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# **Can Cross-Sector Support Help Social Enterprises in Legitimacy Building? The Mixed Effects in Hong Kong**

Ming Ma – Nanjing School of Administration

Yi Kang – Hong Kong Baptist University

Yuyan Feng – Hong Kong Baptist University

Cross-sector collaboration is widely considered beneficial for the sustainable development of social enterprises (SEs). This study provides a nuanced assessment of the impacts of cross-sector collaboration in supporting SE development (cross-sector support; CSS) by highlighting legitimacy building as the crucial goal for SEs in achieving sustainability. Studying Hong Kong, we examine the institutional pressures confronting SEs in their legitimacy building, their efforts to respond, and the role of CSS therein. Data from surveys and in-depth interviews show that the three key types of CSS—venture capital, operational, and promotional—have mixed effects on the efforts of SEs to cope with the various institutional pressures. Our findings suggest the necessity of an integrated blend of governance styles—a metagovernance approach—in shaping and guiding CSS of SEs and an approach that is sensitive to the plural, changing pressures in SE entrepreneurial processes to achieve financial sustainability as well as social legitimacy.

**Keywords:** Social Enterprise, Legitimacy, Institutional Pressures, Cross-Sector Collaboration, Metagovernance

### **Introduction**

Social enterprises (SEs) are broadly defined as “organizations pursuing social aims through their economic activity” (Huybrechts & Nicholls, 2013, p. 131; also see Defourny & Nyssens, 2006; Zainon et al., 2014). Since commercial revenues enable the social mission and impact of SEs, financial and social objectives are equally crucial for SE development. Given this hybridity in organizational logic, SEs generally face daunting challenges in earning legitimacy. Existing studies suggest that cross-sector collaboration is beneficial for SE sustainability because the interactions among various stakeholders advance mutual learning and shared knowledge and thus improve efficiency and profitability (Dacin et al., 2010; Quélin et al., 2017). While much attention has been given to the impacts of cross-sector collaboration on the *financial* sustainability of SEs, there remains a relative paucity of studies on how such collaboration affects their endeavors in acquiring legitimacy—another key aspect of organizational sustainability.

SEs commonly pursue cross-sector partnerships to grow and flourish. The SE literature on cross-sector collaboration centers on such partnerships (Di Domenico et al., 2009;

McDermott et al., 2018) while overlooking the cross-sector collaboration among public, private, and nonprofit sectors in *supporting* SEs, which we term cross-sector support (CSS) to distinguish it from cross-sector SE partnerships. The multisectoral actors joining the supporting networks (benefactors) do not necessarily form partnerships with SEs, but they establish the rules of the game at the macro level, foster the meso-level interorganizational relations of SEs, and influence the micropatterns of SE practice. When SE sustainability is understood in a broader sense, one that goes beyond mere financial sufficiency to also include legitimacy, the effects of CSS are particularly important, as they significantly shape the institutional environment in which SEs seek recognition and legitimacy.

The goal of this study is to examine the institutional pressures confronting SEs in their legitimacy building, their efforts to respond, and the role of CSS therein. We address these issues by drawing on the empirical evidence from surveys and in-depth interviews with stakeholders of SEs from various sectors in Hong Kong, where cross-sector collaboration has been broadly encouraged in SE development, with the government playing a dominant role in establishing multiple CSS schemes. Our research finds that, in the case of Hong Kong, the three key types of CSS for SEs, namely, venture capital support, operation support, and promotion support, have mixed effects in helping SEs respond to regulative, normative, and cognitive institutional pressures in their attempts to build legitimacy.

## **Literature Review**

### *Legitimacy of Social Enterprises*

Legitimacy, defined by Suchman (1995, p. 574) as the “generalized perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs, and definitions,” is vital for all organizations to demonstrate social worthiness and mobilize resources (Oliver, 1991). Scholars and practitioners highlight the particular importance of legitimacy for SEs to attain resources and support (Dart, 2004; Huybrechts et al., 2014; Zainon et al., 2014), as SEs are underpinned by the theme of social justice and community cohesion (Seanor & Meaton, 2008). According to Dart (2004, p. 413), for SEs, “the conformity to societal expectations rather than efficiency is the principal organization goals and primary determinants of organizational success.”

Earning legitimacy is challenging for any type of organization. Scholars distinguish among different types of legitimacy. Huybrechts et al. (2014) and Huybrechts and Nicholls (2013) provided a helpful summary of the categorizations; Suchman (1995) and Scott (1995) suggested a “typology consisting of three types of legitimacies: pragmatic or regulative legitimacy (compliance induced by a regulatory entity and/or motivated by access to resources and advantages), moral or normative legitimacy (compliance with norms and values) and cognitive legitimacy” (Huybrechts & Nicholls, 2013, p. 133). In addition, Nicholls (2010, p. 133) proposed “associational legitimacy, induced by ‘association with other entities that are already perceived to be more legitimate,’” and other works have discussed “discursive legitimacy—the ‘ability to speak legitimately for issues or other organizations’” (Huybrechts & Nicholls, 2013, pp. 133–134; also see Hardy et al., 2005; Phillips et al., 2000; Smith & Besharov, 2019). “Each type of legitimacy feeds a particular avenue of conformity” through which organizations are confronted with various types of institutional pressures (Huybrechts et al., 2014, p. 270; also see Nicholls & Cho, 2006; Scott, 1995).

As a typical form of hybrid organization, SEs face more daunting challenges in acquiring and preserving legitimacy, as they need to cope with the innate tensions within their multiple commitments and hybrid organizational logics (Battilana & Dorado, 2010; Dart, 2004; Kerlin, 2017; Pache & Santos, 2013). Hybridity easily leads to mission drift (Dees, 1998; Hudon & Sandberg, 2013), tensions between internal stakeholders (Battilana & Dorado, 2010; Mason

et al., 2007; Smith & Besharov, 2019), and divergent expectations by external stakeholders (Agrawal & Hockerts, 2013; Pache & Santos, 2013; Smith & Besharov, 2019). To attain legitimacy and recognition of their unique identity, SEs should seek to sustain their organizational hybridity, which requires continuous endeavors to cope with tensions and divergent expectations brought about by the ‘double bottom line’ (Emerson & Twersky, 1996) and multiple stakeholders (Huybrechts et al., 2014) to create and maintain congruences between their organizational attributes and the environment (Suddaby et al., 2017).

Institutional theory, which is sensitive to the role of embedding shared meanings,<sup>1</sup> cultural values and norms upon them (Mason et al., 2007), offers analytical tools for examining the macro- and micro-environment in which SEs seek legitimacy. According to Mason et al. (2007), “The institutional environment supports the values that SEs are founded upon and influences the processes required to maintain the primacy of these values” (p. 292). Scholars have depicted the various isomorphic institutional pressures that SEs encounter in their institutionalization processes (DiMaggio & Powell, 1983; Huybrechts et al., 2014; Kerlin, 2017; Kerlin et al., 2021a, 2021b; Mason et al., 2007).

When exposed to various institutional pressures, organizations need not passively accept them but can strategically respond to them (Kerlin et al., 2021b; Oliver, 1991; Scott, 1995). Scholars are particularly interested in the strategic responses of hybrid organizations that contain multiple, conflicting internal logics (Battilana & Lee, 2014). Oliver (1991) developed a conceptual framework for identifying and explaining the alternative strategic reactions of organizations to institutional pressures that included five categories of reactions based on organizational capacity and willingness to conform: acquiescence, compromise, avoidance, defiance, and manipulation. Acquiescence refers to organizations using tactics of habit, imitation, and compliance to obey and accept the rules and norms. Compromise suggests that organizations use balancing, pacifying and bargaining tactics to negotiate with institutional stakeholders and balance their multiple expectations. Avoidance uses concealing, buffering and escape tactics to disguise nonconformity. Defiance suggests that organizations utilize dismissive, challenging and attacking tactics to ignore and contest norms and requirements. Manipulation refers to the tactics of co-option, influence and control to shape criteria and values. Analyses of SE coping strategies, however, have largely focused on the internal, microlevel divergences among individual SEs, such as the founders’ social capital, leadership and management skills, and SE organizational structures (DiMaggio & Powell, 1983; Oliver, 1991; Smith & Besharov, 2019). The influence of interorganizational collaboration by SEs—especially those characterized by a different blend of institutional logics—has been less explored (Savarese et al., 2021).

### *Cross-Sector Collaboration and Intermediaries for Social Enterprise Development*

Cross-sector collaboration, defined as “the linking or sharing of information, resources, activities, and capabilities by organizations in two or more sectors to achieve jointly an outcome that could not be achieved by organizations in one sector separately” (Bryson et al., 2006, p. 44), is an important theme in the SE literature. Most works on cross-sector collaboration have taken “a functionalist view” and “focus on the advantages of collaboration” (Huybrechts & Nicholls, 2013, pp. 131–132). In the context of SE development, attention has been paid mainly to the efficacy of collaboration in enhancing the *financial sustainability* of SEs by combining and leveraging the resources and expertise of actors from different fields (McDermott et al., 2018; Quélin et al., 2017). Nonetheless, collaboration also gives rise to complex dynamics in the management of competing logics and possible tensions within SEs (Savarese et al., 2021), which are crucial for their hybridity maintenance and legitimacy building but have received less attention (Di Domenico et al., 2009).

Several works have documented numerous difficulties in cross-sector collaboration that stem from the inherent diversity within collaboration and the multiple objectives and competing

institutional logics brought by participating organizations from different sectors (Di Domenico et al., 2009; Gray & Purdy, 2018). The prescriptions for addressing such difficulties have commonly focused on the goals of mitigating conflicts through integration and convergence (Battilana & Dorado, 2010; Battilana et al., 2015; Smith & Besharov, 2019), that is, bringing the partners to the table, coordinating their actions, facilitating their interactions, and resolving the tensions that arise from their differences (Chatzichristos & Nagopoulos, 2020; Gray & Purdy, 2018). Although scholars have noted the unequal power relations in these processes (Curtis, 2008), few have critically assessed the potential risks of organizational blending caused by overemphasizing synergies. In cross-sector collaboration, recognizable distinctions between participating organizations from different sectors are often taken for granted. This is particularly problematic for cross-sector collaboration involving SEs, as the very concept of SE “reflects an evolution toward blurring boundaries between distinct and potentially conflicting institutional orders” (Huybrechts & Nicholls, 2013, pp. 131–132), and cross-sector collaboration creates an additional layer of blurring effects. While there is considerable research on how SEs can draw knowledge and resources from their collaborative partners, the discussion of their efforts and challenges in distinguishing themselves from their partners in sectors whose generic features and distinct identities are well established and widely recognized remains limited. Huybrechts and Nicholls’s (2013) discussion of how SEs mobilize pragmatic and moral legitimacy to justify their collaboration with corporations and Savarese et al.’s (2021) examination of how hybrid organizations deal with partnerships with ‘dominant-logic organizations’ are among the few who have provided insights into the challenges confronting SEs in integration and convergence resulting from cross-sector collaboration.

The existing SE literature on cross-sector collaboration largely focuses on the *cross-sector partnerships* of SEs (Brandsen et al., 2005; Di Domenico et al., 2009; Huybrechts & Nicholls, 2013; Sakarya et al., 2012). However, CSS, in which multisectoral actors make collaborative efforts to support SEs, but benefactors may or may not form partnerships with SEs, has received scant attention. SE development is greatly affected not only by cross-sector partnerships but also by the various types of support received from the public, private, and nonprofit sectors, and it is the latter that plays a more significant role in shaping the institutional environment in which SEs seek legitimacy. Participants in CSS, whom we call benefactors, can provide resources to support SEs in various forms, such as funds, knowledge, expertise, social networks, organizational infrastructure, management skills, personnel training, advertising, and regulation. Some benefactors form partnerships with the SEs they support through capital investment and/or involvement in governance boards, while others may play an intermediary role, offering training, advertising, and evaluation services to SEs generally without becoming formal partners or stakeholders of any specific SEs. Here, a separate body of literature exploring the role of intermediary organizations—such as private or nonprofit organizations that assist SEs in incubation, capacity building, and accreditation—in supporting the adaptation of SEs to institutional contexts (Head, 2011; Kerlin et al., 2021a; Ongaro & Ferlie, 2020) is enlightening. Nonetheless, these works have often focused on particular intermediary organizations and have rarely adopted a cross-sector collaboration perspective in examining the relationships and interactions between different intermediaries and their impacts on SEs. The two separate bodies of literature, one on cross-sector collaboration and the other on intermediaries, could be linked to stimulate thoughts on how CSS aligns various intermediary organizations to influence the endeavors of SEs to cope with institutional pressures in seeking legitimacy.

Although the intermediaries that have drawn scholarly attention are mainly from the nonstate sector, there is a growing literature on the role of government as a ‘public entrepreneur’ that can use financial and regulatory incentives to stimulate cross-sector collaboration (Choi et al., 2019; Ongaro & Ferlie, 2020). Government policy can shape both the internal dynamics of CSS and the ecosystems in which CSS is carried out. We need further insight into how government can better play this special intermediary role, simultaneously serving as the

architect of the CSS and one of the multiple participants in it, which remains an underexplored theme in SE governance.

*Rationale: Cross-Sector Support and Social Enterprise Legitimacy Building*

Synthesizing the insights from several streams of theoretical discussion, this study seeks to fill the existing gaps by scrutinizing the dynamics and effects of CSS in helping SEs cope with the institutional pressures in their legitimacy-building process. CSS is interesting and important because it addresses meso-level interorganizational interactions and connects the macro-institutional environment with the micropatterns of organizational performance, which have often been examined separately.

We draw on the literature that discusses the various types of legitimacy, which offer clear expectations of the avenues through which SEs attain legitimacy and encounter institutional pressures. The impacts of CSS on SE legitimacy building could be assessed by the role of their supportive measures in creating or blocking those avenues.

Building on the rich literature that documents the organizational strategies used by hybrid organizations (in general) and SEs (in particular) to cope with various institutional pressures, our research moves beyond the discussion of the strategic responses of SEs to *each* specific type of institutional pressure and investigates the more complex, multitasking process of how SEs simultaneously tackle the different types of pressures that involve goals that are inconsistent or even inherently self-contradictory. The most daunting challenge confronting SEs is the dilemma that by endeavoring to address one type of pressure, they might encounter another. We ask to what extent CSS can provide assistance to SEs in tackling this dilemma.

The research on cross-sector collaboration by SEs provides considerable insight into the processes and challenges involved in their building of cross-sector partnerships and emphasizes the importance of *integrating* multiple institutional objectives and logics. Our research, however, problematizes the ‘integration and convergence’ approach that takes diversity for granted and calls for a shift in focus from harmonizing differences to highlighting distinctions in the cross-sector collaboration involving SEs. This is important for comprehending how external support to SEs could more effectively assist their endeavors to build legitimacy. The scholarly works on the role of government and other institutional intermediaries in supporting SE development have inspired us to reflect on what intermediaries can do to foster not only convergence but also divergence in SE cross-sector collaboration. Linking the two bodies of literature, we will explore whether and how CSS could foster an ‘ecosystem’ (Hazenberget al., 2016) in which SEs could more easily differentiate themselves from other ‘dominant-logic organizations.’

This study also extends the analysis of the mechanisms shaping SEs’ coping strategies from their individual and internal resources and difficulties to the dynamics within collective support to SEs offered by external, multisectoral actors. We examine how the contribution of resources by those actors and the power relationships that it entails shape the balance of logics within SEs and their ability to meet diverse stakeholder expectations.

In evaluating the effects of CSS, it is necessary to go beyond assessing isolated supporting measures to develop a more sophisticated understanding of the ‘support portfolio’ that considers the interplay between different support schemes and their joint influence as well as their interactions with the policy context. We ask how the government can better play an intermediary role in shaping and guiding the CSS portfolio to make it a more effective supporting mechanism for SE development. What distinguishes government from other intermediaries is the former’s greater power and authority as well as challenges in setting rules, providing regulations, and creating an enabling institutional environment. Since the market, government, and civil society each have shortcomings and thus cannot bring about

optimal outcomes on their own, addressing their failures necessarily involves no single policy action but a balanced policy patchwork. A metagovernance approach, defined by Meuleman (2008) as “how public managers consciously design and manage governance style mixtures...of hierarchical governance, network governance and market governance” based on “the considerations of how the different modes of governance interact” enables us to reflect on an optimal constellation of different governance modes that recognize the strengths and weaknesses of various sectors and where they offset or complement one another (p. 2).

### **The Case of Hong Kong**

The *raison d'être* and mode of survival for SEs is an evolving issue in specific environments (Defourny & Kim, 2011). We chose Hong Kong as a case study for three reasons. First, Hong Kong has long been a neoliberal economic showcase. On the one hand, the government has highlighted its support to innovations and entrepreneurship. On the other hand, the dominant market-based logic and noninterventionist approach have intermingled with the resistance of the status quo to innovative initiatives. These qualities render Hong Kong a typical case for an examination of the complex dynamics and effects of SE governance. Second, while a significant amount of research concerning the SE sector in Hong Kong has informed us of the factors enabling SEs to effectively grow economically, investigations of their efforts to build long-term identity, legitimacy, and comparative advantage and the difficulties of this process are scarce. The third reason for selecting Hong Kong for the current case study is its practicality: The authors have experience and connections in examining the growth of this sector.

A large percentage of SEs in Hong Kong were transformed from traditional nonprofit organizations (NPOs), which were largely funded by the government until the late 1990s, when the new public management paradigm introduced contracting practices (Defourny & Kim, 2011). As government funding for NPOs continuously declined after the financial crisis and the economic downturn in the late 1990s and early 2000s (Chan et al., 2011), the government replaced the old subvention system for financing NPOs with a new system: the lump sum grant. Nonprofit social service providers were asked to redeploy their existing resources to meet new emerging needs (Chan et al., 2011). Under considerable pressure to broaden their revenue base, they were driven to develop commercialized and quasi-market operations and transformed into SEs.

To foster the start-up of SEs, several funding schemes have been initiated by the Hong Kong government since 2001 (Ho & Chan, 2010). Successful applicants can obtain up to 3 million Hong Kong dollars for the operation of SEs in the first three years. In addition, the government has encouraged the business sector and civil society to collaboratively participate in the development of SEs. Among the various types of CSS offered to SEs in Hong Kong, three types—venture capital support, operation support, and promotion support—were most frequently mentioned by our respondents, as they were widely applicable to SEs of all kinds and at different development stages. We introduce them in Table 1.

The number of SEs in Hong Kong has grown rapidly, and their services are highly diversified. Despite this positive trend, a study conducted by The Chinese University of Hong Kong et al. (2014) revealed that one of the greatest challenges facing SEs in Hong Kong was developing their reputation and legitimacy. Approximately 30% of the respondents stated that they had no confidence in SE brands and were not sure how SEs could help society change. Only 2% of the respondents in the survey frequently purchased SE goods or services. A recent survey on *The State of Social Enterprise in Hong Kong* (British Council, 2020) showed that 24% of the SEs faced the challenge of customer acquisition and market development. The SE representatives interviewed in our study all stated that the sustainability of SEs depended not only on their financial performance but also on social recognition of the entire sector, which was difficult to achieve through individual organizations' efforts.

**Table 1.** Major CSS Types in Hong Kong

CSS to SEs	Participants and Form of Cross-Sector Collaboration
<i>Venture Capital Support</i>	
Social Innovation and Entrepreneurship Development Fund (SIE)	The venture capital funding is mainly from the public finance and nongovernmental organization (NGO) sectors. All programs engage representatives from the government, business, and civil society to review applications, give advice, and evaluate SE performance.
Enhancing Employment of People with Disabilities through Small Enterprise Project	
The Development Bank of Singapore Limited (DBS) Foundation Social Enterprise Grant	
<i>Promotion Support</i>	
Disseminating knowledge of SEs to improve public recognition	CSS benefactors promote SE through their own networks.
Producing promotional videos and radio shows	The Hong Kong Council of Social Service (NGO) coordinates the production and broadcasting of promotional videos and radio shows.
Establishing online shopping platforms	Power Assets Holdings Limited makes donations for the construction of the platform, and the Hong Kong Council of Social Service is responsible for their design and operation.
<i>Operation Support</i>	
Business consultation and provision of training courses	The Home Affairs Department invites practitioners from various sectors to register as consultants for SEs. CSS benefactors provide trainings in diverse fields. The Social Enterprise Business Centre (NGO) primarily coordinates the consultation services and training. The Hong Kong Council of Social Service (NGO) compiles and publishes multiple handbooks about SE operation.
Publication of guidebooks	

Source: Publicized documents from the Hong Kong Council of Social Service, Fullness Social Enterprises Society, and The Social Enterprise Business Centre; see Appendix 1.

## Methods

This study utilizes mixed research methods. We collected data through a questionnaire survey and 54 in-depth interviews in Hong Kong between 2018 and 2019.

The questionnaire survey was designed to gain an understanding of SE practitioners' overall evaluation of the efficacy of CSS of SEs in Hong Kong and the difficulties they face in attaining legitimacy and credibility. We defined 'legitimacy' in the survey as "the ability of an SE to gain recognition by its various stakeholders and the public as a distinct organization to address social problems that can achieve the dual goals of financial sustainability and social mission." 'Credibility' indicates the ability of an SE to accomplish its stated social mission. An annual report by the Hong Kong General Chamber of Social Enterprises sorted more than 630 SEs

into 9 categories according to their working areas. In October 2018, we selected 63 SEs through random stratified sampling procedures (stratified by working area) and sent them questionnaires. Ultimately, we obtained 48 effective replies. To understand the respondents' attitudes and explanations for these attitudes, we contacted each of the 48 SEs in our sample by phone and conducted semi-structured interviews with their founder, manager or staff between November 2018 and January 2019. Each interview lasted between one and two hours. We asked the interviewees about the concrete difficulties they had experienced in their organizational legitimization processes, the coping strategies they had adopted, the forms of CSS they had received, the opportunities and pressures brought about by such support, and their suggestions on how to improve CSS and government policies. We asked our interviewees to describe in detail specific events and concrete examples to elaborate their views. We also solicited their opinions on various kinds of interorganizational dynamics as well as change over time in their organizational development.

To supplement our analysis, we also collected multiple types of internal and publicized documents from the interviewed SEs. In addition, with a snowballing strategy, we conducted interviews with 2 representatives of the intermediary organizations supporting SEs (Intermediary A is director of an NGO, which is a parental organization of an SE; Intermediary B is manager of an SE incubator agency), 2 volunteers serving in the interviewed SEs (Volunteers C and D), and 2 experts (Experts E and F) who had served as advisors for SE development in both government and SE associations. These interviews provided diverse perspectives for us to comprehend the concrete interactions among government, the business sector, and civil society and thus enabled us to better evaluate the effectiveness of cross-sector collaboration in helping SEs cope with the various institutional pressures in their legitimization process.

### **Qualitative Data Analysis**

We followed Saldaña's (2016) procedure to analyze our qualitative data (Saldaña, 2016). All the interviews and other secondary materials were recorded, transcribed, and coded with NVivo12. We used a structural coding method to identify common empirical themes. We drew on constructs from Oliver (1991) and Kerlin et al. (2021b) to label our conceptual categories and guide our two major steps in the coding process (Table 2).

#### *Step 1: Identifying Institutional Pressures and SE Responses*

We first identified the institutional pressures that SEs encountered in their legitimization process. Based on Raffaelli and Glynn's (2015, p. 7) definition of institutional innovation as "novel, useful, and legitimate change that disrupts, to varying degrees, the cognitive, normative, or regulative mainstays of an organizational field," Kerlin et al. (2021b) argued that SEs create cognitive (institutional logics), normative, and regulative disruptions as institutional innovations. We drew on such insights to organize our analysis by categorizing the institutional pressures confronting SEs in their disruptions of the status quo into regulative, normative, and cognitive pressures. We then examined how the SEs in our sample reacted to the institutional pressures they faced. We used Oliver's (1991) five broad categories of organization strategies—acquiesce, compromise, avoid, defy, and manipulate—to code the reactions as indicated by our respondents.

#### *Step 2: Assessing the Roles and Effects of CSS*

Table 3 presents the evaluations from the SE respondents on the roles of CSS in assisting them in coping with the various institutional pressures. We categorized CSS impacts into positive, ambivalent, and negative. A positive impact meant that the SE respondents found the various forms of resources offered by CSS helpful in their endeavors to cope with institutional



**Table 2.** Coding Structure and Findings<sup>a</sup>

Institutional Pressure	Interview Content	Social Enterprise Response	Cross-Sector Support
<i>Regulative Pressure</i> Lack a unique and suitable legal form for SEs	The threshold for registering as a nonprofit legal form is high (30% of SE respondents) No tax exemption for registering in the category of private company limited by share (13% of SE respondents) Difficulty of engaging more external investors in development if registering in the category of company limited by guarantee (27% of SE respondents)	<i>Acquiescence</i> Register in for-profit legal form (25% of SE respondents) <i>Acquiescence</i> Do not apply for tax exemption (10% of SE respondents) <i>Acquiescence</i> Do not expand investor board (23% of SE respondents)	<i>Positive</i> The CSS benefactors provide helpful advice and guidance on the choices of which legal forms to register for (19% of SE respondents) <i>Ambivalent</i> The role of CSS is limited unless it could prompt the government to establish a distinct, suitable legal form for SEs (15% of SE respondents)
<i>Regulative Pressure</i> To enhance profitability, often at the cost of other organizational goals	Achieve financial balance in three years after receiving government start-up funding. The assessment process focuses on financial performance (29% of SE respondents)	<i>Acquiescence</i> Use cautious business operation models, reduce expenditure on employee salaries (15% of SE respondents) <i>Avoid</i> Turn to financial support from parental agency and partners (17% of SE respondents)	<i>Positive</i> SEs obtain financial support for short-term operation and cash flow (17% of SE respondents) as well as management knowledge transfer and skill training (23% of SE respondents) from CSS.
<i>Normative Pressure</i> To be seen as fair players in the market competition <i>Cognitive Pressure</i> Find great tension inherent in dual goals of achieving financial balance and social recognition	Asked why SEs can obtain start-up funding and enjoy favorable policies (15% of SE respondents)	<i>Acquiescence</i> Do not apply for start-up funding (4% of SE respondents) <i>Defy</i> Actively seek seed funding (10% of SE respondents)	<i>Negative</i> The government's provision of matching funds, which aims to encourage CSS, has intensified the suspicion that SEs take advantage of government support to make profits (10% of SE respondents)

<p><i>Normative Pressure</i> To be seen as accountable for social mission</p>	<p>Criticized for being undeserving of supportive policies as SE goods and services were of poorer quality than those provided by private companies (25% of SE respondents) To allocate most revenues to beneficiaries while resources for further development are limited, and financial status remains unstable (31% of SE respondents)</p>	<p><i>Manipulate</i> Improve good and service quality (25% of SE respondents); make production processes transparent to the public (25% of SE respondents)  <i>Acquiescence</i> Allocate most revenues to targeted beneficiaries and reproduction (15% of SE respondents)  <i>Avoid</i> Highlight social mission as just lip service while controlling labor cost for financial sustainability (12% of SE respondents)</p>	<p><i>Positive</i> CSS benefactors offer consulting services to address SE management problems, thereby helping to improve their quality assurance and brand promotion (10% of SE respondents)  <i>Ambivalent</i> Advice and trainings offered by CSS benefactors help SEs run more efficiently. However, they center on commercial practices rather than social impact accumulation, which may lead SEs to lose unique features, posing difficulty for their image and legitimacy building (12% of SE respondents)</p>
<p><i>Cognitive and Normative Pressures</i> To become unique entities that can achieve dual missions and be recognized by the public as such.</p>	<p>Build and balance hybrid institutional goals of profit-making and social welfare delivery (35% of SE respondents)</p>	<p><i>Manipulate</i> Advocate the special organizational advantage of SEs both within organizations and to (potential) investors and customers (31% of SE respondents)</p>	<p><i>Ambivalent</i> CSS benefactors disseminate knowledge of SEs through multiple channels to improve public recognition but cannot effectively manifest the concrete, unique contributions of SEs (17% of SE respondents) (Intermediary) <i>Positive</i> SE associations provide accreditation services for social benefits offered by SEs, like <i>Fullness Social Enterprises Society</i> (15% of SE respondents) and the Social Enterprise Endorsement (SEE) Mark Program<sup>b</sup> (10% of SE respondents) (Intermediary) <i>Ambivalent</i> The accreditation services from SE associations are not authoritative or influential due to implementation weaknesses (21% of SE respondents)</p>

Notes: Interviewed SE categories: For-profit legal form (company limited by share): 13 (27%); For-profit legal form (company limited by guarantee): 25 (52%); Nonprofit legal form (branch of society, charity or NGO): 10 (21%).

<sup>a</sup> Developed from Oliver (1991) and referenced by Kerlin et al. (2021b). <sup>b</sup> SEE Mark program is a service offered by the Hong Kong General Chamber of Social Enterprises to certify bona fide social enterprises, see [https://seemark.hk/en\\_gb/introduction](https://seemark.hk/en_gb/introduction).

**Table 3.** Hong Kong Social Enterprise Survey (October 2018–January 2019)

Social Enterprise	Number	Percent
<i>Working Area</i>		
Art and Culture	5	10.42
Care Services	6	12.50
Corporate Services and Business Support	5	10.42
Eco Living	6	12.50
Education and Training	4	8.33
Food and Beverage	6	12.50
Personal Care	6	12.50
Home and Lifestyle	5	10.42
Transportation	5	10.42
<i>Legal Form</i>		
Nonprofit Legal Form (Branch of Society, Charity or NGO)	10	20.80
For-Profit Legal Form (Company Limited by Share)	13	27.10
For-Profit Legal Form (Company Limited by Guarantee)	25	52.10
<i>Registration Year Period</i>		
2001–2007	9	18.80
2008–2014	25	52.0
2014–2019	14	29.20
<i>Major Sponsor of Start-up Funds</i>		
Government	10	20.83
Business (Individual and Corporate)	28	58.33
Foundation	10	20.83
<i>Current Sources of Income</i>		
Goods and Services	28	58.33
Government Funding	3	6.25
Goods and Services and Government Funding	6	12.50
Goods and Services and Public Donation	11	22.92
<i>How important is legitimacy and credibility for SE survival?</i>		
Very Important	35	72.92
Somewhat Important	10	20.83
Not Very Important	3	6.25
Not at All Important	0	0.00
<i>How do you evaluate the legitimacy and credibility of the SE sector in Hong Kong?</i>		
Very Good	5	10.42
Good	15	31.25
Fair	20	41.67
Poor	8	16.67
<i>Can government policy help improve SE legitimacy?</i>		
Agree	18	37.50

Disagree	10	20.83
Not Sure	20	41.67
<i>Can the involvement of the business sector help improve SE legitimacy?</i>		
Agree	12	25.00
Disagree	28	58.33
Not Sure	8	16.67
<i>Can the participation of civil society help improve SE legitimacy?</i>		
Agree	30	62.50
Disagree	8	16.67
Not Sure	10	20.83

pressures. Ambivalent impact was felt when CSS neither created favorable conditions for SEs nor generated new pressures. Negative impact referred to the new or exacerbated pressures experienced by SEs due to CSS. In the in-depth interviews, we also explored the major reasons behind the respondents' perception of the effects of CSS.

## Findings

The survey sample shows diversity in age, legal form, supporting agency and working area. The sample information, survey questions and responses are summarized in Table 3. The survey data illustrate that although the importance of legitimacy is well recognized by SE representatives, fewer than half of the respondents think the SE sector in Hong Kong has established a good reputation and has been accepted by the public.

From the interview data, we found that SEs in Hong Kong had experienced various regulative, normative, and cognitive pressures and adopted diverse coping strategies. The three key types of CSS of SEs—venture capital support, operation support, and promotion support—have mixed effects in helping SEs cope with the institutional pressures in their attempts to build legitimacy and gain social recognition. The venture capital support provided by various sectors in the form of direct investment or loans helps SEs fulfill the regulative requirement of achieving financial balance, but due to inadequate constitutive rules on the legal definition and performance requirements (other than financial performance) of SEs, venture capital support exacerbates the normative pressures on SEs, as it makes SEs appear to enjoy government favors and privileges and thus an unfair advantage in market competition. Operation support from private and nonprofit collaborators is helpful for SEs to improve organizational management and hence survive. Nonetheless, it intensifies not only the cognitive pressures in the building and consolidation of a hybrid logic within SEs but also the normative pressures as their attempts to borrow operational practices from the private and nonprofit sectors arouse societal suspicion of SEs as an effective alternative to existing organizational approaches. Promotion support provided by multisectoral benefactors is useful for enhancing public awareness of a broad range of SEs. Nonetheless, it is not effective in demonstrating their unique value and contribution.

### *Regulatory Pressures*

We found that SEs in Hong Kong primarily experienced two types of regulative pressures: (1) a lack of distinct and suitable legal forms for registration, and (2) stringent and demanding requirements for receiving start-up funding.

In Hong Kong, few legal and regulatory measures are specifically provided for SEs. SEs can register in multiple organizational categories. ‘Society’ (Association Ordinance Chapter 151), ‘company limited by guarantee’ and ‘company limited by share’ (Companies Ordinance Chapter 622) are the most common registration forms. Our respondents Intermediary A and Expert E explained that the government made the multiple legal forms available for SE registration to encourage cross-sector collaboration, that is, to provide flexibility for business and civil society actors to participate in SE development. However, the interviewed SE representatives expressed confusion about identifying suitable forms for their organizations. In our study sample, over 43% (20 respondents) found that no suitable legal forms matched their organizational goals; 30% (14 respondents) thought that the threshold for registration in the ‘society’ category was too high and thus had to register in the for-profit categories. Our respondents also reported some practical difficulties when registering as for-profit forms: Six respondents from the SEs that had registered as ‘private companies limited by share’ complained that their SEs were not eligible for tax exemption; 13 representatives of the SEs that had registered as ‘companies limited by guarantee’ indicated that their organizations had difficulty engaging more external investors in their development processes. These SEs had all adopted the acquiescence strategy in response by not applying for tax exemptions and not expanding their investor boards. However, they worried that such situations were unfavorable for the further development of their organizations.

Respondents also noted the pressures that accompanied start-up funding. Twenty-nine percent of the studied SEs (14 respondents) were under great stress after receiving government start-up funding, as they were required to achieve financial balance in three years. The manager of SE 12, which had received start-up funding, told us:

*The government agencies should be responsible for their spending. Therefore, they need to obtain evidence that their sponsored SEs are doing a satisfactory job. The core assessment for a funded SE is whether financial balance can be achieved after the funding period. While the social value effects are difficult to evaluate in the short term, the assessment process puts more emphasis on financial performance, which places great pressure on SEs to enhance profitability, often at the cost of other organizational goals.*

To qualify for the various start-up funding schemes, an SE must undergo stringent accreditation, and these measurements and criteria hold its managers accountable primarily for financial performance rather than social mission achievement. Fifteen percent of our studied SEs (7 respondents) adopted the acquiescence strategy by employing cautious business operational models and reducing expenditure on employee salary. For example, SE 12 had planned to expand its operational scale and allocate more resources to support the vulnerable farmers who were its targeted beneficiaries but eventually abandoned the plan because its management was concerned that these plans would endanger the organization’s financial status. In contrast to the acquiescent SEs, 17% of the studied SEs (8 respondents) adopted the avoidance strategy by turning to their parental agencies and/or partners for financial support instead of applying for start-up funding.

What roles did CSS play in relieving the regulative pressures on SEs? Nineteen percent of our sample (9 respondents) considered the benefactors from various sectors helpful in providing advice and guidance for them to make decisions on the legal forms for which to register, whereas 15% felt that the benefactors’ role in this aspect was limited unless they could prompt the government to create a distinct, suitable legal form for SEs. The respondents indicated that CSS exerted positive impacts on their organizations’ success in meeting the start-up funding

requirements, as 17% of the studied SEs obtained financial support for short-term operation and cash flow, and 23% received management knowledge transfer and skill training that was conducive to their financial sustainability from the benefactors, especially those from the business sector.

### *Normative and Cognitive Pressures*

Societal recognition and acceptance are particularly essential for SEs (Dart, 2004). However, it is extraordinarily difficult for SEs to align themselves with what society is accustomed to and accepts as appropriate. “People are accustomed to paying businesses for the value their products and services provide us and accept that they will appropriate financial value from the transaction. They are also accustomed to social-purpose organizations creating social value (or financial value for beneficiaries) but not seeking to appropriate that value. Organizations or initiatives that attempt to do both potentially violate social norms for proper organizational practice” (Newth & Woods, 2014, p. 13). We found that SEs in Hong Kong faced three main types of normative and cognitive pressures due to different societal actors’ divergent understandings and expectations of them: the pressure to be seen as fair players in market competition, the pressure to be accountable for social mission accomplishment, and the pressure to be recognized by the public as unique entities that could achieve dual missions.

Respondents reported that they had experienced pressure through accusations of engaging in unfair practices in market competition. Seven respondents (15%) said that they had been questioned as to why SEs could obtain start-up funds and enjoy favorable policies. To avoid such pressure, 4% of the studied SEs adopted the compliance tactic (acquiescence) by not applying for any start-up funding schemes. Ten percent of the SEs, however, simply dismissed the pressure (defying) and actively sought different seed funding. Either way, the SEs faced cognitive pressure, as their managers found substantial tension inherent in their dual goals of achieving financial balance and social credibility.

Five respondents (10%) noted that the Hong Kong government’s provision of matching funds, which aimed to encourage cross-sector collaboration—the participation of the private sector in SE development—had, in effect, intensified such doubts. Before 2016, only NPOs and individuals were eligible sponsors in SE start-up funding schemes. To maximize their economic and social effects, since 2016, the government has opened those schemes to private company applicants who can secure matching funds. As a result, business enterprises could independently establish SEs and obtain financial support if they could acquire enough matching funds and obtain approval from the government. This change has caused considerable confusion and concern that SEs could profit by taking advantage of government support. As the manager of SE 37 remarked:

*My friends who are small company owners often complain to me that they also hire many disabled people, but they can’t enjoy the same start-up support and tax exemptions that SEs enjoy. They think the policy toward SEs is so messy and confusing and might cause unfair competition in the market.*

Twenty-five percent of the studied SEs (12 respondents) had been criticized for being undeserving of supportive policies, as their products and services were of poorer quality than those provided by private companies. In reaction to such criticism, the SEs adopted an influencing tactic (manipulation) by endeavoring to improve their goods and service quality through ex ante checks and ex post assessments or by making the production processes transparent to the public. Ten percent (5 respondents) noted that the benefactors of certain

CSS schemes were helpful in offering consulting services to address their management problems, which significantly improved their quality assurance and brand promotion.

The public also frequently doubted whether SEs were accountable for fulfilling their social mission. The respondents described various forms of societal resistance to SEs, including people's suspicion; open complaints and criticism; and refusal to consume, endorse, or donate to them, which created massive pressures both normatively and cognitively. The respondents from 15 SEs (31%) indicated that their SEs were under pressure to allocate most of their revenues to beneficiaries, while their resources for further development were limited, and their financial status remained unstable. Seven SEs (15%) adopted a compliance tactic (acquiescence) by allocating most revenues to their targeted beneficiaries or reproduction. Six SEs (12%) used a concealing tactic (avoid) by highlighting their social mission as lip service while strictly controlling their labor cost for financial sustainability.

Six SE representatives (12%) acknowledged the value of CSS in helping them address this issue, as they had learned how to operate their enterprises more efficiently from the benefactors from the business sector. Most interviewed SE managers had turned to practitioners in the business sector to learn commercial management skills. They also frequently attended various training programs and workshops offered by different SE associations. They noted that financial management and marketing skills rather than social impact accumulation were the core content of such training.

Borrowing operational experience largely from the commercial sector, however, sometimes led SEs to lose their unique features, causing difficulties for their identity and image building. For example, many SEs are supported by a volunteer system; most of the studied SEs regarded volunteers simply as the solution to human power insufficiency and rarely considered how to turn them into an effective force for social mission advocacy. Volunteer D noted that the managers did not acquaint the volunteers with the social mission and value of the SEs and did not require them to provide such information to the consumers of their products/services. While many potential consumers are interested in the background stories and goals of SEs, volunteers who lack such knowledge and consciousness and are only given the task of efficiently selling products/services inevitably disappoint consumers and reduce their trust in those SEs.

Fifteen respondents (31%) noted that their organizations had experienced substantial pressure in building and balancing the hybrid institutional goals of profit-making and social welfare delivery. All managers of these organizations implemented a strong influencing tactic (manipulation) by actively advocating for the special organizational advantage of SEs both within their organizations and to their (potential) investors and customers. Eight respondents (17%) acknowledged the positive role played by the benefactors in CSS in disseminating knowledge of SEs through multiple channels to improve public recognition. In particular, the respondents mentioned the contribution of various intermediary organizations, which are part of CSS, in helping them gain social recognition but nonetheless expressed a mixed attitude toward their effects. Seven respondents (15%) said that the SE association called the *Fullness Social Enterprises Society* offered useful accreditation services for SE social benefits, which could certify and acknowledge the social value of SEs. Five respondents (10%) noted that the SEE Mark Program had a similar function in certifying SE social impact, while 10 (21%) viewed the SEE Mark as uninfluential. Representatives of SEs 11, 15, and 27 pointed out that the SEE Mark evaluation process lacked inclusiveness and independence and that the coverage of certification services was limited because they were only available to members of the Hong Kong General Chamber of Social Enterprises.

Nonmembers, which were not small in number, were excluded. Representatives of SEs 6, 11, and 19 added that the existing certification services offered by the intermediary organizations were not comparable to accreditation from impartial independent third parties in terms of

their authority and influence, as the certification appraisers were the same staff who frequently served as training program tutors for SEs and thus had maintained good relationships with many of the SE management and staff. Expert F, who is a former certification appraiser, admitted that acquaintance pressure was a significant barrier to fair and objective assessment. All the SE representatives stated that CSS could do more to appropriately evaluate and publicize the achievements and social impacts of SEs and thus could better manifest their concrete, unique contributions. Several respondents also hoped that government or other benefactors in CSS could address the transparency and accountability problems of SEs, which are crucial for image building and legitimization.

### **Discussion: How to Improve the Efficacy of CSS?**

Studying the case of Hong Kong, we find that CSS, on the one hand, has offered invaluable financial resources and operational experience for SEs to conquer regulative pressures, especially in their start-up period, yet, on the other hand, has had a less desirable effect in helping SEs tackle normative and cognitive pressures. In some ways, it has even exacerbated such pressures. Since CSS brings together benefactors from different sectors who are accustomed to diverse institutional logics and thus have divergent approaches and expectations in helping SEs, such support creates another layer of complexity to the maintenance of SE hybridity.

CSS, although with good intentions, leaves SEs little choice, as their survival is at stake. Due to power asymmetries, rules are imposed by resource-rich benefactors, and the SEs that receive support can hardly “shape the collaboration according to its own institutional norms” (Huybrechts & Nicholls, 2013, p. 142). As Savarese et al. (2021) and Di Domenico et al. (2009) have suggested, collaborations featuring numerous interactions and based on the reciprocal exchange of knowledge and resources may facilitate sustained hybridity. To enhance its efficacy in assisting SEs, CSS needs to emphasize a more interactive and reciprocal relationship between the benefactors and the SEs that seek their support.

Echoing the descriptions of power imbalance in cross-sector collaboration by Nicholls (2010) and Huybrechts and Nicholls (2013), we find that certain benefactors in CS—the government, which has policymaking authority, and the corporate actors, who can provide critical funding resources and expertise in organizational financial sustainability—wield dominant influences in shaping the rules of the support game and thus effecting changes on the ecosystem of SEs toward a direction unfavorable for SE legitimacy building. The Hong Kong government’s new public management approach, which prioritizes cost efficiency and stresses quantifiable performance measurement, has reinforced the tendency of CSS to converge on commercial logic. Throughout their development, SEs must continuously seek a balance among different values, goals, and operational rationales. However, this balance is easily lost in an environment in which managerial and market discourses and approaches dominate most support schemes. Financial performance as a key condition to receive continuing support puts pressure on SE practitioners to take quick action to position themselves in the competitive market. In effect, their efforts to accomplish social impact and preserve hybridity within the organization are greatly repressed.

A more balanced power distribution among the benefactors within CSS is important to avoid the shift of support toward a single dominant logic, which would exacerbate the tensions within SEs that are already striving arduously to preserve their hybridity. Scholars have acknowledged the role of discursive legitimacy in balancing other sources of power (Huybrechts & Nicholls, 2013; Phillips et al., 2000). Thus, in the case of Hong Kong, if CSS places more weight on the discursive legitimacy of the relatively ‘resource-poor’ benefactors such as nonprofits and other civil society actors, these benefactors may be able to exert more



influence on their intangible resources and thus counterbalance the dominance of the 'resource-rich' benefactors (Phillips et al., 2000).

It would be unfair to state that CSS in Hong Kong has taken no action to improve the moral or normative legitimacy of SEs. The government has created official websites to provide general SE information to the public. Multisectoral benefactors have offered primarily financial subsidies for SE promotion through various channels. Nonetheless, the evaluation and publicization of SE performance in terms of their social impact remain inadequate. The assessment of social performance "generally lacks standardization and comparability" and is thus undoubtedly more difficult than the assessment of financial performance, the methods for which are well established (Ebrahim et al., 2014, p. 82; Paton, 2003). Nonprofit benefactors may contribute more insight and expertise in the documentation, evaluation, and communication of SE social performance to enhance public recognition of the unique value of SEs.

CSS should also strengthen the role of SE beneficiaries and representatives of the wider community who are (potentially) the principal stakeholders of SEs and who have an ultimate say in the normative profile of the SE. Inspired by Ebrahim et al.'s (2014) advice on how to enhance the downward accountability of SEs, we suggest that the various support schemes can seek to enhance beneficiaries' direct representation in the governance of SEs, build their capacities to contribute to the decision-making and evaluation of SEs, and systematically solicit their feedback on using the goods/services being offered by SEs. This approach "can be understood as a boundary-spanning mechanism" (Huybrechts et al., 2014, p. 263) for "strengthening beneficiary voice and loyalty rather than exit" (Ebrahim et al., 2014, p. 13), which is useful in assisting SEs in being recognized by and accountable to multiple stakeholders.

As Ebrahim et al. (2014, p. 6) have noted, legal recognition "provides greater legitimacy to the blended social and commercial objectives of social enterprises in the eyes of both staff and external stakeholders such as providers of capital" and can "impose greater costs to mission drift." Such mechanisms remain missing in the case of Hong Kong. While CSS is effective in mobilizing resources from the public, private, and nonprofit sectors to SE development and has thus enhanced the short-term profit-making and commercial operational capacities of SEs, it has somehow blurred the unique identity of SEs by making such support available to several organizational categories in which SEs can register, rather than providing support tailored specifically for SEs due to the loose legal and regulatory frameworks. This approach has, in effect, magnified the boundary-blurring effects of CSS, making it difficult for SEs that receive support from multisectoral benefactors to establish a unique identity distinct from other 'dominant-logic organizations' (Savarese et al., 2021).

Moreover, the major benefactors of SEs, especially the government, offer few concrete rules guiding the transparent and accountable SE operations. The lax regulation of SE profit allocation and social mission accountability causes further confusion regarding the differences between the corporate social responsibility of private companies and SEs. Currently, suggestions for SE profit allocation are posted on the Hong Kong SAR Home Affairs Department website without details on enforcement. Furthermore, there are no concrete mechanisms for holding SEs accountable for their balance between profit-making and social service delivery activities. Expert F, who is an experienced SE consultant, commented:

*SEs are socially driven, and private enterprises are profit driven. Although some private enterprises spend part of their resources on charitable purposes, it is only a relatively small proportion of their inputs. In contrast, most of the profits of SEs are not allocated to shareholders but are used for*

*achieving social goals. Currently, the government only gives suggestions to SEs for profit allocation but has no compulsory rules. People will certainly suspect that SEs will put the profits into their own pockets.*

This lax regulation also prompts SEs to pay insufficient attention to their operational transparency, which might exacerbate the normative pressures they face. In our study sample, SEs have generally introduced their organizational history and continuously updated news regarding their activities on their websites and social media platforms; however, project proposals, work reports and budget information were not available to the public. Only 2 of 48 SEs publicized their financial reports, an omission that reiterates the call for broad communication (Bradford et al., 2020). The manager of SE 5 explained:

*Unless there are standardized, compulsory requirements and mechanisms for SEs to keep their operations transparent to the public, they will not bother to invest in such efforts given their limited resources and human power. Thus, people might have suspicions about SEs' operations. The solution might be the government acting as the gatekeeper by soliciting detailed operational documents from SEs and forcing information disclosure to the public.*

Many respondents echoed this point in the interviews. In their view, some forms of explicit exogenous accountability and transparency mechanisms in SE governance might help reduce public distrust in SEs and foster their distinctive identity. This assertion provides new thoughts on how to enhance the efficacy of support for SEs. Other than financial performance, government policy and CSS in Hong Kong generally set relatively loose conditionalities and regulations on SE operations (e.g., assets, returns, earning distributions) and accountability to give them greater flexibility for development. Such an approach, however, may unintentionally create additional pressures for SE legitimization. Therefore, CSS ought to pay greater attention to the role of constitutive and regulative rules in supporting SEs. As Mason et al. (2007) have reminded us, “Regulative rules set the acceptable boundaries within which the organization operates. Constitutive rules shape and define the roles performed by institutional actors in specific organizational contexts and cultural environments...The interplay between regulative and constitutive rules is important for understanding why SEs are governed differently to other types of organizations” (p. 293).

The government's role as both a rule-setter and a convener of CSS is crucial. This study finds that SE practitioners all hope that policy support from the government can move beyond financial resource input toward more proactive efforts to fuse and fine-tune different modes of governance to create favorable conditions for their legitimacy building. Our findings thus suggest the necessity of an integrated mixture of governance styles—a metagovernance approach—in shaping and guiding CSS of SE and an approach that is sensitive to the plural, changing pressures on the entrepreneurial processes of SEs to achieve not merely financial sustainability but also legitimacy and social recognition. In the current policy package encouraging CSS for SEs, elements of market-type governance are predominant, which is critical for boosting financial performance; nonetheless, market-type governance has added to rather than relieved the various institutional pressures confronting SEs in their legitimacy and identity building.

Network governance has contributed to the creation of an inclusive support network for mobilizing resources and expertise from diverse sectors to assist SE development.

Nonetheless, networks operating on their own cannot address the power imbalance and isomorphic pressures on weaker actors, such as SEs, within the networks. Mechanisms for tackling these issues, including enhancing interaction and reciprocity between SEs and their benefactors, giving more weight to nonprofit benefactors' intangible resources that are helpful for boosting the moral and discursive legitimacy of SEs, and expanding the pool of benefactors to include SE beneficiaries and their communities at large, must be stressed in network-style governance. In addition, the SE representatives in our study sample all expected certain forms of hierarchical governance, such as government creation of clearer legal boundaries and regulation of accountability and responsibility, which they believed could help them establish distinct identities and win recognition and trust from society. Moreover, the government may encourage more diverse forms of CSS so that SEs "can avoid dependence by maintaining alternative resources" (Huybrechts et al., 2014, p. 262; also see Froelich, 1999).

We do not argue that CSS is futile in helping SEs earn legitimacy and social recognition in the case of Hong Kong. Nonetheless, our findings show that such support has had, at best, mixed effects in helping SEs muddle through the daunting pressures they face in sustaining hybridity and attain legitimacy. To enhance CSS efficacy, some adjustments to the types and roles of benefactors joining the support endeavors as well as greater attention to assistance and regulation in aspects other than financial sustainability are important. Diversity within support networks and a multilateral model that stresses collaboration and coordination among different benefactors in forming more integrated measures to foster not only the financial performance but also, more importantly, the social impacts, legal recognition, transparency and accountability of SEs are important for CSS to serve as "enabling guardrails rather than constraining guards" (Smith & Besharov, 2019, p. 30). Furthermore, the government must offer more nuanced and integrated governance arrangements that go beyond the traditional cost-efficiency thrust and embrace multiple goals and methods. A combination of creating synergy through CSS and empowering SEs by regulating their distinctive accountability can energize mutually beneficial collective outcomes and facilitate their identity and legitimacy building.

## **Conclusion**

Our study expands the literature on cross-sector collaboration and its impacts on SEs. The literature largely focuses on the contribution of cross-sector collaboration to the financial sustainability of SEs. We complement it by examining the impact of cross-sector collaboration on efforts by SEs to cope with institutional pressures in organizational legitimacy building. While most extant works have focused on the cross-sector partnerships of SEs, we shift our attention to an overlooked aspect: CSS, which does not necessarily involve partnerships with SEs but is crucial for shaping the institutional environment in which they pursue legitimacy. We also integrate the literature on cross-sector collaboration and intermediary organizations to offer a more expansive concept of SE governance that acknowledges not only the internal tensions and difficulties in the preservation of SE hybridity but also, more importantly, the role of external actors, especially government, in creating a macro environment and meso-level interorganizational relations conducive to legitimacy building and, consequently, sustainable development for SEs.

There are several limitations of this study. First, we have not scrutinized the relationship between CSS and SE internal governance structure, such as stakeholder involvement. More fine-grained analyses of this relationship by future studies would offer us a more in-depth understanding of the effects of CSS on SEs. Second, we have not explored the rationale underlying the choice by SEs of different support schemes. It would be helpful if other researchers could tell us more about the extent to which SEs have choices and, if so, what factors make CSS more or less attractive to them. Finally, we conducted a single case study of Hong Kong at one particular time period. Future research that studies cases in different

institutional environments, adopts comparative perspectives, and takes a longitudinal approach can test and deepen our theoretical propositions. We also call for further reflection on the modes of governance based on various national contexts that can enable cross-sector collaboration to better support the complex goals of SEs in their dynamic, arduous processes of coping with multiple institutional pressures.

## Notes

1. Scott (1995, p. 49) defined institutions as “multifaceted, durable social structures, made up of symbolic elements, social activities, and material resources.”

## Disclosure Statement

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## Author Biographies

**Ming Ma** is Assistant Professor in the Department of History at Nanjing School of Administration, 190 Lingshan North Road, Jiangsu, China. He received his PhD in government and international studies from Hong Kong Baptist University (maming@life.hkbu.edu.hk).

**Yi Kang** is Associate Professor of government and international studies at Hong Kong Baptist University, Academic and Administration Building, Baptist University Road Campus, Hong Kong Baptist University, Kowloon Tong, Hong Kong SAR. She received her PhD in political science from Yale University. She is author of *Disaster Management in China in a Changing Era* (2015). She has published articles in *Journal of Contemporary China*, *China Information*, *China Review*, *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, etc. (yikang@hkbu.edu.hk).

**Yuyan Feng** is a student of the Master of Public Administration Programme at Hong Kong Baptist University. Her current research interests include cross sector collaboration, institutional theory, and philanthropic organizations (18448046@life.hkbu.edu.hk).

## **Appendix 1.** List of Documents

### **Venture Capital Support**

1. Social Innovation and Entrepreneurship Development Fund (SIE), <https://www.sie.gov.hk/en/who-we-are/sie-fund.page>
2. Enhancing Employment of People with Disabilities through Small Enterprise Project, [https://www.sehk.gov.hk/en/gov\\_fund.html](https://www.sehk.gov.hk/en/gov_fund.html)
3. DBS Foundation SE Grant, <https://www.dbs.com/foundation/featured/social-enterprise-grant-programme>

### **Promotion Support**

1. Disseminating knowledge of SEs to improve public recognition, <https://www.ses.org.hk>
2. Producing promotional videos and radio shows, <https://www.socialenterprise.org.hk/zh-hant/video>
3. Establishing online shopping platforms, <https://www.goodgoods.hk/en>

### **Operation Support**

1. Business consultation and provision of training courses, <https://www.socialenterprise.org.hk/zh-hant/business-support>
2. Publication of guidebooks:  
The Hong Kong Council of Social Service (2016), *A Practical Guide of Setting up A Social Enterprise*. <https://www.socialenterprise.org.hk/en/content/se-good-start-now-available-downloading>  
The Hong Kong Council of Social Service (2016), *Choosing a Legal Form and Recommended Practices*. <https://www.socialenterprise.org.hk/en/content/se-good-start-now-available-downloading>  
Social Enterprise Business Center (2021), Social Enterprise Directory. <https://socialenterprise.org.hk/en/content/se-directory-202122-%E2%80%93-se-figure>