomas, 2006), which required a deep immersion in the data to generate theoretical concepts. This data analysis unfolded in four iterative stages. First, we developed a vital understanding of the Palestinian socio-political context through rich historical and archival material (Coraiola, Foster, & Suddaby, 2015). This step was important because our context can be considered as an extreme institutional environment. The nature of this environment profoundly influences the way NGOs operate. It is difficult—perhaps impossible—to grasp the *modus operandi* of the NGO sector in Palestine without a deep understanding of local socio-political realities. Here, we built a chronological account of Palestine from 1967 until 2019, focusing mainly on the political situation and the conflict with Israel and how it was reflected in social issues (health, education, poverty, infrastructure, distress, etc.) This account was useful in helping us better grasp the emergence and consolidation of the PNGO

sector. The second step of our analysis involved developing a clear historical understanding of this sector. This step was highly influenced and guided by the previous one because the NGO sector has grown considerably as the socio-political situation in Palestine has worsened. The near absence of the state at certain points in history has given rise to a large number of NGOs taking on responsibilities normally incumbent upon the public authorities. This second step is aimed at understanding this historical process. Third, starting from the two previous analyses and heavily based on our semi-structured interviews, we developed a framework for clarifying the institutional challenges of NGOs in Palestine. We theorized three barriers, which we called traps, allowing us to understand better these challenges: An “institutional trap” related to the broad institutional environment; a “sustainability trap” associated with the inter-field dependence; and an “effectiveness trap” associated with the way the NGO sector in Palestine has developed.

To come up with these barriers, we sought to look for emerging patterns between the different organizations we interviewed. A thematic analysis was used to this end (Attride-Stirling, 2001). The main author oversaw data collection, and the second author was an outsider, which helped validate our interpretations (Patton, 2002). Lastly, relying on process thinking (Abdallah, Lusiani, & Langley, 2019), we sought to understand how these three traps were interrelated. We identified five key mechanisms that highlight their interplay: *mingling*, *surviving*, *undermining*, *binding*, and *reinforcing*. Taken together, these mechanisms inform us about the influence of extreme institutional environments on SI and entrepreneurship. Interestingly, our analysis has shed light on how the institutional trap is the main obstacle leading to the other traps.

### **FINDINGS: THE SOCIAL INNOVATION ECOSYSTEM IN PALESTINE**

Our analysis of the Palestinian SI ecosystem suggests that NGOs are coping with three barriers due to the extreme nature of the institutional environment. We label these “institutional,” “effectiveness,” and “sustainability” traps. In the following sections, we

empirically analyze them, while discussing five mechanisms through which they dynamically influence each other: *mingling, surviving, undermining, binding, and reinforcing*. The following diagram visually synthesizes our findings.

--- Insert Figure 1 here ---

### **Institutional Trap: Operating in an Extreme Institutional Context**

Our empirical analysis suggests that the institutional trap in which PNGOs operate is a significant barrier to socio-innovative development. We distinguish 'internal' and 'external' levels in this trap.

*External-oriented institutional trap: external boundaries.* First, external boundaries related to the political situation of Palestine are a critical component of the institutional trap. More than fifty years of occupation has suppressed human potential and denied Palestinian people the right to development (UNCTAD, 2017). The occupation negatively affects all life aspects of Palestinian society. It has hollowed out the agricultural and industrial sectors and has weakened the competitiveness of the Palestinian economy at the local and international levels (UNCTAD, 2017). For example, the Israeli blockade constraints on the Palestinian external trade weakened the tradable goods sector and concentrated economic activities in non-tradable sectors, such as construction and services, limiting technological innovation in Palestine (UNCTAD, 2015). SI is, therefore, a victim of occupation similar to any other sector in Palestine. One respondent suggested that "*occupation is the largest challenge for social innovation... the blockade against Gaza and the impossibility of free mobility or communication between the West Bank and Gaza make the innovation system in Palestine even more fragmented and make the mobility of entrepreneurs and ideas between the two regions extremely difficult*" (Interview, executive director for women's empowerment NGOs). Another significant example of the occupation challenges is Israel's control over Area C, which suffers from enormous social and economic troubles, yet serves as the strategic tank for Palestine, crucial in terms of the agricultural land and natural resources (World Bank, 2018). Many

respondents highlighted that several agricultural projects near the separation wall in Ramallah failed when Israelis stopped water for more than two weeks. Finally, it is worth pointing out that limiting movement has a negative impact on the accessibility to the international environment and the networking and collaboration that is crucial to the success of SI.

*Internal-oriented institutional trap: institutional void.* When it comes to the internal-oriented institutional trap, our analysis suggests that the PNGO sector highlights that there is an institutional void which can be defined as a failure in the institutional environment or a lack of structure to make it possible for NGOs to successfully promote and engage in SI (Mair et al., 2012). All the organizations we interviewed suggest that the institutional environment in which they operate does not provide enough guidance and support to launch new initiatives in SI. One respondent formulated a clear absence of laws and regulations regarding SI: “*social innovation is not on the government agenda; it lacks the institutional framework, laws and regulation*” (Interview, project coordinator in education and social business inclusion). Similarly,, another respondent pointed to the absence of a legal framework to encourage and support SI: “*Youth in Palestine have great capabilities and interesting ideas that might lead to significant social impact, but this needs a clear framework, and government sponsorship to obtain the most desirable outcomes*” (Interview, general director for international collaboration). This institutional void generates some resentment within PNGOs: “*Our organizations had an opportunity to obtain \$200,000 from external donors to invest in private projects [social enterprise] or companies, but Palestinian laws do not allow us to invest because we are registered as nonprofit organizations. Palestinian law does not allow us to generate revenue; they don't want us to invest in a private company and generate revenue. Therefore, we lost this opportunity... In the Palestinian law, there is no difference between charitable and development organizations; all are all under the umbrella of charities*” (Interview, general director of a local NGO).

*Internal-oriented institutional trap: fragmentation of the system.* A direct consequence of the institutional void we just described is the fragmentation of the SI sector in Palestine, which is another critical internal-oriented institutional trap. There is a wide consensus among the NGOs stakeholders that the SI ecosystem in Palestine is fragmented and lacks coordination mechanisms and synergy, and that the NGO actors do not collaborate with each other and do not coordinate with the governmental or private sector: "*non-collaborative efforts are a great barrier for social innovation in the Palestinian context...Many NGOs have faith and confidence in the ability of social innovation to tackle social challenges in Palestine, but this is based on the ability of different actors to collaborate in order to solve their problems... Social innovation should be a grassroots and bottom-up approach*" (Interview, expert in the economic empowerment through social innovation in one of the leading international NGOs). This fragmentation of the ecosystem is also geographical insofar as different regions in Palestine are disconnected because of the Israeli occupation and the division between the West Bank and the Gaza Strip: "if you need to open a new startup in Gaza, then you must obtain the license or permission from the authorities in the West Bank (Gaza is dominated by Hamas), or it will not be able to obtain funds from donors. However, the process in the West Bank will take a long time, and it is impossible to travel from Gaza to the West Bank to pursue your application in person due to Israeli blockade against Gaza. A bank account for your startup should be opened through the central branch in the West Bank" (Interview, program manager at a youth entrepreneurship NGO in Gaza). More generally, the difficulties encountered by the actors of this ecosystem tend to generate individualism: "*there is individualism in the NGOs behavior. Each organization works separately and knows nothing about the other organizations, which undermines the efforts to implement social innovation to protect vulnerable groups in Palestine... We are sure that collaboration between NGOs and other stakeholders will create great results and outcomes*" (Interview, director of child-care NGO). This extreme nature of the institutional environment, rather than fostering collaboration, results in mostly individual

SI projects. It does *"not lead to collective and systematic participation"* (Interview, general director of a healthcare-oriented NGO).

*Internal-oriented institutional trap: cultural-cognitive dilemma.* A final internally oriented institutional trap is related to cultural-cognitive issues: the mental patterns and the ways actors in SI and the economy think. Our empirical analysis shows that SI in Palestine is quite constrained by cultural and cognitive factors influencing the nature and extent of innovative activities. Many respondents explained that the promotion and enabling of SI in Palestine is constrained by how it is viewed by citizens and policymakers: *"Social innovation and social entrepreneurship starts with awareness campaigns. It is very important to diffuse the seeds of social innovation in the schools and streets, by using social media flyers, and mobile applications"* (Interview, program manager at a youth entrepreneurship NGO in Gaza). Our analysis also suggests that the national culture in Palestine is not supportive of SI, as highlighted by one respondent: *"we need to work on the cultural side of the society. There are many misunderstandings [in the society] about the benefit of social innovation or social enterprise"* (Interview, academic leader in industry-university collaboration innovation in Palestine). This was expressed differently by another respondent who stressed the role of social conformity in discouraging SI entrepreneurship, especially the role of families: *"for many social innovators in Palestine, culture is an obstacle. For example, I was talking with some friends of mine, who are getting a higher salary from freelancing and other activities they are doing than any private company could offer. But their families push them to have a sustainable job, so the culture is an obstacle here"* (Interview, general director of a local NGO for sustainable development). When it comes to the least fortunate, we noticed some criticism against the helplessness and dependency mentality of many vulnerable groups in Palestine, which impede the development of SI projects: *"they used to obtain direct subsidy and charity work; therefore, many of them are not motivated to do their own project"* (Interview, project coordinator in education and social business inclusion). For example, refugees in Palestine are

among the most vulnerable groups, and SI could be instrumental as a means of integrating them into society more effectively. However, *“a huge effort is still needed to get them engaged in and oriented to this kind of project and to switch them from the mentality and mindset of needing aids from charities to run their own businesses. This is important for their sustainability but still difficult”* (Interview, academic leader in industry-university collaboration innovation in Palestine). Finally, for another respondent, there is no doubt in her mind that the difficult occupation context in Palestine, particularly concerning the external boundaries explained earlier, favors this behavior: *“Occupation leaves people -- mainly youth -- hopeless, without available resources, with a destroyed infrastructure, no electricity, and no communication or accessibility to the external environment. This weakens motivation and the capabilities of social innovation”* (Interview, program manager for a youth entrepreneurship NGO).

### **From Institutional Trap to Effectiveness Trap: 'Mingling'**

The previous section outlined four components of the institutional trap, one external (external boundaries) and three internal (institutional void, fragmentation of the system, and cultural-cognitive dilemma). In this subsection, we analyze how the internal components of the institutional trap led to the effectiveness trap through a mechanism we label 'mingling,' i.e., the volatile environment does not favor convergence in the PNGOs ecosystem, but rather promotes disintegration that reduces the overall efficiency of the sector. Maintaining SI activities in Palestine is a continuous struggle. Therefore, we illustrate this effectiveness trap by highlighting three key issues: Copying and pasting, the sense of dual competition, and lack of skills and knowledge.

Copying and pasting. One of the major effectiveness issues in the NGO community in Palestine is the prevalence of the “copy-paste” manner of projects and programs, as stated by many of our respondents. During our empirical inquiry, we often heard that the duplication of SI projects by many NGOs is one of the main impediments to development in Palestine. A

respondent argued: “*You might find similar projects in the same region targeting the same segments. There is no coordination or collaboration between NGOs*” (Interview, executive director of NGOs for women’s empowerment). The system's fragmentation (institutional trap) is largely responsible for this issue. The lack of low cohesion between actors causes them to work in a disconnected manner and, therefore, inefficiently from an ecosystem point of view.

Interestingly, the donors’ strategies have also been accused of encouraging such ‘copy-paste’ behavior among PNGOs: “*the donors are destroying the social innovation diligence. They do not coordinate with each other. Many projects focus on one specific thing. The same idea can obtain funds from different donors. This is not innovation. It is duplication*” (Interview, owner of several social innovation startups). Some actors are working to solve the problem, sometimes modestly and at their level. For example, two NGOs introduced solutions to avoid dilemmas. One introduced the policy of non-repetition and creativity in the organization: “*to ensure that we do not duplicate other projects, we try to be innovative in our ideas. The market is now full of products from similar projects, mainly handicrafts*” (Interview, executive director of NGOs for women’s empowerment). To solve this issue, another stakeholder is working on the development of a database of past and present SI projects: “*to avoid repetition, I suggest a platform that brings together the stakeholders of all the NGOs to develop a strategic plan for social innovation and to discuss how to raise a collective fund, how to avoid non-innovative and obsolete ideas, and how to prioritize based on pressing projects and societal needs, rather than on donors’ agendas... Anyone around the table can come up with a new innovative idea, but the others might not pay attention to it*” (Interview, research and study officer at the local NGO).

*Sense of dual competition.* A second dimension of the effectiveness trap is related to the tensions emanating from the sense of dual competition between the government and PNGOs. Our empirical analysis highlights that these PNGOs complain about dual competition, i.e., the PNGOs compete fiercely with each other, but they also compete with the government

for international funds. This issue was preoccupying for many interviewees. One respondent labeled this competition as “*destructive*” (Interview, collaborator with international NGOs oriented towards social innovation targeting the most vulnerable groups) while another respondent highlighted that “*NGOs are accused of competing with government institutions for foreign funds; therefore the government places some constraints on NGOs to inhibit them from using donors’ funding to generate income and to achieve some kind of sustainability*” (Interview, general director of local NGOs for sustainable development). This issue of dual competition is caused by an institutional void that does not regulate the ecosystem or the behavior of its actors, which causes the fragmentation of the ecosystem. The relationship between the PNGOs and the government seems to be tinged with tensions that do not help the situation: “*how can our projects generate money and achieve a profit? Laws and regulations are not flexible enough in Palestine to allow us to start an innovative project that generates profit*” (Interview, executive director for women’s empowerment NGOs). Lastly, it was stated that PNGOs have a low success rate in terms of SI because of the competition between NGOs: “*our efforts as local NGOs in social innovation are limited. The outcome is ineffective and has little impact on society. This is due to high competition between NGOs*” (Interview, general director of local NGOs for sustainable development).

*Lack of skills and knowledge.* The lack of a favorable ecosystem to develop skills and knowledge around SI is yet another critical internal boundary that impedes the effectiveness of PNGOs in generating long-lasting and successful SI. This boundary mainly stems from the cultural-cognitive dilemma of the institutional trap and the institutional void that does not encourage SI. The education system in Palestine is criticized for its weak linkages with society and the real needs of the market (Abu Hanieh, Abdelall, Krajnik, & Hasan, 2015; Khatib, Tsipouri, Bassiakos, & Haj-daoud, 2013; Morrar, 2018). Many of the interviewees highlighted the weaknesses in the educational system, which create distortions and make them unsupportive of the SI ecosystem. For instance, one respondent suggested that “*universities in*

*Palestine are teaching students to be employees, rather than self-employed workers, who might start their own projects...*” (Interview, project coordinator in education and social business inclusion). It appears that the education system in Palestine leaves no room for entrepreneurship and innovation, key ingredients for SI: *“the curriculum in Palestine is not supporting entrepreneurship and innovation”* (Interview, programs coordinator in a local NGO in digital development). Many respondents regretted the fact that education was far too oriented towards technical and scientific disciplines, to the detriment of entrepreneurial and managerial disciplines, aiming to train entrepreneurs capable of developing business models based on solving critical social problems. In fact, although some improvements in the educational system were noted, it appears that *“still there are no real outcomes regarding innovation and social innovation”* (Interview, general director of a local NGO). Pedagogical methods in Palestinian universities were criticized for being “too theoretical” whereas they should allow for more involvement in the real world by aligning students “with the real market during their study years.” All in all, these training and knowledge issues specific to the management of SI also lead to a lack of professional practices: *“these organizations and projects are often poorly managed, or managed in an artisanal and approximate way, whereas they could make use of the existing rules and know-how”* (Interview, stakeholder of the PNGO’s ecosystem).

### **Palestinian NGOs stuck between the ‘internal’ and ‘external’ sustainability traps: ‘Undermining’ and ‘Surviving’**

We will now explain how the previous traps negatively affect the sustainability of PNGOs in two regards. On the one hand, the effectiveness trap hinders the ‘internal sustainability,’ i.e., the sector's ability to manage itself adequately and sustainably. We argue that this happens through the ‘undermining’ mechanism. On the other hand, we examine how the institutional trap leads to the ‘external sustainability trap’ through the surviving mechanism; that is, actors dealing with a difficult and resource-poor environment must adhere to the demands of external donors in order to survive. The severe dependence vis-à-vis international political and conditional funding is a critical barrier for PNGOs.

*From effectiveness trap to internal sustainability trap: 'Undermining.'* Based on our empirical analysis, we suggest that the ineffective trap explained previously leads to a lack of internal sustainability, i.e., PNGOs are marked by significant organizational and managerial shortcomings that challenge the sustainability of many organizations. We call this the 'internal sustainability trap' because these challenges are internal to NGOs, as highlighted by one respondent: *"many NGOs lack the resources and sustainability to implement social innovation projects. The reason is easy. They don't believe in collaboration"* (Interview, general director for international collaboration in a public institution). We posit that the relationship between the effectiveness trap and the internal sustainability trap is explained by a mechanism labeled 'undermining' because the three effectiveness issues (especially the copy-paste issue and that of the lack of a system to develop skills) are not conducive to the development of adequate management capabilities. Related to this issue is a general lack of professionalization in the management and philosophy underpinning many PNGOs: *"many organizations are in survival mode and don't innovate much. They just copy models and initiatives and find a way to move on... their management practices are way behind, and this lack of professionalization is negative for the entire ecosystem"* (Interview with a stakeholder of the PNGOs ecosystem).

*From institutional trap to external sustainability trap: 'Surviving.'* Dependence on international funding, both political and conditional, suffocates PNGOs. This reality is the direct result of the institutional trap in two ways. On the one hand, the institutional void in Palestine means that no formal frameworks are encouraging the funding of SI projects. Actors must therefore look elsewhere to fund their endeavors. On the other hand, the external boundaries imposed by an assumed occupation policy on the part of Israel mean that the financial and political impacts on Palestine are not conducive to a distribution of wealth towards SI projects. The difficult socio-economic conditions resulting from the occupation force actors to survive by mobilizing international donors.

Our analysis suggests that in Palestine, most activities in the context of SI remain donor-driven within the NGO sector, which means that attempts to promote SI are supported by and often developed with the active participation of either local or international NGOs. Meanwhile, most of the PNGOs' activities are donor-driven (Atia & Herrold, 2018), which leaves the organizations vulnerable to the changeability or volatility of donor funds. In fact, in the last two decades, the continuity of international funding has often been affected by changes in the political environment. Many NGOs remarked that the reduction and removal of external funding are due to political reasons that threaten their ability to provide services to beneficiaries. For example, the victory of Hamas led to the drying up of an international fund for both the Palestinian government and the PNGOs. This was confirmed by one of our respondents who noted that "some international donors stopped funding NGOs in the Gaza Strip for political reasons coinciding with the siege imposed by Israel since 2006" (Interview, general director of one of the oldest NGOs for women's empowerment in the Gaza Strip).

During our empirical inquiry, the discussion of foreign funding quickly raised the issue of project orientation and patronage. Several PNGOs highlighted this issue: "*the funding for social innovation does not come through private capital or government resources, but rather through NGOs and other civil society organizations. However, the majority of Palestinian NGOs are donor-driven, and their patronage comes mainly through foreign aid*" (Interview, collaborator with international NGOs oriented towards social innovation targeting the most vulnerable groups). Another respondent suggested that international funding is a "*very big challenge... it is not sustainable...our activities are driven by our donors' visions*" (Interview, owner of several social innovation startups). This issue undermines the PNGOs autonomy to choose their orientations and the issues they would like to address. Another stakeholder highlighted how funding from abroad reflects the donors' agendas: "*NGOs are not funded to meet the societal needs, but their projects mainly correspond to donors' agendas*" (Interview, collaborator with international NGOs oriented towards SI targeting the most vulnerable

groups) This issue was illustrated by a stakeholder who felt that international organizations were imposing issues that are not the most critical on the ground: “*I understand that the issue of gender equity in the West is a priority. It is an important issue, no doubt. But in Palestine, we have a lot of things to worry about - including feeding people, housing them, caring for them, and educating them, both girls and boys. When resources are limited, I can't understand why equity in the workplace should be a priority*” (Interview, stakeholder of the PNGOs ecosystem).

*Vicious cycle: 'binding' and 'reinforcing.'* Our analysis suggests that a vicious cycle confines the PNGO sector and hinders its SI potential for solving key societal issues. The internal and external dimensions of the sustainability trap are mutually reinforcing, making it difficult to extricate actors from this vicious circle given the political and institutional instability. On the one hand, the PNGO sector's challenges and internal constraints (internal sustainability issues) make it ultimately dependent on international funding. Because PNGOs failed to create a financially sustainable model for themselves (Morrar and Sultan, 2020), this situation leaves them vulnerable to the agenda of donors and funders (conditional and political funding). We label this as the ‘reinforcing’ mechanism in our figure. On the other hand, this same funding constrains PNGOs, particularly because of the standards it prescribes and the projects it imposes. In so doing, through this ‘binding’ mechanism, the external dimension of sustainability does not encourage internal sustainability issues. On the contrary, it exacerbates them.

The ‘external sustainability trap’ is critical because without financial resources and without autonomy to choose the projects to be carried out and to determine the way they are carried out, it will be difficult for PNGOs to be more effective in solving the social problems they feel are urgent. One respondent told us about the difficult experience of her organization with the conditional fund and how it hampers sustainability of its SI: “*donors restrict the sustainability of our project... for example, we have built a stateroom that can be used for our*

*activities and leased to other organizations to generate some money to operate another social innovation project. Our prices are very competitive. But, due to the requirements of transparency, donors do not allow us to deduct the cost of using the hall for our projects or to charge fees to another organization”* (Interview, general director of one of the oldest NGOs for women’s empowerment in the Gaza Strip). Beyond financial dependence, there is also sometimes a lack of understanding of local realities. The requirements imposed are not necessarily in line with local difficulties and the way actors have to be creative to survive in such an environment: *“it is easy to impose rules from abroad; but locally, people have to survive in these tough conditions”* (Interview, coordinator of an NGO working in education).

## **DISCUSSION AND CONTRIBUTIONS**

Our study sought to investigate how extreme institutional environments influence SI processes. We argued that our study was necessary insofar as the SI literature has overemphasized success stories to the detriment of the struggles that hinder SIs in harsh environments as Chalmers (2013, p. 17): “while antecedent research on SI has largely concentrated on success stories, few have stopped to consider the profound nature of this shift and the operational obstacles it may pose for small resource-constrained organizations.” Our study emphasizes that while SIs are useful for responding to institutional voids, we should in parallel recognize that in volatile and extreme contexts, SIs can themselves fall into voids, significantly impacting their effectiveness and sustainability. Our findings contribute to the SI literature through three interconnected implications for research, policymaking, and practice.

### **Process Model of the Influence of Extreme Institutional Environments on Social Innovation**

Our empirical analysis of PNGOs allowed us to deepen our understanding of SI barriers within extreme institutional environments. While research on this topic is rather scant (Chalmers, 2013), our study theorized a process model that explains the influence of extreme institutional environments on SI endeavors. Our process model sheds light on the institutional dynamics of SIs.

Key to this process is the presence of three institutional barriers. The first was labeled the ‘institutional trap’ because PNGOs are working in an institutional void (Mair et al., 2012), whereby PNGOs and SIs are not necessarily recognized or valued in this institutional environment. The legislation does not support them, and values and norms do not necessarily encourage them. The second barrier labeled the ‘effectiveness trap’ suggests that PNGOs, because of the institutional trap, are heavily influenced by institutional dysfunction, making them vulnerable and ineffective from a management practice, ecosystem disintegration, and coordination perspective. The last barrier presented was the ‘sustainability trap.’ It relates to the fact that NGOs use SI to create sustainability. However, they are not sustainable due to constraints on their resources, poor ecosystems, and somewhat fragile institutional environments, which do not grant them sufficient legitimacy.

Our study showed that this sustainability trap was both internal (unsustainable models in terms of lack of organizational capacities) and external (high dependence on political and conditional funding). These two components of the sustainable trap are mutually reinforcing, putting the PNGO sector in a vicious cycle. While the difficulty of engaging in SI can be considered an endogenous issue to Palestinian civil society, the inescapable fact remains that all aspects of Palestine, NGOs included, are affected by Israel's ongoing occupation. Our study is notable in that it emphasizes the importance of the institutional context in SI. Even though we have only one explicit barrier that deals exclusively with the ‘institutional trap,’ all three traps are related to the Palestinian institutional context, which is characterized by severe voids (e.g., Mair & Marti, 2009; Mair et al., 2012) The concept of institutional trap was discussed in the notion of a lock-in (Arthur, 1988; North, 1990), which may interfere with providing higher quality public services, improving the operation of institutions and meeting the rising aspirations of society (OECD, 2019). The institutional trap was also defined as one of the crucial development barriers for the least developed countries (OECD, 2019). Our empirical analysis thus sheds light on the explicit (institutional void and fragmentation of the system)

dimensions of institutional dysfunction and the implicit norms and values (cultural-cognitive dilemma) that hinder SI in such contexts.

Further, our study theorized five mechanisms through which these barriers influence each other dynamically: *mingling*, *surviving*, *undermining*, *binding*, and *reinforcing*. The *mingling* mechanism explains how the institutional challenges of Palestine undermine the effectiveness of PNGOs. *Surviving* is the mechanism developed to illustrate the severe dependence vis-à-vis international political and conditional funders (external dimension of the sustainability trap). This is especially the case when resources are poor, such as in extreme environments with limited statehood (Arda & Banerjee, 2021). The *undermining* mechanism in our process model explains how the effectiveness barrier challenges PNGOs internal sustainability, i.e., their organizational and managerial capabilities. The two final mechanisms—*binding* and *reinforcing*—explain how and why the internal and external facets of the sustainability trap reinforce each other. Taken together, these mechanisms are particularly useful for understanding how, in extreme institutional contexts, the dysfunctional nature of institutions is at the root of all the issues that NGOs can experience.

### **Placing Social Innovations in their Institutional Context**

Our study extends our understanding of the institutional-related issues of SI (Wijk, Zietsma, Dorado, Bakker, & Martí, 2019). Our findings underline the importance of the institutional context in which SI evolves. In light of a number of recent and interesting studies conducted on this issue (Holan, Willi, & Fernández, 2019; Purtik & Arenas, 2019), our study has focused specifically on extreme institutional contexts. These can exacerbate SI issues at the precise moment they are needed to solve the major social problems that prevail in such environments. In so doing, we provide additional evidence about the influence of volatile institutional contexts on innovation processes at large (Baba, Hafsi, & Hemissi, 2020; Nwuneli, 2016; Peter, 2021), and especially related to institutional-related challenges in promoting SIs

and nurturing their acceptance (Domanski, Howaldt, & Schröder, 2017; Moraes & Andion, 2018).

Our study illustrates the need to go even further in recontextualizing SIs in their institutional context, to better understand their trajectories, challenges, and opportunities. We show that SIs do not operate *ex nihilo*. They are embedded entirely in existing institutional arrangements, which can work as both facilitators and as inhibitors of SI. Furthermore, by promoting an institutional-related understanding of SI, we enrich existing literature that criticized the lack of an institutional framework for innovation in Palestine (Abu Hanieh et al., 2015; Khatib et al., 2013). We add to the idea that SI can be a driver for institutional change (Logue, 2019). While we agree with this statement in general, we would like to moderate it for extreme institutional contexts where institutional change would be required to facilitate the emergence and development of SIs. It is thus a dialectical rather than a linear relationship.

By focusing on a unique empirical context, we extend our understanding of how SI develops in volatile institutional contexts where international actors largely dictate the rules (Arda & Banerjee, 2021). Our results specifically extend previous literature, which discovered an unequal relationship between donors and grant recipients in Palestine (Atia & Herrold, 2018; Nakhleh, 1989), and found that local PNGOs use donors' funds to implement the donors' agenda (De Voir & Tartir, 2009). Palestinian policymakers and NGOs advocates have been questioning the social and economic impacts of the international philanthropic funds to NGOs in the last three decades, and whether the dominant model they have adapted since the 1980s, which is based on grants from international donors, has changed. Abu Odwan (2013) indicated that the NGOs' activities in Palestine in the last 20 years were mainly devoted to relief and aid programs and failed to support sustainable development. Our research precisely shows how the effectiveness trap is a major barrier that limits the potential impact of PNGOs and makes them dependent on external funding, unable to become more self-sufficient.

Here, we can distinguish endogenous and exogenous conditions that hinder SI, i.e., those within Palestinian civil society and those imposed from the outside (that is, largely to do with the occupying presence of Israel). We do this, of course, in the knowledge that such ‘internal’ and ‘external’ orderings are something of a false dichotomy; Israel-Palestine, in many important ways, must be thought of as a single entity. Furthermore, our analysis adds to the existing criticism of the PNGO community, which is accused of working ineffectively due to the dispersion of their works and activities (NGO Development Center, 2009; Sullivan, 1996), and contributing to the fragmentation of the SI system which is led by the non-government sector. Lastly, our empirical study explores other facets and thus enriches Arda and Banerjee’s (2021, p. 1675) recent study which found that the “NGOization” of the Palestinian economy “resulted in new forms of exclusion and inclusion as well as contestations between a new class of urban middle-class professionals working in NGOs and the older generation of activists who were involved in grassroots organizations.”

### **Implications for Policymaking and Practice**

Our study provides important lessons for policy and practice in Palestine and beyond. This paper has identified a range of institutional barriers to more effective SI from PNGOs. Our data point to three key and interlinked areas for change in policy and practice to enhance NGO engagement in SI in Palestine. The first is the need for a cross-sectoral approach to creating an enabling environment for NGO-led SI. There is an urgent need to review and adapt the legal and registration processes and frameworks governing NGO engagement in SI. Changes are necessary to ensure that resources can be allocated to sustainable development needs, not just emergency relief, and to acknowledge and reflect the realities of increasingly blurred boundaries between civil society, the state, and the market in meeting these needs.

A second priority is identifying and providing local resource capacities for innovation, which are essential to ensuring Palestinian ownership and leadership of SI approaches, making

them less prey to the whims of international donors. Addressing legal issues may also provide greater flexibility for identifying appropriate resources. Evidence from elsewhere demonstrates the potential return on investment in this space. An urgent dialogue is needed across sectors to identify potential future resourcing that addresses the pitfalls of current arrangements. In addition to promoting an enabling environment, awareness-raising and education is needed to develop and embed an understanding of the potential of SI in the Palestinian context. This requires two key steps. The first is to strengthen academic research and empirical understanding to identify the opportunities and challenges of SI in multiple sectors in Palestine. The second is a concerted effort to raise awareness and understanding of SI in the Palestinian context among key stakeholders both within and beyond Palestine. This is needed to ensure that SI is not appropriated within existing frameworks, failing to deliver change, and to present stakeholders with evidence that can guide new investments that align with and respond to the specific institutional context of Palestine.

Finally, there is a need to foster a more inclusive approach to SI that recognizes the multiple potential sources of innovation in Palestine. The engagement of vulnerable Bedouin women and young people, identified in our research, provides good examples but needs to be mainstreamed and embedded in SI approaches. It is essential to recognize that such efforts occur in a context where some groups, such as youth, remain marginalized or excluded from decision-making processes more broadly. This demonstrates that SI does not exist in a vacuum. In promoting SI, advocates for its development will inevitably encounter further blockages to more sustainable and accountable forms of development in Palestine. However, we argue that these changes will enhance the contribution of SI to civil society and the contribution to sustainable development. These changes will also mobilize new social innovators, enhancing local ownership and development of SI at the community level and ensuring that innovative ideas and projects are not neglected because of who they came from. To achieve these ends, we propose that a multi-sector platform be established across civil society, government, donors,

businesses, and entrepreneurs to promote dialogue and collaboration in building a system-wide approach to SI in Palestine.

### **CONCLUDING REMARKS**

In this article, we have sought to deepen our understanding of how SI unfolds in extreme institutional contexts such as Palestine. What is clear is that, given favorable conditions, SI can be hugely beneficial to society: it can bring sustainable improvements to people's lives. However, favorable institutional conditions are necessary for the emergence and effectiveness of SI. Our empirical analysis elucidated the multiple barriers to the successful implementation of SIs in Palestine. These barriers were conceptualized as being institutional, sustainability, and effectiveness traps, all related to the extreme nature of the local institutional context. The importance of strengthening the institutional environment to advance socially innovative types of behavior among NGOs in Palestine seems to be obvious, considering the results of our study. Better institutions are needed to restore trust, improve the quality of public services, and respond to the higher aspirations of a larger middle class. If and how PNGOs can contribute to structuring the institutional environment in which they operate are questions that arise from this study. Here, unveiling dimensions of institutional work (Colombero & Boxenbaum, 2019) and institutional entrepreneurship (Martì & Mair, 2009) would be relevant theoretical lenses. Lastly, our qualitative endeavor within an extreme institutional context and the trust issues identified in the methodology during our data collection paves the way for pivotal studies on conducting qualitative research in extreme contexts where trust is a key issue due to historic legacies (e.g., Hällgren et al., 2018). If we wish, as scholars, to conduct studies that "really matter," we will have no choice but to confront these questions.

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**Figure 1 – Process model of the influence of an extreme institutional environment on social innovation**

