

Institutions and Social Entrepreneurship: A Multilevel Perspective

Xing Li

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Institutions and Social Entrepreneurship: A Multilevel Perspective

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(met een samenvatting in het Nederlands)

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Xing Li

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Promotor:

Prof. dr. N.S. Bosma

Copromotor:

Dr. F.H.J. Polzin

Beoordelingscommissie:

Prof. dr. G.J.A. Hummels

Prof. dr. K. Kreutzer

Prof. dr. F.C. Stam

Prof. dr. V.A.J.M. Schutjens

Dr. C. Zhang

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Chapter 1 Introduction

“This is not charity. This is business: business with a social objective, which is to help people get out of poverty.”

— Muhammad Yunus

Social entrepreneurship (SE) has increasingly attracted attention from practitioners and scholars within the past decades. It usually refers to individuals or organizations that apply market-based methods to address social problems, aiming to achieve and sustain their primary mission of social value creation (Mair & Marti, 2006; Miller et al., 2012; Saebi et al., 2019). It shifts the focus from maximizing economic profits in commercial businesses to pursuing multiple goals; that is, it aims to create both social and economic value for satisfying social needs and generating positive societal change through a market-based approach. SE has been recognized as a powerful mechanism for benefiting marginalized populations as beneficiaries, reducing poverty, improving health care and education, empowering women, and the like (Austin et al., 2006; Dacin et al., 2010; McMullen & Warnick, 2016; Miller et al., 2012). In addition, it has the potential to drive inclusive economic development by creating employment opportunities, implementing innovations, and building social value creation chains (Anderson & Lent, 2019; Mitzinneck & Besharov, 2019; Shaw & Bruin, 2013). Befitting their great potential in addressing social problems, SE has witnessed significant development, particularly over the past two decades (Dart, 2004b; Nicholls, 2010b; Zhao & Lounsbury, 2016).

To understand the SE phenomenon, the field of SE spans different levels of analyses, typically concentrating on the individual, organizational, and institutional levels (Saebi et al., 2019; Stephan et al., 2015). At the individual level of analysis, the research primarily centers around, though not exclusively, the examination of the motivations and actions of social entrepreneurs (Estrin et al., 2016; Miller et al., 2012). At the organizational level of analysis, research topics are fragmented but mostly related to the management, performance, and scaling of the social enterprise (Gupta et al., 2020; Saebi et al., 2019). At the institutional level of analysis, the impact of institutions on SE activities and the institutional/societal change created by SE are the main focus of the extant SE studies (Bhatt et al., 2019; Rao-Nicholson et al., 2017; Stephan et al.,

2015). However, SE has been recognized as a multilevel phenomenon (Saebi et al., 2019). Limiting research to a single analytical level not only misrepresents the complexity of the phenomenon but also risks missing opportunities to advance knowledge through multilevel research into SE phenomena (Saebi et al., 2019; Shepherd, 2011).

Employing a multilevel framework and contextualized perspective is, thus, well-suited and necessary as it provides a holistic and comprehensive understanding of SE. It enables us to discover, consider, and analyse various issues of SE within and across levels, such as the variations and differences in social entrepreneurial activity at both individual and national levels (Saebi et al., 2019). It allows for examining SE within a broader context by considering the influence of environmental, cultural, and institutional factors, enriching our understanding of how SE is shaped by and contributes to its surrounding environment. A multilevel perspective also helps to identify the mechanisms and processes through which different levels of analysis interact and influence SE, thereby mitigating biases that may arise from studying only one level, such as the ecological fallacy and the disaggregation bias (Kim et al., 2016; Peterson et al., 2012). Indeed, to a lesser extent, a multilevel approach across the individual, organizational, and institutional levels has been found in the SE literature, trying to understand how SE is embedded within various social structures (Estrin et al., 2016; Stephan et al., 2015).

In addition, exploring and understanding SE further involves delving into the identification and development of theories that can effectively account for the multilevel nature of SE. Institutional theory particularly holds relevance to navigating SE at various levels of analysis (Bjørnskov & Foss, 2016; Saebi et al., 2019). It offers valuable insights into how SE operates within the broader institutional context and helps researchers and practitioners to gain a comprehensive understanding of the factors that can facilitate or hinder the development of SE initiatives (Mair & Marti, 2006). It can also be used to explore how institutional pressures, legitimacy concerns, and competing logic can influence the establishment and growth of SE (Battilana & Lee, 2014; Dart, 2004b; Stephan et al., 2015). Additionally, this theoretical lens may contribute to our knowledge of how social entrepreneurs identify institutional voids and opportunities that can be leveraged to create positive social change through their entrepreneurial activities (Haugh & Talwar, 2016; Lumpkin et al., 2018). Therefore, in

this thesis, I particularly adopt the institutional perspective as the theoretical background to enrich current understanding of the multilevel nature of SE, specifically exploring its predictors at both national and individual levels, as well as investigating its societal impact creation at a higher community level.

1.1 Theoretical background and framework

1.1.1 Towards a multilevel framework of social entrepreneurship

As discussed above, SE is a complex phenomenon influenced by multiple factors operating at different levels, including the characteristics of the individual, communities, and nations. Additionally, it has the capacity to bring about societal and institutional change at higher levels. Therefore, a multilevel approach is needed to gain a holistic understanding of SE as an inherent multilevel phenomenon (Saebi et al., 2019). Without a comprehensive multilevel framework, SE research is susceptible to two analytical traps discussed in prior entrepreneurship literature: the ecological fallacy and the disaggregation bias (Kim et al., 2016; Peterson et al., 2012). Specifically, the *ecological fallacy* may occur when making assumptions about behaviors at the individual level based only on the aggregated macro-to-macro associations (Peterson et al., 2012; Stephan et al., 2015). Alternatively, *disaggregation bias* or reverse ecological fallacy occurs when individual-level results are used to make inferences about relationships at the aggregated levels (Daniels & Greguras, 2014; Nielsen, 2010).

The ‘bathtub framework’, initially proposed by sociologist Coleman (1994) to better understand linkages between structure (macro level) and agency (micro level), has been frequently applied as an organizing framework for uncovering the multilevel mechanisms of entrepreneurship (Bjørnskov & Foss, 2016; Kim et al., 2016). It links the multilevel antecedents of entrepreneurship, entrepreneurial activity itself, and its aggregate consequences in a unified framework (Bjørnskov & Foss, 2016; Kim et al., 2016). Based on Coleman's (1994) bathtub model, Hedstrom and Swedberg (1998) identify three types of mechanisms existing in this two-level structure (see Figure 1.1): *situational mechanisms* (represented by AB in Figure 1.1), which relate the conditions of the macroenvironment to individuals’ attitudes, goals, and beliefs; *action-formation mechanisms* (represented by BC in Figure 1.1), which relate these goals and beliefs of individuals to their behavior; *transformation mechanisms* (represented by CD in Figure

1.1), which account for how the actions of many actors jointly contribute to both intended and unintended macro-level outcomes. In the study of entrepreneurship, these three types of mechanisms can be used to depict and discuss how broader institutional and social contexts drive entrepreneurial action and which actions of many entrepreneurs can transform these contexts.

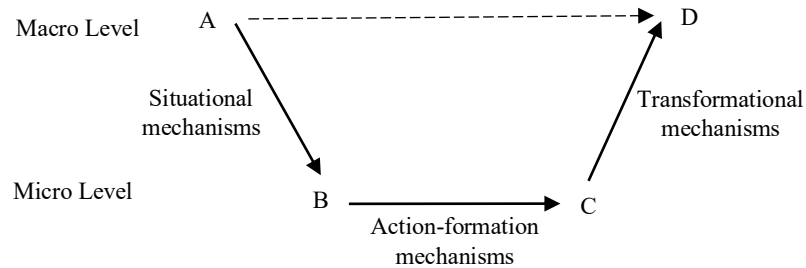


Figure 1-1: Original Bathtub model typology
Source: Coleman (1994), Hedstrom and Swedberg (1998)

In the context of SE, the bathtub framework also has the potential to enhance our understanding of SE. It allows SE researchers to structure and interlink related mechanisms in a multilevel framework, which helps to capture the multilevel nature of SE and provides a comprehensive understanding of SE (Johnson & Schaltegger, 2020). The framework's top-down and bottom-up mechanisms (i.e., situational and transformational) contribute to our understanding of how and why SE matters within the broader social and institutional context (Mair & Marti, 2006). Potential research opportunities can be identified, evaluated, and discussed by squaring the extant SE research with this multilevel bathtub framework (Saebi et al., 2019). For instance, scholars have argued more attention should be paid to exploring how macrolevel antecedents may affect individuals to engage in SE, and there is a limited study on delineating and understanding the impact of SE at a community and societal level (Lumpkin et al., 2018; Saebi et al., 2019).

In this thesis, four distinct chapters are organized based on the bathtub model (see Section 1.2). They draw upon insights from numerous scholars who have delved into the multilevel nature of SE, with the aim of examining some untapped multilevel mechanisms of SE. By doing so, this thesis contributes to the existing body of knowledge on the multilevel nature of SE and enhances our understanding of this complex phenomenon.

1.1.2 Institutions and social entrepreneurship

To adequately explore and comprehend the phenomenon of SE, it becomes crucial to identify and develop theories to explain and capture the complexities and interdependencies across different levels of analysis within the realm of SE. Adopting an institutional approach to studying SE has attracted growing interest, as evidenced by the increasing number of publications in this area (Estrin et al., 2016; Saebi et al., 2019; Stephan et al., 2015). The relevance of institutional theory to SE can be attributed to its alignment with the multilevel nature of SE. The term “institutions” refers to the “rules of the game” in society (North, 1990: 3) that shape expectations and determine appropriate behavior for individuals and organizations embedded within a broader institutional environment (Bruton et al., 2010). These institutions also establish the underlying logic that governs the taken-for-granted behavioral expectations (Zucker, 1977). Institutional theorists have also long been interested in exploring how organizations achieve legitimacy to overcome the liability of newness and to gain the necessary resources for their development (Suddaby et al., 2017). In addition to the promising of the above well-developed different institutional perspectives in accounting for the top-down mechanisms of entrepreneurial activity, institutional theory also contributes to understanding how and why individuals and organizations bring about changes in the societal and institutional environment (Bruton et al., 2010; Kim et al., 2016).

Due to its potential, institutional theory has been increasingly applied in previous research to analyse diverse activities within the field of SE (Gupta et al., 2020; Li & Bosma, 2021; Pache & Santos, 2013b; Stephan et al., 2015). For instance, prior research studies institutional barriers to SE across different countries (Bhatt et al., 2019; Estrin et al., 2013), analyses how social enterprises management tensions arising from their competing dual logics (Nicholls & Huybrechts, 2016; Pache & Santos, 2013b), and explores strategies for creating societal and institutional changes (Dacin et al., 2011; McNamara et al., 2018). However, considering the complexity of the SE phenomenon, there is still ample space for integrating institutional theory with SE to better understand the multilevel nature of SE (Klarin & Suseno, 2023; Saebi et al., 2019). Thus, in this thesis, we particularly focus on the implications of institutional perspectives in SE and try to enrich our current explanations of the multilevel mechanisms of SE.

1.2 Research questions and conceptual framework

Considering the multilevel nature of SE and the significance of institutional theory in understanding social entrepreneurial activity as discussed above (Bruton et al., 2010; Saebi et al., 2019), the objective of this dissertation is to further enrich our understanding of the multilevel mechanism of SE, particularly by leveraging the institutional theory perspective. Specifically, I address the following four research questions:

Research question 1: *How has the institutional theory been applied and extended in the SE context?*

As previously highlighted, institutional theory has shown considerable promise for elucidating the behavior of SE and offers a rich and potentially productive conceptual foundation for advancing the SE field (Saebi et al., 2019; Stephan et al., 2015; Zhao & Lounsbury, 2016). However, there is a lack of systematic and comprehensive understanding of the implications of institutional theory in extant SE research. Therefore, this thesis first aims to systematically review the existing SE literature that employs an institutional approach. This review aims to assess the current status of the SE field, identify its limitations and shortcomings, uncover potential research opportunities, and determine where we need to move forward. In addition, examining the SE literature through an institutional lens lays the groundwork for my following research endeavors reported in Chapters 3-5.

Research question 2: *How do institutional-level unsatisfied basic human needs, pro-market institutions, and individuals' entrepreneurial alertness directly and jointly influence SE engagement at the individual level?*

It has been well acknowledged that both an individual and context-centric approach are important for understanding individual variations in entrepreneurial activity (Bjørnskov & Foss, 2016; Hwang & Powell, 2005; Kim et al., 2016). A number of empirical SE studies have also tried to understand the attributes of social entrepreneurs and the national conditions in which SE occurs (Estrin et al., 2016; Miller et al., 2012; Stephan et al., 2015). With this research question, we identify some limitations of prior studies and try to reveal some untapped links between individuals' SE behavior and characteristics of social entrepreneurs and the country they are located.

Specifically, at the individual level, most SE studies focus on social entrepreneurs' prosocial personalities, such as empathy and compassion (Bacq & Alt, 2018; Miller et al., 2012). However, there is a lack of understanding of how personal characteristics related to traditional entrepreneurial orientation can affect individual SE entry. At the national level, extant research has suggested that unsatisfied social needs derived from institutional and market failure are important predictors of SE (Santos, 2012; Stephan et al., 2015). Yet, prior empirical research has not directly and quantitatively addressed how unmet basic human needs play a role in predicting social entrepreneurial activity. In addition, the market orientation of SE also has mainly been overlooked while exploring the role of institutions in facilitating or hindering individuals' SE engagement. To address these limitations, we integrate the discovery theory of opportunity and institutional approach to examine how individual-level entrepreneurial alertness, national-level unsatisfied basic human needs, and a country's pro-market institutions can directly and jointly predict the probability of an individual's SE entry.

Research question 3: *What are the sources of cognitive legitimacy for SE, and how do they determine individual SE engagement?*

SE has received significant attention from both practitioners and scholars over past decades due to its great potential in addressing social problems (e.g., poverty, income inequality, and lack of education or healthcare) (Dacin et al., 2011; Dart, 2004b; Saebi et al., 2019). However, the combination of two distinct and competing organizational objectives within one organization (i.e., the pursuit of both social and economic value creation) still makes it neither fully understood nor taken for granted in many countries (Chliova et al., 2020; Dart, 2004b; Nicholls, 2010b; Saebi et al., 2019; Weidner et al., 2019). To date, scholars have notably leveraged the critical concept of legitimacy to help us understand the emergence and evolution of SE, particularly focusing on its pragmatic and moral legitimacy (Dart, 2004b; Miller et al., 2012). However, there is very limited knowledge about the cognitive legitimacy of SE and how it can determine an individual's SE behavior. Therefore, in addressing this research question in Chapter 4, we first explore how the legitimacy of two categories SE encapsulates (i.e., business and nonprofit organizational form) spills over to SE for enhancing individuals' comprehension on SE, thereby affecting their engagement in social entrepreneurial activity. Besides, at the individual level, we investigate whether the perceived social enterprise density can serve as another source of cognitive legitimacy of SE, which may

encourage more individuals to engage in SE. Finally, we further examine if these two sources of cognitive legitimacy are complementary or substitute to each other when they play a role in predicting individuals' SE engagement.

Research question 4: *What dynamic capabilities do social enterprises develop to involve local communities in the creation of societal impact?*

Departing from exploring how national-level arrangements affect SE activity in Chapters 3 and 4, this chapter focuses on the outcome of SE at the meso-level of community. Social enterprises have gained recognition as powerful agents in creating social change within communities (Apostolopoulos et al., 2019; Lumpkin et al., 2018). Involving the local community holds particular significance for social enterprises, given that many societal challenges manifested at the local community level, such as inequality, poverty, and lack of healthcare (Haugh, 2007; Lumpkin & Bacq, 2019). Moreover, social enterprises often encounter difficulties in accessing resources, and local communities can serve as potential providers of various resources required for the development of social enterprises, such as financial, human, and physical resources (Bacq et al., 2022; Di Domenico et al., 2010). Despite the frequent engagement of social enterprises in local communities, we still have a limited understanding of how social enterprises can effectively create a positive social impact with community involvement. Dynamic capabilities denote an organization's capacity to integrate, construct, and adapt its internal and external competencies, such as resources and assets, in order to respond to or instigate changes in the business environment (Teece, 2007; Teece et al., 1997). To get local communities involved in achieving their societal impact creation, social enterprises need to build and develop a specific set of dynamic capabilities. Therefore, in Chapter 5, we aim to answer the question about how social enterprises generate social impact in the local communities in the Chinese context using the perspective of dynamic capabilities.

1.3 Structure of the thesis

The four research questions discussed in Section 1.2 enrich our current understanding of SE as a multilevel phenomenon and extend the application of institutional theory in explaining this phenomenon. Figure 1.2 depicts a multilevel framework of SE for this thesis based on the bathtub model. As such my thesis aims to enrich the existing

understanding of the situational mechanisms that relate to the macro-to-micro levels and the transformational mechanisms that map how social enterprises lead to societal impact at the community level. It facilitates the integration of the various levels of analysis in accounting for the multilevel nature of SE and shows the significant potential of institutional theory in explaining SE. Through this thesis, we mainly focus on the relationships in solid arrows.

To analyse the multilevel mechanism of SE from the institutional theory perspective, we start by conducting a literature review on the applications of institutional theory in current SE literature (Chapter 2). We provide an encompassing overview of the wide-ranging applications of institutional theory to SE (Estrin et al., 2013; Saebi et al., 2019; Stephan et al., 2015). We first systematically identify and collect prior SE research adopting an institutional perspective.

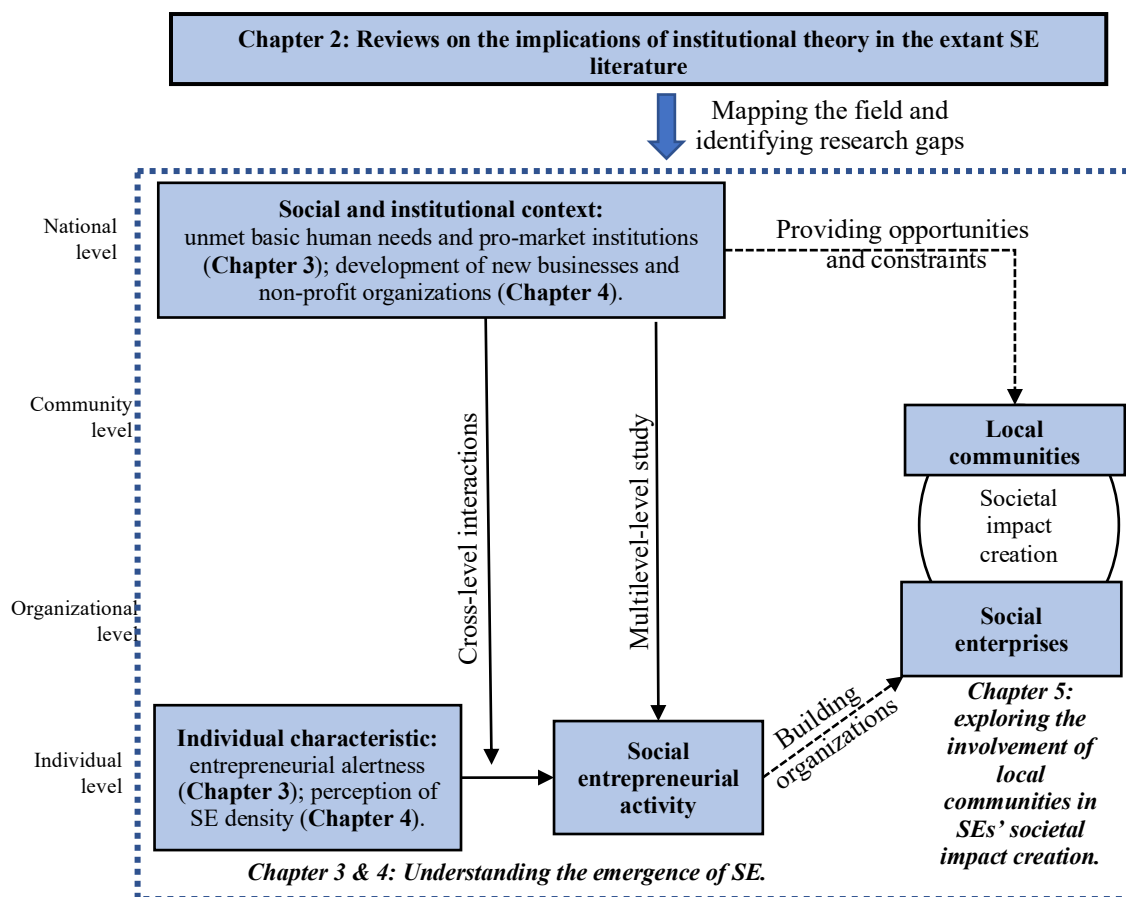


Figure 1-2: A multilevel framework of SE

Notes: The figure depicts the multilevel nature of SE activity across levels: national-, community-, organizational-, and individual levels. However, only the relationships in solid arrows are presented and examined in this dissertation.

After collecting the literature, we conduct a supplementary bibliometric analysis to help us comprehensively understand how institutional theory has been applied to the SE context. Through our systematic review and bibliometric analysis of the relevant literature, we reveal the implication of institutional theory in current SE literature can be clustered into three unique conversations: institutional and societal change, institutional complexity and hybrid organizations, and the institutional context of SE. Finally, we zoom in and out on each conversation to identify potential research opportunities for future study, aiming to move the intersection of institutional theory and SE forward. Overall, this chapter enriches and extends our knowledge of an institutional approach to SE.

The following two chapters are devoted to understanding the determinants of individual variations in engaging social entrepreneurial activity across nations. In Chapter 3, building on the discovery theory of opportunities and institutional theory (Alvarez & Barney, 2007; Bruton et al., 2010), we provide a full explanation of SE activity that takes into account national conditions and entrepreneurial traits of social entrepreneurs. By adopting a multilevel regression model, we investigate the direct and joint effect of institutions and individual characteristics on individual involvement in SE.

In Chapter 4, we examine the predictors of individuals' SE engagement using the legitimacy perspective. Legitimacy has been identified to play a crucial role in understanding new ventures' creation, survival, and growth (Shepherd et al., 2021; Zimmerman & Zeitz, 2002). By adopting a multilevel research method and multilevel logit regression, we try to understand whether and how the two well-established organizational forms (i.e., business and nonprofits) that SE straddles spill their legitimacy to SE by facilitating individuals to engage in SE. We also examine if the perceived density of social enterprises can account for the explanation of SE activity at the individual level. Finally, we look at how these two sources of legitimacy jointly affect individuals' engagement in SE.

In Chapter 5, complementing the work on antecedents of SE, we try to understand how social enterprises can create positive societal change with local community involvement (Lumpkin et al., 2018; Lumpkin & Bacq, 2019). We adopt a multiple case study to reveal the set of dynamic capabilities through which social enterprises involve local communities in the creation of societal impact in an underexplored empirical

context (China). This research provides valuable insights into the role of dynamic capabilities in social enterprises, with a particular focus on examining how social enterprises create social value with local community engagement. We gain insights to enhance the interaction between social enterprises and local communities in creating social change.

Finally, in Chapter 6, we summarize our findings of each study from Chapters 2-5, identifying the main contributions and limitations of our studies. We discuss and provide implications for practitioners and policymakers based on our findings. We finally evaluate our multilevel and institutional approach to studying SE and believe these methods are worthwhile and can be extended and enriched. We thus provide several suggestions for future research. Table 1.1 presents an overview of the content of this dissertation.

Table 1.1: Overview of chapters

Chapter	Title	Theoretical background	Main data source	Methods	Main results	Co-authors	Status
1	Introduction						
2	Institutional theory in social entrepreneurship: Mapping the field and guidance for future research	Institutional theory	131 peer-reviewed articles published between 2008-2022	Systematic review	Three unique conversations exist between institutional theory and SE: institutional and societal change, institutional complexity and hybrid organizations, and the institutional context of SE. We zoom in and out on each conversation to pinpoint future research opportunities.	Niels Bosma	Under third-round review of <i>Journal of Business Ethics</i>
3	Entrepreneurial alertness and institutions in social entrepreneurship: A multilevel cross-country study	Institutional theory and the discovery theory of opportunities	GEM 2015	Multilevel logistic regression: individual and national level	At the individual level, individuals' entrepreneurial alertness positively contributes to their SE entry. From the cross-level analysis, the institutional support and institutional void effects co-exist in positively predicting SE. In addition, the influence of entrepreneurial alertness on SE entry depends on the aforementioned institutional context.	Niels Bosma	First-round revise and resubmit at <i>Journal of Business Research</i>

4	The role of cognitive legitimacy in social entrepreneurship: A multilevel analysis	Legitimacy theory and organizational ecology perspective	GEM 2015	Multilevel logistic regression: individual and national level	At the individual level, a positive relationship exists between individuals' perceived density of social enterprises and their SE entry. We also find evidence of legitimacy spillovers from new business and nonprofit organizations to SE activity. Besides, the legitimacy spillover effects are more significant when individuals perceive a lower density of SEs.	Wanxiang Cai & Niels Bosma	Published in <i>Small Business Economics</i>
5	When social enterprises meet communities: The role of dynamic capabilities for societal impact	Dynamic capabilities and hybridity	15 Chinese social enterprises	Multiple case study (qualitative, inductive)	We identify four central dynamic capabilities of SEs, supported by respective sets of micro-foundations, for involving local communities in their social value creation in the Chinese context: sensing opportunities, multiplicity management, collaborative advantage, and transformation.	Friedemann Polzin	Submitted to <i>Entrepreneurship and Regional Development</i>
6	Conclusion						

Chapter 2 Institutional Theory in Social Entrepreneurship: Mapping the Field and Guidance for Future Research¹

Abstract: Over the past decade, institutional theory has been extensively utilized in the field of social entrepreneurship (SE). However, an encompassing overview of the wide-ranging applications of institutional theory to SE is lacking, potentially hampering academic advances in this particular domain. To address this gap, we systematically review 131 papers published between 2008 and 2022 and conduct a supplementary bibliometric analysis to comprehensively understand how institutional theory has been applied to SE and to investigate the role of ethics herein. Our analysis shows that the body of existing research is divided into three clusters reflecting three unique conversations: institutional and societal change, institutional complexity and hybrid organizations, and the institutional context of SE. The results further reveal that ethics is integrated only limitedly into institutional theory-based SE research. We then zoom in on each conversation to highlight the existing key research topics and propose opportunities for future research stemming from identified conversations. We also encourage SE scholars to zoom out on the aforementioned conversations to foster the development of this promising field of research by critically examining ethics and incorporating other theories (i.e., social movement theory, category, and emotions).

Keywords: Social entrepreneurship; institutional theory; business ethics; institutional logics; hybrid organizations

2.1 Introduction

Social entrepreneurship (SE) refers to individuals and organizations that employ a business logic to address varied societal problems (Dacin et al., 2011; Mair & Marti, 2006). Over the past decades, the field of SE has grown rapidly and become an influential research stream (Dart, 2004b; Hota, 2023; Saebi et al., 2019; Short et al., 2009). SE has been recognized as an effective mechanism to reduce poverty and

¹ This Chapter, authored by X. Li & N. Bosma, is currently at the third-round review for *Journal of Business Ethics*. **Xing Li:** Conceptualization, Methodology, Data curation, Software, Formal analysis, Writing- Original draft preparation, Project administration. **Niels Bosma:** Conceptualization, Writing- Reviewing and Editing, Supervision.

inequality (Di Lorenzo & Scarlata, 2019), empower women (Haugh & Talwar, 2016), bring about social transformation (Sakarya et al., 2012), create new institutions (Mair & Marti, 2009), and promote inclusive markets (Agarwal et al., 2018).

The institutional theory-based SE research has risen to prominence to understand these diverse phenomena in SE since the institutional theory has been well-acknowledged as a vibrant theory to provide powerful explanations for both individual and organizational action (Bruton et al., 2010; Dacin et al., 2002; DiMaggio, 1988; Glynn & D'Aunno, 2023). This is evidenced by a growing number of studies from different disciplines and fields (e.g., entrepreneurship, ethics, sociology, economics; Hota et al., 2020; Kerlin et al., 2021; Saebi et al., 2019), which have embraced institutional ideas to understand SE, such as predicting individuals' SE involvement (Estrin et al., 2016; Stephan et al., 2015), explaining its legitimacy building (Ruebottom, 2013), and understanding societal change created by social enterprises (Huybrechts & Haugh, 2018). At this stage in the richness and diversity of the institutional research on SE, it is a time to synthesize and reflect on the existing literature to understand what has been done based on established perspectives in institutional theory (e.g., institutional logic, legitimacy, and institutional entrepreneurship) and what we still need to know in the future study.

Furthermore, while attention to ethics is critical in this domain it is as yet an underappreciated building block. Most of the existing studies implicitly assume social enterprises as inherently ethical businesses due to their primacy of social missions (Dacin et al., 2011; Santos, 2012). Yet, some of the institutional SE research has captured the value of ethics (Gillett et al., 2019; Ko & Liu, 2021; Mitzinneck & Besharov, 2019), recognizing that the “social” does not necessarily coincide with “ethical” in the context of SE (André & Pache, 2016; Chell et al., 2016; Dey & Steyaert, 2016; Hota et al., 2020). Although ethics have been implicitly in most, and explicitly discussed in some of the institutional analyses of SE, systematic examinations of the role of ethics are scant. Capturing the role of ethics systematically in institutional SE research could provide deeper and novel insights, for instance, bringing further nuance to understanding the positive and negative of SE when it creates societal and institutional changes (Bhatt, 2022; Bote et al., 2023; Hota et al., 2020).

Many excellent reviews have been conducted in the field of SE, attempting to make contributions to our understanding of the SE phenomenon. However, most of them tend

to investigate specific issues within SE, such as understanding the definition variety of the SE concept (Bacq & Janssen, 2011), the hybridity of social enterprises (Doherty et al., 2014), and the measurement of social impact (Rawhouser et al., 2019). Others aim to structure the extant SE research by adopting either narrative (e.g., Gupta et al., 2020; Saebi et al., 2019) or quantitative bibliometric analysis (Hota, 2023; Hota et al., 2020; Macke et al., 2018). Although these reviews have to some extent included the interface of institutions and ethics, a more systematic analysis of the available literature is still lacking. This review, thus, aims to answer two interrelated questions: (1) How institutional theory is integrated into extant SE literature, and what opportunities exist for future research? (2) What is the role of ethics in institutional-theory-based SE research and along which avenues should future institutional SE research that focuses on ethics be encouraged?

To answer the above questions, this paper combines a bibliometric method with a systematic review to analyze the existing SE literature that employs institutional theory to underpin the study. Our review covers a wide range of top journals in multiple disciplines because SE has attracted considerable interdisciplinary attention, such as in sociology, management, and political science (Hota et al., 2020; Rawhouser et al., 2019). Specifically, our sample included 131 articles from 46 journals published over 15 years. Through our bibliometric and systematic analysis of the included articles, three unique conversations in the nexus between institutional theory and SE literature are identified—*institutional and societal change*, *institutional complexity and hybrid organizations*, and *the institutional context of SE*. We discuss each conversation in detail to uncover its main themes and link this to the role of ethics. Based on our analysis we identify promising research opportunities for future studies that adopt institutional theory to study SE.

Our systematic review makes several contributions to the SE and institutional theory literature. First, we provide an up-to-date, encompassing review of the intersections between institutional theory and SE, responding to the call for more attention to the role of institutional theory in SE research (Bhatt et al., 2019; Saebi et al., 2019). Second, we explore the integration of ethics in extant institutional theory-based SE research, enriching current discussions on the ethics of SE (Chell et al., 2016; Hota et al., 2020; Ko & Liu, 2021). Finally, based on our critical review and identified limitations, we guide scholars toward aligning institutional and ethical approaches to SE in future

research. Specifically, we first zoom in on each of the three identified conversations to propose new opportunities for future research between institutional theory and SE. We then involve ethics in the institutional analysis of SE to enrich current discussions on the ethics of SE. Finally, we zoom out on these conversations by encouraging scholars to incorporate other theories to enrich the current understanding of SE, such as social movement theory, category, and emotions, with institutional perspectives. Through our review, we recognize that SE provides an ideal context to test, enrich, and develop ideas for institutional theory and business ethics.

We proceed by first defining the boundaries of this review on institutional theory and SE. We then introduce the bibliometric method to systematically review the related literature, which contributes to structuring the extant institutional theory-based SE studies and understanding the role of ethics in this research. Finally, we propose some promising avenues for future research.

2.2 Definition boundaries: SE and institutional theory

The concept of SE emerged in the 1950s (Bowen, 1953) and has experienced a particularly strong development over the past two decades (Dart, 2004b; Nicholls, 2010b), yet there is still no consensus on its definition. SE has been defined in many ways: pursuing opportunities to innovatively address social needs (Mair and Marti 2006), hybrid organizations applying market-based solutions to social issues (Miller 2012), supplying needs that are not satisfied by for-profit ventures (McMullen, 2011), and combining a social mission with a profit-making business model (Nicholls, 2010a). Based on the summarization of these key SE definitions, Saebi et al. (2019) concluded that SE can be defined along the behavioral characteristics of social entrepreneurs, the dual mission of social enterprises, and the entrepreneurial process that creates social values. These foci of existing SE definitions further reflect three key units of analysis in current SE research: a focus on social entrepreneurs (individuals), social enterprises (organizations), and social entrepreneurship² (a process or behavior; Mair and Marti, 2006; Saebi et al., 2019). However, despite the variety of SE definitions and different

² The term social entrepreneurship can be used to describe both the entire field of social entrepreneurship research and the process of social entrepreneurial activity. To distinguish these two in the following work, we will use SE to discuss the research field of social entrepreneurship and SE process to stand for the social entrepreneurial process.

units of analysis appearing in current SE literature, Saebi et al., (2019) have identified the dual mission of social and economic value creation as the core characteristic of SE, differing from commercial entrepreneurship that is dominated primarily by an economic mission. In our review, instead of trying to solve the fundamental issue of the SE definition, we follow several scholars' recommendations and adopt a broad definition of SE that refers to individuals or organizations striving for social value creation by bringing about societal change or meeting social needs in an innovative and/or market-based way (Mair and Marti 2006; Zahra et al. 2009).

A major development in current SE literature has been the interest in an institutional approach to SE, rooted in an increasingly growing number of publications. The relevance of institutional theory to SE research can be firstly stressed by considering the embeddedness of individuals and/or organizations within the institutional environment. Specifically, institutional theory has predominantly been concerned with how various organizations and entities better secure their position and legitimacy by conforming to the norms and rules of institutional conditions (Bruton et al., 2010). The term "institution" is coined as "the rules of the game" in society (North, 1990: 3). Institutions can shape expectations that determine appropriate behaviors for individuals and organizations (Bruton et al., 2010) and form the logic by which those taken-for-granted behavioral expectations are natural and abiding (Zucker, 1977). Therefore, institutional theory provides an ideal framework for understanding how social entrepreneurs or social enterprises are embedded in the institutional environment and influenced by such institutions and multiple institutional logics. In addition, institutional theorists have long been targeting at questions related to how organizations attain legitimacy to overcome the liability of newness and gain resources (Suddaby et al., 2017). Given the seek for both social and economic value creation at the core of business operations, SE often faces the challenge of being recognized and taken-for-granted as well as receiving resources (Dacin et al., 2011; Dart, 2004b). The legitimacy perspective contributes to answering such questions posed by SE scholars. Finally, institutional theorists are also concerned about how and why individuals and organizations can bring about changes in the institutional environment. This exploration could provide insights into understanding the role of SE in generating changes to institutions and the societal environment. Collectively, the established perspectives in institutional theory (e.g., institutional complexity, legitimacy, and

institutional entrepreneurship) are particularly useful in explaining various SE issues (Battilana & Lee, 2014; Dacin et al., 2011; Stephan et al., 2015).

The power and values of institutional theory in understanding SE have been well presented in numerous scattered studies. For example, scholars have found that institutional characteristics can exert an influence on individuals' entry into SE, the entrepreneurial process of social ventures, and even the legitimacy of SE as a field (Dart, 2004b; Stephan et al., 2015). Institutional theory-based SE studies have also delved into answering diverse issues faced by social enterprises, such as exploring institutional barriers to their development in different countries (Bhatt et al., 2019; Estrin et al., 2013), how they gain resources and management tensions arising from the competing dual logics (Nicholls & Huybrechts, 2016; Savarese et al., 2020), as well as how to create societal and institutional change (McNamara et al., 2018; Venugopal & Viswanathan, 2019). Given the growing number of SE studies employing institutional theory in past decades, there is a good opportunity to conduct a systematic review to understand the value of institutional theory in SE research, which could help us to take stock of the progress so far and identify promising areas for future research.

2.3 Methodology

2.3.1 Article selection procedure

To identify relevant SE studies with an institutional perspective, we adopted a systematic review approach to ensure a “replicable, scientific, and transparent process” for synthesizing extant SE studies and identifying key scientific contributions to the SE field (Tranfield et al., 2003). The procedure of scientific paper collection starts with setting the search boundaries and specifying the timeframe. To set the search boundaries, we focused specifically on the major academic databases Web of Science and Scopus. We limited the search to peer-reviewed scholarly articles in English, therefore excluding book reviews, replies, and introductions to special issues, in line with existing literature reviews (Aguinis & Glavas, 2012; Saebi et al., 2019). Given that focusing on top-tier journals contributes to capturing research trends and current debates in a field, we restricted our search to top journals rated 3 to 4* by the Chartered Association of Business (2018). We set the coverage period to articles published

through the end of 2022 without a limitation on the starting date for the paper search. Overall, we followed three steps to conduct the subsequent article search and collection:

The first step is to conduct the search strategies and to remove duplicates of articles. Specifically, we tried to identify relevant studies that included at least one SE term [*social entrepreneur**, *social business*, *social enterprise**, or *social venture**] and the terms related to institutions [*institution**] in the title, abstract, or keywords of an article, which is consistent with prior systematic literature reviews (e.g., (Calabrò et al., 2019; Hillmann & Guenther, 2021)). In this procedure, we retrieved 777 and 867 papers in Web of Science and Scopus, respectively. By restricting our search to the selection of top journals discussed above, lists of 265 articles from Web of Science and 188 articles from Scopus were obtained. After eliminating duplicates from these lists and excluding two articles fully devoted to teaching materials, we generated a total of 285 studies.

Next, we studied all the titles, author keywords, and abstracts of our sample to judge whether the basic criteria of relevance were fulfilled (Calabrò et al., 2019) and excluded the ones that were beyond our scope (Adams et al., 2016). The evaluation of our sample was based on the following exclusion criteria: (1) articles that used the search terms differently than the focus of this review (e.g., the term “institutions” was mentioned in studying microfinance institutions); (2) articles that only focused on SE or institutional theory, rather than describing them both; and (3) articles that only referred to the search terms rather than satisfying our definitions of SE and discussing them as on the core of studies. For instance, the study by Åstebro & Hoos (2021) was excluded as institutions refer to a specific organization or entity, such as universities, banks, and government departments in this study and it does not adopt an institutional theory perspective to understand SE. This step resulted in the inclusion of 163 studies.

Finally, a full paper screening was performed. After reading the full-text papers for a comprehensive assessment, we excluded 29 studies in which SE or institutions were treated only marginally, and as such did not contribute to the aim of this review. Three literature reviews were also excluded (Doherty et al., 2014; Saebi et al., 2019; Smith et al., 2013), as we aimed to conduct a systematic literature review using primary sources. Both authors jointly determined whether an article is included in our sample based on its fits and consistency. Our final sample consists of a set of 131 studies. We present an overview of our paper selection procedure in Figure 2.1.

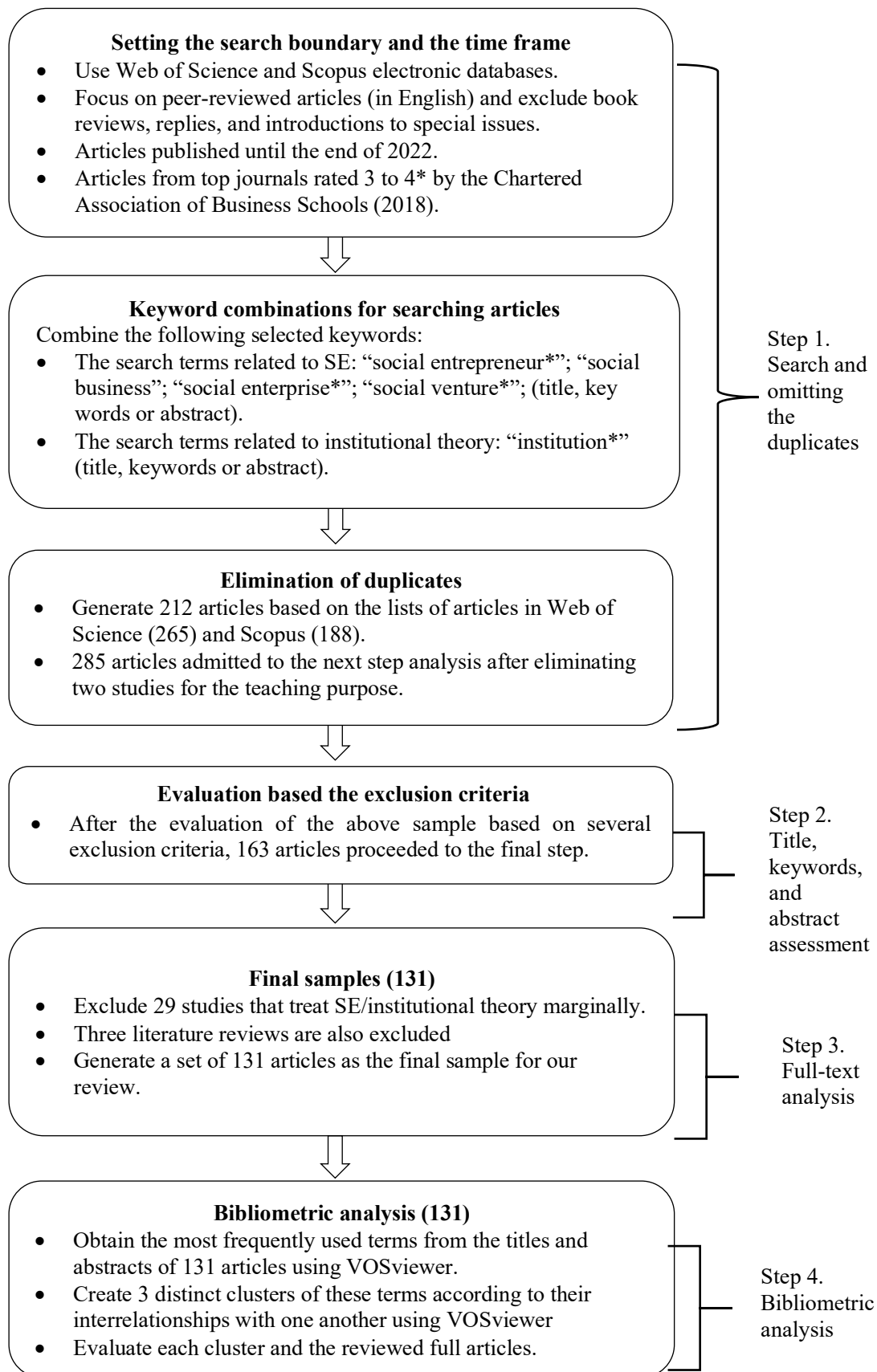


Figure 2-1: A flow diagram describing the literature collection

2.3.2 Bibliometric analysis

We leveraged bibliometric techniques to further analyze the knowledge structure of existing studies and emerging themes in this research area. Bibliometric techniques rely on bibliometric data (e.g., title, abstract, keywords, and authors) to frame “representative summaries of the extent literature” (Donthu et al., 2020:2). In our study, we employed the network visualization software, VOSviewer, to carry a co-word analysis of our sample articles and to present clusters reflecting the intellectual structure of the field. Specifically, we leveraged VOSviewer to first help us obtain the most frequently used terms from the titles and abstracts of the articles. Both authors got involved in reviewing and removing ambiguous and commonly used terms (e.g. method, year, effect), generating 63 terms for further analysis. Then the bibliometric analysis process created 3 distinct clusters of these 63 terms according to their interrelationships with one another (see Figure 2.2). The authors jointly evaluated and interpreted these clusters by reviewing the full articles. By using this method, we not only gain insights into each thematic cluster but also have the opportunity to explore the connections among clusters.

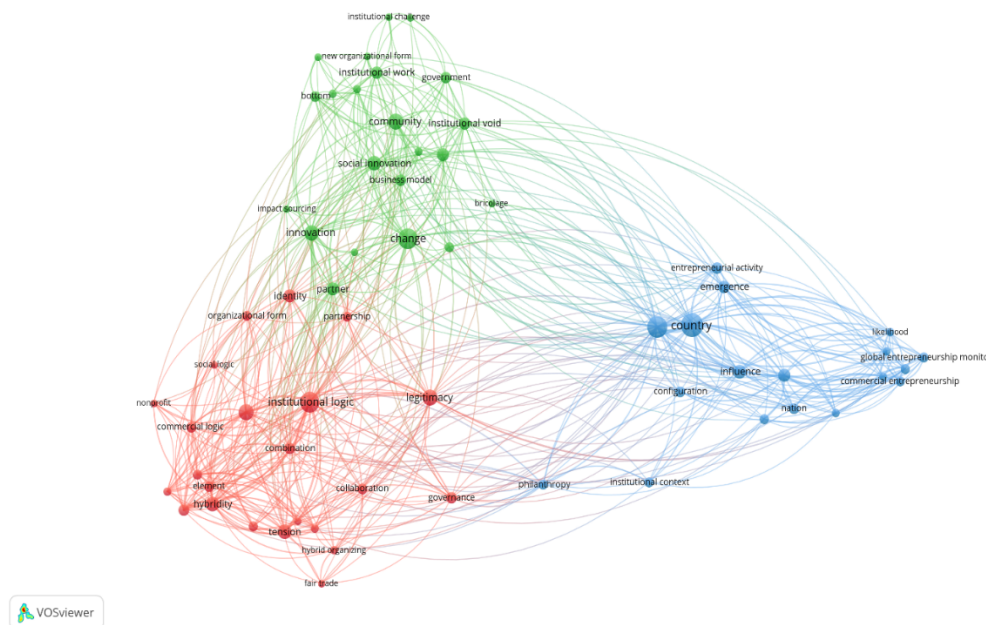


Figure 2-2: Clusters of the institutional theory in SE studies in the review

Notes: large circles indicate the terms are used more frequently, and the color-coded lines reflect the co-occurrence of terms.

2.3.3 Interpreting bibliometric analysis

After mapping the co-occurrence of terms based on our raw data, we then gave further interpretations of three clusters and depicted the conversations underlying the current studies on institutional theory in SE literature. Previous studies have shown that the co-occurrence of terms can reflect the conceptual or knowledge structure of the existing literature (Mmbaga et al., 2020). In terms of the interpretation process, we first use all terms in Fig. 2.2 in each cluster to map them in each of our reviewed articles. For instance, the term “institutional challenge” is automatically derived from the abstract of Bhatt et al.'s (2019:605) study as they examine the “institutional challenges to social entrepreneurship”. A single article may reside in more than one conversation, as multiple key terms from different conversations can be obtained from their title and/or abstract. For instance, Sanzo-Pérez and Álvarez-González (2022) use the terms “social innovation (green)”, “hybridity” (red), and “institution” (blue), which indicates that it may make contributions to multiple conversations.

Once we finished all the coding work for each article, both authors got involved in evaluating each cluster in Fig.2.2 and the reviewed articles that connected to those terms. They read all the full papers to find where these terms occur and how they are connected. In the first cluster (shown in green), a series of terms are included such as “base of the pyramid”, “institutional work”, “resource mobilization”, “social innovation” etc. After reading the full articles in this cluster, the two authors found that these articles mainly discussed institutional and societal change initiatives led by SEs under the condition of institutional void and undeveloped context and how SEs actively engaged in creating such changes to society and institutions. For example, Parthiban et al. (2020) investigated how institutional voids are filled by SEs in India. After a back-and-forth discussion between the two authors, we found that all the relevant articles employing terms in this cluster aimed to examine the change generated by SEs and their underlying mechanisms. We thus refer to this conversation (green cluster) as “*institutional and societal change*”.

In terms of the second cluster (shown in red), a number of key terms were identified, such as “commercial logic”, “institutional complexity”, “hybridity”, and “compatibility” et al. Reviewed articles using these terms focus on the phenomenon of institutional complexity within the context of SE and the legitimacy issue. For example, Zhao and

Lounsbury (2016) employ an institutional logic perspective to understand how multiple field-level logics related to market and religion affect social ventures' resource mobilization. Weidner et al., (2019) find that SEs' inter-partner legitimacy is relevant to each partner's external legitimacy and resource transfer. Therefore, we name this cluster (i.e., red cluster) as *institutional complexity and hybrid organizations*.

Finally, the third cluster (shown in blue) includes another group of terms, such as "configuration", "emergence", "institution", "multilevel analysis", "institutional context" et al. As we explored articles employing these terms, we found that researchers were examining how the institutional environment can provide opportunities and barriers to SE development and how institutions may affect SEs' activities at different levels. For example, Bhatt et al. (2019) identified institutional challenges to SE in the Chinese context. Stephan et al. (2015) investigate under which institutional conditions can promote SE activity. Thus, we refer to this conversation (i.e., blue cluster) as the *institutional context of SE*.

Taken together, three clusters of terms appear after the bibliometric analysis and we further interpreted them as conversations about *institutional and societal change, institutional complexity and hybrid organizations, and the institutional context of SE*. Based on this knowledge structure, we aim to provide a more comprehensive understanding of how institutional theory is applied and enriched in the research domain of SE. Importantly, we leverage this organizing framework to help us better find where we are now and illustrate the key themes and research questions in this field, and further propose where we should go in the future. Figure 2.3 shows the distribution of annual SE publications from the institutional perspective and highlights much attention has been paid to this research area over the past years. Table 2.1 presents the main themes and research questions of each conversation. We describe the content of each conversation in detail in sections 2.4-2.6. In section 2.7, we further describe how ethics is integrated with these three conversations by systematically reviewing the related articles in our final samples.

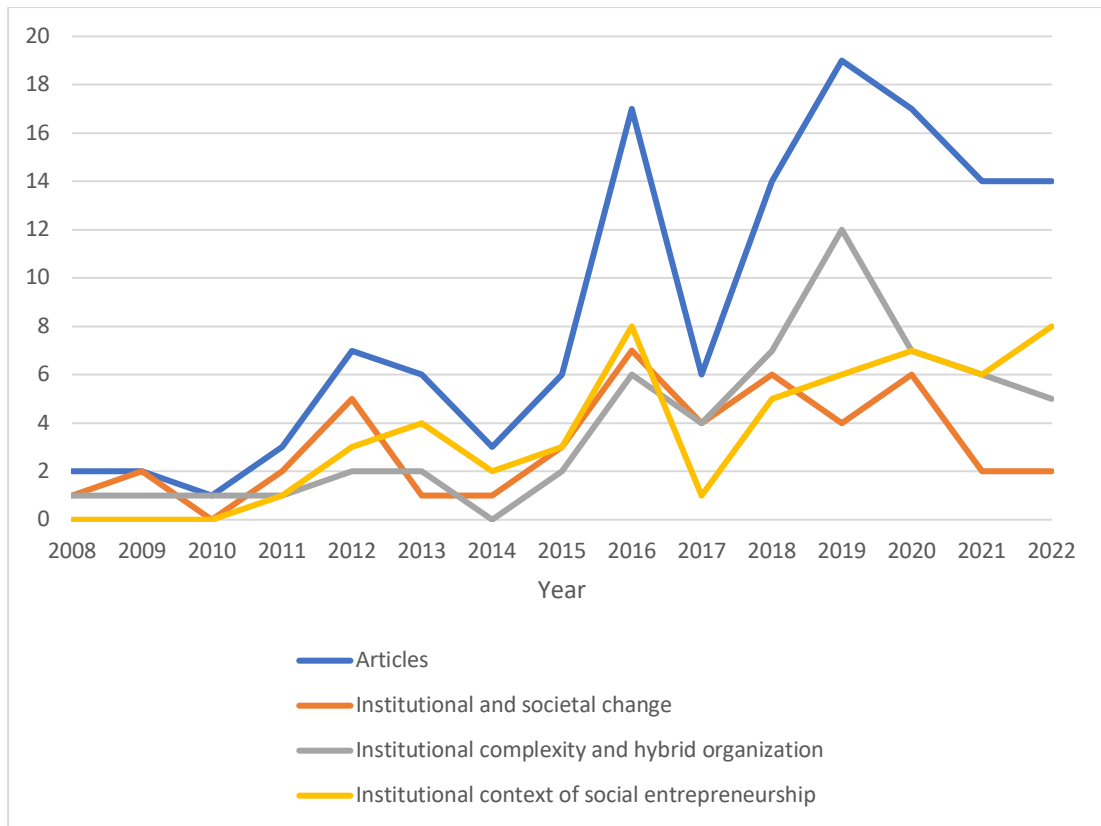


Figure 2-3: Papers on SE and institutional theory by publication year

Table 2.1: Conversations and themes

Conversations	Themes	Bibliometric terms	Research Focus	Example articles
Institutional and societal change (green cluster in Fig.2, 45 articles)	Positive/negative outcomes of societal and institutional change in SE (27 articles)	The base of the pyramid, community, change, institutional void, community, institutional challenge, transformation, institutional change, social innovation, change	Explore what and where change initiatives are enacted by SEs,	(Agarwal et al., 2018; De Beule et al., 2020; Tracey et al., 2011; Waldron et al., 2016)
	Institutional and societal change mechanisms (28 articles)	Transformation; institutional challenge; institutional work; bricolage; change; institutional change; resource mobilization; innovation; partner; social innovation; government	Understand the strategies and mechanisms behind change created by SEs.	(Bhatt et al., 2019; Montgomery et al., 2012; Rao-Nicholson et al., 2017; Waldron et al., 2016)
	Institutional and societal change entities (9 articles)	Change; innovation; government; impact sourcing; institutional work; change; new organizational form; business model; community; social innovation	Understand how societal change is triggered across organizations, legal forms, and business models.	(Irani & Elliman, 2008; Ko & Liu, 2021; Litrico & Besharov, 2019; Liu et al., 2016)
Institutional complexity and hybrid organizations (red cluster in Fig.2, 57 articles)	Competing institutional demands at the macro level (e.g., state, religion, community et al., 8 articles)	Institutional logic; institutional complexity; tension; hybrid; combination; hybrid organization	Explore how macro-level institutional logics manifest within SEs, including their impacts on SEs' activities and SEs' responses to field-level institutional complexity.	(Barth et al., 2015; Pache & Santos, 2013b; Xing et al., 2020; Zhao & Lounsbury, 2016)
	Inter-organizational partnership (meso-level, 11 articles)	Collaboration; hybrid organization; compatibility; institutional logic; multiple logic; tension; negotiation; hybrid organizing; commercial logic; hybridity; institutional complexity; combination;	Examine why, how, and with what consequences, SEs collaborate with other organizations and stakeholders; and how resulting tensions are mitigated, and their relationships are sustained.	(Altinay et al., 2016; Gillett et al., 2019; Huybrechts et al., 2017; Sakarya et al., 2012)

	<p>Intra-organizational multiple logics and hybridity (micro-level, 25 articles)</p>	<p>Hybrid organization; governance; hybrid; hybridity; institutional complexity; tension; institutional logic; social logic; commercial logic; element; legitimacy; combination; social welfare logic; negotiation; multiple logic; compatibility; organizational form</p> <p>Legitimacy; commercial logic; element; hybrid; hybrid organization; tension, organizational form, partnership</p>	<p>Understand how competing social and commercial logics manifest and sustain within SEs, as well as with what consequence to combine the dual logics.</p>	<p>(Alon et al., 2020; S. Khan et al., 2018; Kimbu & Ngoasong, 2016; Litrice & Besharov, 2019)</p>
<p>Legitimacy (17 articles)</p>	<p>Legitimacy (17 articles)</p>		<p>Explore the influences of SEs' legitimacy and how SEs build legitimacy.</p>	<p>(Agarwal et al., 2018; Calic & Mosakowski, 2016; Miller, 2012; Townsend & Hart, 2008)</p>
<p>Institutional constraints and opportunities across countries (8 articles)</p>	<p>Institutional constraints and opportunities across countries (8 articles)</p>	<p>Institution; institutional context; emergence, country, influence</p>	<p>Examine the different institutional challenges and potential opportunities for SE development across countries.</p>	<p>(Adeleye et al., 2020; Engelke et al., 2015; Littlewood & Holt, 2018; Wang et al., 2016)</p>
<p>The institutional context of SE (blue in Fig.2, 54 articles)</p> <p>Impact of institutions across levels (47 articles)</p>	<p>Impact of institutions across levels (47 articles)</p>	<p>Country; formal institution; multilevel analysis; influence; likelihood; configuration; global entrepreneurship monitor; human capital; entrepreneurial activity; nation; government activism; emergence</p>	<p>Investigate how institutions affect SEs' activities across three levels: national-, organizational, and individual levels.</p>	<p>(Deng et al., 2020; Stephan et al., 2015; Torres & Augusto, 2020; Wry & Zhao, 2018)</p>

2.4 Institutional and social change

In this conversation (green in Figure. 2.2), research concentrates on institutional and societal change created by SE. It primarily explores what institutional and societal change initiatives are enacted by social enterprises, how such change is enacted, and via which kind of entity these social enterprises manifested. We discuss these three themes — institutional and societal change initiatives, mechanisms, and entities — while also examining the integration of ethics within this conversation.

Positive/negative outcomes of societal and institutional change in SE. Research on this theme recognizes that SE can create institutional changes at different levels and bring about both positive and negative societal change. Drawing upon the theoretical lens of institutional entrepreneurship, referring to the activities of actors who leverage resources to create or transform institutions (DiMaggio, 1988), SE can be identified as agents of change. They can institutionalize the formal and informal rules in the construction of a new field (McCarthy, 2012), contest existing gender role-identity of middle-class women (Leung et al., 2014), and create a new organizational form in organizational fields (Tracey et al., 2011). Social entrepreneurs or social enterprises also undertake institutional work³ to overcome or address institutional voids arising from the absence or conflicts of institutions, hindering market access, functioning, and development (Mair & Marti, 2009; Parthiban et al., 2020).

Regarding societal changes, most studies highlight the positive social impact created by social enterprises, exemplified by altering the negative public attitudes towards people with learning disabilities (McNamara et al., 2018), facilitating systemic social change to industry practice (Waldron et al., 2016), and promoting the implementation of social innovation in subsistence marketplaces (Venugopal & Viswanathan, 2019). Social enterprises particularly catalyze positive societal change within local communities or at the base of the pyramid (Agarwal et al., 2018; Colovic & Schruoffenegger, 2021; Manning et al., 2017), as many of the key societal challenges (i.e., inequality, poverty, and lack of health care) are seen to manifest in local communities or underdeveloped markets (Bacq et al., 2022; Bailey & Lumpkin, 2021;

³ Institutional entrepreneurship, institutional work, and institutional change are often treated as synonyms (Micelotta et al., 2017).

De Beule et al., 2020). Despite the predominant focus on SE's positive social impacts, a much smaller set of studies acknowledges (potentially) negative outcomes. For example, Apostolopoulos et al. (2019) found that social enterprises may weaken community resilience amid continued austerity, attributed to the top-down governance of SE in Greece. Hall et al.'s (2012) results suggest that SE may bring about destructive outcomes if entrepreneurship policies solely emphasize economic indicators. As such, there may be a bias among SE researchers in their drive to underscore the positive aspects of SE while remaining silent on potential negative effects.

Institutional and societal change mechanisms. This research theme uncovers the different mechanisms through which SE creates institutional and/or societal changes (Ko & Liu, 2021; Raghubanshi et al., 2021). Social entrepreneurs often act as institutional entrepreneurs and engage in institutional work to shape their institutional and social contexts (Bhatt et al., 2019; Liu et al., 2016; Parthiban et al., 2020; Venugopal & Viswanathan, 2019). For example, Ko & Liu (2021) identified several types of institutional works that support nonprofit organizations to transform themselves into social enterprises, such as engaging commercial revenue strategies and legitimating a socio-commercial business model. Unlike purposeful institutional work, institutional and societal change can also happen through improvisations in micro-processes and micro-practices, which typically fly under the radar before gaining acceptance (Micelotta et al., 2017). For instance, Leung et al. (2014) showed how role-conforming actors, Japanese middle-class housewives, engaged in everyday activities and identity work that contributed to institutional changes in others' conceptions of their institutionally prescribed roles. Haugh & Talwar (2016) explored how established norms were impacted and changed by women's daily actions.

Other strategies, such as the use of the rhetorical approach (Ruebottom, 2013; Waldron et al., 2016) and the application of social innovation (Rao-Nicholson et al., 2017), are also used by social entrepreneurs to induce institutional and/or social change. In addition, resource mobilization is critical for social entrepreneurs as institutional entrepreneurs to bring about societal and institutional changes (Altinay et al., 2016; McNamara et al., 2018). Bricolage and networking through partnerships and social alliances thus have been leveraged by social entrepreneurs to mobilize and gain diverse resources for creating changes (Janssen et al., 2018; Sakarya et al., 2012; Sun & Im, 2015). Particularly, bricolage has been found effective in constrained institutional

conditions for social enterprises to craft new institutions (Desa, 2012; Mair & Marti, 2009). Research also recognizes the need for collective social entrepreneurs to effectively address social issues, suggesting the collective dimension of social change (Montgomery et al., 2012).

Institutional and societal change entities. Social enterprises often come from different well-established sectors in creating societal change, which raises the question of which type of entity they choose to operate from. Due to the absence of a specific legal form for social enterprises in many countries, they often adopt established organizational forms (e.g., nonprofits, the public, or for-profit organizations; Bhatt et al., 2019). Nonprofit and public organizations also seek transformation into social enterprises by incorporating commercial activities to overcome their financial constraints and fragile funding models (Dart, 2004a; Ko & Liu, 2021). For instance, research on this theme focuses on the commercialization of nonprofit organizations by integrating commercial logic with their social logic (Bruneel et al., 2020; Liu et al., 2016). Ko & Liu (2021) identified different kinds of institutional work in the transformation process, including incorporating commercial strategies, developing new organizational structures and forms, and legitimating their socio-commercial business model. Irani & Elliman (2008) explored social enterprises in public sectors by examining their innovation adoption. Additionally, other types of businesses like community-based enterprises and impact-sourcing companies may also function as social enterprises, generating both economic and social values. For instance, impact-sourcing companies are recognized as an emerging social innovation in helping marginalized people, and their activities are embedded in their dual mission of social and economic value creation (Khan et al., 2018; Sandeep & Ravishankar, 2015).

Ethics in the conversation of institutional and societal change. Ethics are essential in understanding institutional or societal changes (Agarwal et al., 2018; Hall et al., 2012). However, earlier research tends to presume that “social” means “ethical” in SE, ignoring discussing ethical aspects explicitly (Haugh & Talwar, 2016; Huybrechts et al., 2017; Janssen et al., 2018). Only a few studies critically evaluate the ethical aspects of SE in this conversation. For instance, ethical concerns may arise from the transformation of traditional nonprofit organizations to social enterprises, as the incorporation of commercial processes indicates “impure” motives in seeking social missions, potentially leading to mission drift (Ko & Liu, 2021). Some contributions

bring forward that social enterprises should continuously establish and promote ethical practices and behaviors when they bring about societal change to markets, industries, or fields (Agarwal et al., 2018; Hall et al., 2012; Kullak et al., 2022; Waldron et al., 2016). Additionally, this conversation tries to understand how SE creates societal change in a ‘just’ and inclusive manner to avoid ethical issues. For instance, it suggests that SE can choose socially certified suppliers, conduct ethical trading, and produce ethical products to achieve its social impact ethically (Bagnoli & Megali, 2011; De Silva et al., 2020; Tracey et al., 2011).

2.5 Institutional complexity and hybrid organizations

Scholars in this research stream mainly leverage the institutional logic and legitimacy lens to explore how institutional complexity manifests within and outside social enterprises, how social enterprises respond to institutional complexity, as well as how they establish legitimacy. Institutional complexity is derived from an incompatible prescription from multiple institutional logics that prescribe “how to interpret organizational reality, what constitutes appropriate behaviour, and how to succeed” (Thornton, 2004: 70). Social enterprises combine a dual logic of social and commercial logics, leading to experiencing legitimacy jeopardization from important referents such as their partners and stakeholders (Liu et al., 2016; Sakarya et al., 2012). In this conversation, we proceed by discussing three identified themes that are related to institutional complexity (institutional complexity at the intra-organizational, inter-organizational, and macro-levels) and one theme related to legitimacy issue in SE.

Multiple and competing logics within social enterprises. Since social enterprises aim to address societal problems by engaging in market behavior, much research explores how social and commercial logic are combined within social enterprises (Gillett et al., 2019; Mair et al., 2015). Different strategies are adopted by social entrepreneurs to incorporate conflicting logic, such as setting up appropriate governance structures and practices (Bruneel et al., 2020; Mair et al., 2015), undertaking negotiation (Ometto et al., 2019), and making commitments to their social mission (Valsecchi et al., 2019). Fitzgerald & Shepherd (2018) offered a typology showing integration, aggregation, compartmentalization, and subordination as avenues for incorporating commercial logic in social enterprises. Tensions often arise as competing social and commercial

logic are integrated into social enterprises and need to be mitigated or resolved (Mason & Doherty, 2016). For instance, Castellás et al. (2019) proposed a four-stage process (including, separating, negotiating, aggregating, and subjectively assessing) of organizational responses to the challenges that arise in a condition of value pluralism and institutional complexity. However, a few studies argue that the combination of competing logic may benefit social enterprises in innovation, financial and human resources acquisition, and success (Khan et al., 2018; Lall & Park, 2022; Moses & Sharma, 2020). Besides, integrating the competing logics can influence social entrepreneurial practices, including entrepreneurial opportunity recognition and development (Wry & York, 2017), decision-making on international market selection (Mersland et al., 2020) and venture philanthropy practice (Onishi, 2019), internationalization process (Alon et al., 2020), and social-financial trade-offs within social enterprises (Wry & Zhao, 2018).

Other contributions focus on the hybridity of social enterprises, representing an ‘ideal’ type of hybrid organization as they combine “aspects of the business and charity forms at their core” (Battilana & Lee, 2014: 399). Litrico & Besharov (2019) moved beyond the recognition of hybridity as binary and provided a multidimensional conception of hybridity, identifying two novel dimensions that determine the variations in a hybrid organization (i.e., the locus of integration and the scope of logic). Shepherd et al. (2019) also contributed to conceptualizing the hybridity concept by understanding the degree of hybridity in SE, which involves the relative importance of social logic vis-à-vis commercial logic and the intensity of the logic. Besides, a group of studies focuses on sustaining hybridity within social enterprises in the long run. For instance, Savarese et al. (2020) argued that collaboration is indispensable during social enterprises’ operations and their hybridity may be affected by partnering with dominant-logic organizations. Sanzo-Pérez & Álvarez-González (2022) found that close partnerships with nonprofits help social enterprises balance the different logic. Smith & Besharov (2019) emphasized the importance of structural flexibility in sustaining hybridity over time.

Inter-organizational partnership and institutional complexity. To gain diverse types of support, social enterprises often build collaborations with cross-sector organizations (Huybrechts et al., 2017; Savarese et al., 2020). Specifically, building partnerships with stakeholders can help social enterprises to mobilize resources (Altinay et al., 2016),

implement innovative activity (Vickers et al., 2017), facilitate social value creation such as promoting social transformation (Sakarya et al., 2012), and reduce income inequality (Di Lorenzo & Scarlata, 2019). Next to the expected benefits of establishing collaborations, potentially conflicting institutional logic between social enterprises and their partners brings about tensions and challenges, including difficulties in managing hybridity (Savarese et al., 2020), mission drift (Mitzinneck & Besharov, 2019), collaboration failure (Nicholls & Huybrechts, 2016). However, social enterprises can develop strategies to build and sustain their inter-organizational relationships across sectors under conditions of possible tensions. For instance, Huybrechts et al. (2017) highlighted that social enterprises can leverage sector solidarity, selective engagement, and active appropriation as strategies to interact with mainstream businesses. Gillett et al. (2019) identified pre-existing relationships and organizations' capabilities provide opportunities for social enterprises to build partnerships with collaborators. Longoni et al. (2019) analyzed the collaborations between social enterprises and their supply chain partners, identifying four approaches (i.e., complementarity, acceptance, accommodation, and offer propositions) for managing tensions among their partnerships.

Institutional complexity at the macro level. Different types of institutional logic that jointly constitute a society, such as religion, market, and state, may be incompatible, (Friedland, 1991; Greenwood et al., 2011). Social enterprises experience distinct institutional logic, influencing their practices such as innovation (Vickers et al., 2017), resource mobilization (Zhao & Lounsbury, 2016), and legitimacy judgment (Kibler et al., 2018). Barth et al. (2015) found that SEs are perceived as acquaintances in regional development as they represent competing logic to the dominant economic logic in regional development. Given institutional multiplicity at the macro level and their contradictory institutional demands, social enterprises need to solve potential tensions. Studies show that they can adopt selective coupling (Pache & Santos, 2013b), employ institutional works (Liu et al., 2016), and build partnerships to respond to institutional complexity (Vickers et al., 2017; Xing et al., 2020). Cherrier et al. (2018) found four strategic responses to such institutional complexity: appropriation, integration, differentiation, and working-through.

Legitimacy in SE. Legitimacy refers to the “right to exist” and perform an activity in a certain way (Deepphouse, 1996a; Suchman, 1995), which has received much attention

from SE scholars. A set of studies aims to understand the legitimation process of SE (Chaudhuri et al., 2021; Kerlin et al., 2021). For example, Bolzani et al. (2020) described a multilevel process through which transnational entrepreneurs shape organizational legitimacy to align with country-level institutional settings, and the organizational-level legitimacy further affects entrepreneurs' social status. Nicholls (2010b) revealed the microstructures of SE's legitimation by combining organizational isomorphism with different patterns of agency. Strategies based on rhetoric and collaborations also play a role in SE legitimacy building (Agarwal et al., 2018; Ruebottom, 2013).

Research contributions on this theme also offer insights into the impact of legitimacy on SE (Calic & Mosakowski, 2016; Pache & Santos, 2013b). Elaborating on this, Weidner et al. (2019) highlighted the relevance of inter-partner legitimacy to each partner's external legitimacy and resource transfer. Calic & Mosakowski (2016) focused on funding, revealing that project legitimacy can mediate the relationship between a venture's sustainability orientation and its funding success. Townsend & Hart (2008) argued that founders' perceptions of SE's formal and informal legitimacy influence the choice between for-profit and nonprofit organizational forms for starting social ventures. Miller et al. (2012) argued that the effect of compassion on individuals' decisions to establish a social enterprise depends on perceptions of the pragmatic and moral legitimacy of SE.

Ethics in the conversation of institutional complexity and hybrid organizations. In this conversation, scholars mainly link the social mission of social enterprises with ethics. They tend to treat social enterprises as inherently ethical due to their social logic of solving social problems and focusing on the common good (Di Lorenzo & Scarlata, 2019). Ethical and social commitments are recognized to benefit social enterprises in gaining legitimacy among multiple stakeholders (Chen et al., 2022). However, ethical challenges (e.g., mission drift) would arise if social enterprises get involved in activities that go against their social mission (Gillett et al., 2019). On the contrary, Shepherd et al. (2019) disconnected ethics from social enterprises' prosocial motivation and emphasized the dark side of their prosocial mission. They argued that the good intentions of SE may lead to unethical behavior, whereby good intentions to "help" end up undermining those being served. They particularly highlight that the high intensity

of the economic logic and/or the social logic in an organization leads to the unintended dark side of prosocial motivation.

Ethics has also been taken into account when social enterprises build inter-organizational partnerships with other organizations underpinned by distinct logic. Although most studies investigate how to manage tensions arising from the different logic between social enterprises and their partners, a few studies suggest that social enterprises also need to navigate tensions stemming from variations in organizational ethics and values as they build collaborations (Gillett et al., 2019; Mitzinneck & Besharov, 2019). For instance, Mitzinneck & Besharov (2019) argue that collective social entrepreneurship needs to honor its members' diverse ethical convictions to sustain member engagement, aiming to address complex sustainability issues. Similarly, Savarese et al. (2020) found that social enterprises need to negotiate collaboration conditions (i.e., maintaining the ethical criteria related to their social mission) when they partner with corporations underpinned by dominant market logic, aiming to appease any potential tensions.

2.6 The institutional context of SE

A dominant view in entrepreneurship research emphasizes institutions as a significant determinant of entrepreneurial activity (Bruton et al., 2010; Su et al., 2017). This is no exception in the SE literature (Estrin et al., 2013; Stephan et al., 2015), and is labeled institutional context of social entrepreneurship as a distinctive research conversation in our analysis (blue in fig. 2.2). In this conversation, North's (1990) seminal work on formal and informal institutions and Scott's (1995) three-pillar (regulatory, normative, and cultural-cognitive) framework are heavily applied. Formal institutions typically refer to laws, regulations, and rules that guide and constrain behavior (Bruton et al., 2010). Informal institutions include norms, beliefs, and cultures that define socially acceptable activities. Scott (1995, 2005) further identified two types of informal institutions: cultural-cognitive and normative. Specifically, cultural-cognitive institutions refer to cultural values and frames that guide understanding of the nature of reality, whereas normative institutions describe social obligations or professionalization derived from values and norms in a given culture (Scott, 1995). Two main themes in this conversation are identified: institutional constraints and

opportunities for SE within countries, and institutional impact on SE activity across three levels (including the national, organizational, and individual levels).

Institutional constraints and opportunities for SE within countries. Due to varying institutional arrangements across countries, SE encounters diverse institutional opportunities and barriers (Davies et al., 2019; Littlewood & Holt, 2018). For example, Engelke et al. (2015) identified institutional and social structures (i.e., establishing special SE standards and developing legal forms for social enterprises) that can influence SE opportunities in Germany. Sunley & Pinch (2014) found the interactions among regulative rules, networks, and cognitive frameworks serve to construct SE markets in England. In Western Europe, local business norms are recognized as one of the institutional barriers to social enterprises' growth (Davies et al., 2019). A few studies have explored institutional challenges to SE in emerging countries, such as China (Bhatt et al., 2019; Wang et al., 2016) and some African countries (i.e., South Africa and Nigeria) (Adeleye et al., 2020; Littlewood & Holt, 2018). Adeleye et al. (2020) indicated unfavorable rules, strict regulations, and a lack of rules often constrain SE development in Africa.

Institutional impact on SE across three levels. Institutions can affect SE activity at the level of individual, organization, and country. At the individual level, research shows conflicting and inconsistent results, concerning the (seemingly) competing argument of institutional support and institutional void. In the SE domain, the institutional void perspective describes "conditions of limited government support especially for social programs" (Stephan et al., 2015: 4). This perspective suggests that a small government and low levels of welfare support often increase the demand for SE to supplement the deficiency of social goods provision. The institutional support view, instead, argues that active governments support the emergence of SE because of access to tangible and intangible resources from governments (Hoogendoorn, 2016; Stephan et al., 2015). Therefore, both perspectives often focus on the role of government activism in enhancing SE. This may suggest that a country characterized by institutional void would not be able to score well on institutional support, however, this is not necessarily the case as the underlying features of void and support may be distinctive. Besides, research focuses on the role of informal cognitive and normative institutions in influencing individuals' SE entry, including networks and postmaterialist cultural values (Stephan et al., 2015), gender discrimination (Haugh & Talwar, 2016), and in-

group collectivist values (Pathak & Muralidharan, 2016). Additionally, the joint effects of these institutional arrangements also received much attention in SE. For instance, the relationship between individuals' social capital and SE entry was found to depend on formal institutions (e.g., rule of law, financial and educational system, and institutional quality) (Sahasranamam et al., 2021; Sahasranamam & Nandakumar, 2020). Stephan et al. (2015) identified that socially supportive cultural norms interact with government activism to affect individuals' SE choices. Muñoz & Kibler (2016) identified five configurations of local institutions that collectively explain social entrepreneurs' confidence in successfully managing their businesses in the UK.

Different institutional arrangements influence a series of SE activities at the organizational level. Studies have revealed how regulations and cultural values affect social enterprises adopting bricolage for resource mobilization (Desa, 2012; Janssen et al., 2018), how networks contribute to their access to various resources (Lang & Fink, 2019; Pinch & Sunley, 2016), how empowering the local community helps social enterprises mobilize resources (Altinay et al., 2016), and how hybrid model adoption is affected by economic development and culture (Kerlin, 2013). In the context of microfinance organizations, opportunity co-creation is contingent on a country's rule of law (Sun & Im, 2015). Besides, a few studies investigate how institutions may bring about negative organizational outcomes, such as producing destructive activities by social entrepreneurs (Hall et al., 2012) and increasing the risk of mission drift over time (Ault, 2016). Scholars also adopted the contingency view to explore how formal and informal institutions (e.g., institutional quality and inter-group discrimination) jointly affect social enterprises' practice, including social value creation (Brieger et al., 2019, 2020), financial performance (De Beule et al., 2020; Wry & Zhao, 2018), and the pursuit of B Corporation Certification (Grimes et al., 2018). Taken together, these findings show the critical importance of institutions in influencing organizational activities in the context of SE.

A group of studies delved into exploring the importance of formal regulatory and informal institutions (e.g., culture, values, and network) in affecting the national prevalence of SE (Hoogendoorn, 2016; Lepoutre et al., 2013). At the same time, Harms & Groen (2017) did not find a significant relationship between culture (identifying individualism, uncertainty avoidance, masculinity, and power distance) and SE. Progress is made in further adopting a configurational view to explore the complex

relationship between institutions and SE by using appropriate research techniques such as the fuzzy-set Qualitative Comparative Analysis (fsQCA) approach (Deng et al., 2020; Torres & Augusto, 2020). For instance, Deng et al. (2020) used the fsQCA method to explore the configurations of institutional and social capital conditions that may facilitate a high prevalence of SE. Torres & Augusto (2020) studied how SE interacts with institutional conditions to promote social well-being.

Ethics in the conversation of the institutional context of social entrepreneurship. In this conversation, the existing body of research largely assumes the ethical dimension of SEs to be incorporated due to their social missions of addressing complex social problems and improving the common good. As such, this subfield aims to understand how institutional conditions influence the emergence of SE and consequently spurs a more ethical way of doing business (Brieger et al., 2019; Haugh & Talwar, 2016; Littlewood & Holt, 2018). For instance, Dacin et al. (2011) argued that the emergence of SE can be attributed to the demand for a more ethical and socially inclusive capitalism. Xu et al. (2022) found that Buddhism reflects ethical values, such as loving-kindness and compassion, influencing prosocial behavior and SE activity across regions. Hu et al. (2020) suggest, drawing upon belief systems that generate moral imperatives, that individuals have greater sensitivity to SE opportunities. In addition, some studies focus on the ethical orientation of individuals and aim to understand how this links to observed social entrepreneurial activity across countries (Anokhin et al., 2022; Rieger et al., 2021). Finally, SE faces ethical challenges in some institutional settings due to an ill-recognized organizational form when it comes to providing social services (Adeleye et al., 2020).

2.7 Discussion

2.7.1 Institutional theory and SE

Distinct institutional views have been utilized to comprehend the emergence, activities, strategies, and performance of SE, as revealed in our analysis of three conversations between SE and institutional theory. In the first conversation, institutional change has become a core research topic in the literature of SE adopting an institutional perspective, including filling institutional voids, transforming existing institutions, and institutionalizing new practices (Mair & Marti, 2009; Parthiban et al., 2020; Tracey et

al., 2011). Rather than focusing on conformity and stability in earlier institutional theory (Scott, 1995), institutional change turns attention to exploring how institutional arrangements are created or changed (Battilana et al., 2009; Greenwood & Suddaby, 2006). Leveraging the institutional change perspective, SE scholars have made efforts to understand the process by which social enterprises make institutional change happen (Ko & Liu, 2021; Raghubanshi et al., 2021).

The institutional entrepreneurship perspective is frequently adopted to understand how social entrepreneurs act as institutional entrepreneurs and engage in various institutional work to purposefully bring about institutional and societal change (Bhatt et al., 2019; Liu et al., 2016; Parthiban et al., 2020; Venugopal & Viswanathan, 2019). The collective dimension of societal or institutional change is emphasized in the context of SE due to its lack of resources and the complexity of addressing grand social problems (Montgomery et al., 2012). It enriches the current understanding of the complex and typically collective nature of institutional change, shifting attention from the overemphasis on “muscular” or “heroic” actors (Micelotta et al., 2017). Next to institutional entrepreneurship, SE literature in this conversation also expands the current understanding of how micro-level improvisation can create change in norms and values (Haugh & Talwar, 2016). Overall, current SE research focuses more on non-disruptive means through which social entrepreneurs or social enterprises bring about societal or institutional change, including the use of the rhetorical approach (Markman et al., 2016), bricolage (Janssen et al., 2018), and improvisations in micro-practices (Haugh & Talwar, 2016).

In the second conversation, the institutional logic and complexity have substantially leveraged, contributing to understanding how SE activity is influenced by different institutional orders in the society (e.g., market and state logics), how multiple and competing logics are integrated and managed within social enterprises, how they build collaborations with cross-sector organizations underpinned by different institutional logics (Gillett et al., 2019; Mair et al., 2015; Zhao & Lounsbury, 2016). Institutionalists have identified several types of institutional logic that jointly constitute a society influencing actors’ behaviour, including family, religion, state, market, profession, corporation, and community (Greenwood et al., 2011; Thornton et al., 2012). It appears that market and community logic are frequently analyzed due to the mix of both logics in SE. Few studies investigate the impact of religion and state logic on the legitimacy

judgment of SE (Kibler et al., 2018), innovation (Vickers et al., 2017), and resource mobilization (Zhao & Lounsbury, 2016).

Furthermore, the combination of multiple and competing logics leads to extensive discussion on SE's legitimacy, including exploring the influence of legitimacy on SE action, its legitimation strategies, and the legitimacy judgment of SE (Chaudhuri et al., 2021; Kerlin et al., 2021; Miller et al., 2012; Townsend & Hart, 2008). Three distinct perspectives of legitimacy are implicitly or explicitly presented in current SE studies: legitimacy as property (a thing or asset "owned" or "possessed" by an entity), process (understanding how legitimacy is socially constructed by actors), and perception (focusing on the legitimacy judgments of an entity by individuals or collectives) (Suddaby et al., 2017). However, the perspective of legitimacy-as-perceptions has not received much attention in SE literature, limiting our understanding of how individuals form their legitimacy judgements of a hybrid organization and how individual judgments aggregate to form a macrolevel legitimacy opinion in a country.

In the final conversation, SE research largely draws upon the view from both institutionalist perspectives in sociology (Scott, 1995, 2005) and institutional economists (North, 1990), emphasizing individuals' actions are guided and constrained by sociocultural structures. Studies at different levels have been conducted to understand how distinct formal and informal institutions (e.g., regulations, rule of law, cultural values et al.) influence SE behavior, such as individuals' decision-making on SE entry, resource mobilization, social value creation, and SE development in a country (Bhatt et al., 2019; Haugh & Talwar, 2016; Wry & Zhao, 2018). Additionally, a few studies made contributions to theorizing "institutional void" in the context of SE, focusing on the lack of government support in social welfare programs rather than institutions devoid of promoting market development (Hoogendoorn, 2016; Stephan et al., 2015). We expect that our findings may also benefit future institutional theory-based social innovation studies, as SE also engages in innovative activity to solve complex societal problems.

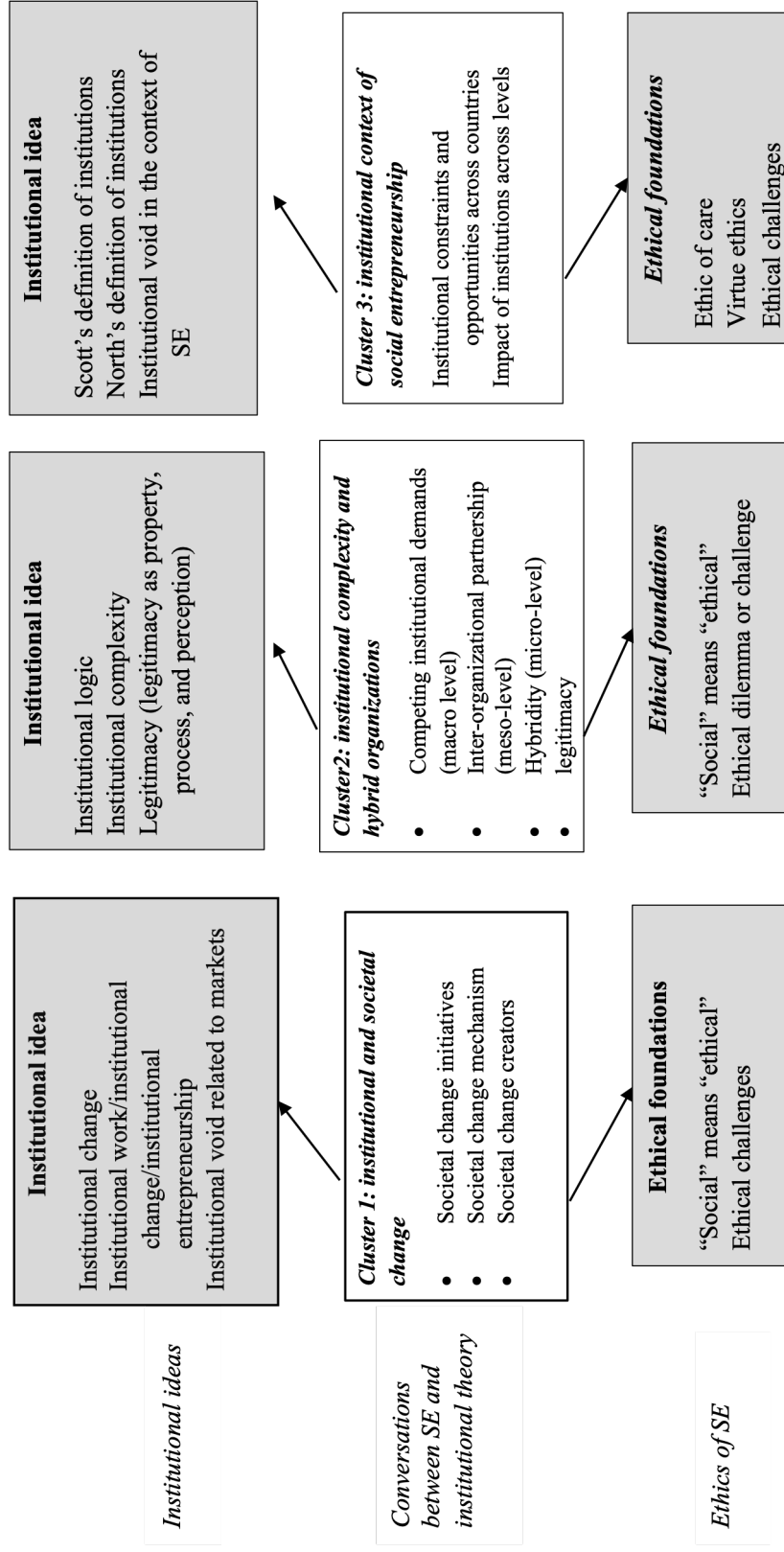
2.7.2 Ethics and SE

Our analysis shows that there are not many papers discussing the ethical aspects of SE in these conversations between institutional theory and SE. Most institutional theory-based studies implicitly or explicitly assume social enterprises to be ethical due to their

prosocial orientation toward creating social value for society (Brieger et al., 2019; Haugh & Talwar, 2016; Littlewood & Holt, 2018). In these studies, “ethical” is oversimplified as “social” in the context of SE. On the one hand, the discourse on the inherent ethicality in social enterprises can differentiate them from commercial businesses, contributing to uncovering their important role in building more inclusive markets and bringing about positive societal change across countries (Agarwal et al., 2018; Hall et al., 2012). It also helps to recognize the personalities of social entrepreneurs, particularly from the virtue ethics (judging the character of individuals, Chell et al., 2016) and ethics of care (“care for others”; Hota et al., 2020), enriching understanding of the embeddedness of SE in institutional contexts (Miller et al., 2012; Xu et al., 2022).

On the other hand, treating social enterprises as ethically sound limits our understanding of the ethical aspects of SE. The few institutional SE studies have adopted ethics into the discussions (Agarwal et al., 2018; Hall et al., 2012), They have identified ethical challenges (e.g., mission drift) that social enterprises face arise from their combination of conflicting social and commercial logic in one organization (Gillett et al., 2019; Ko & Liu, 2021; Shepherd et al., 2019). Ethical challenges such as the recognition of SEs engaging in ameliorating societal problems can also come from the institutional environment when there is a lack of recognition of SE in the context (Adeleye et al., 2020). Additionally, some of the work included in our review argues that social enterprises need to take ethics into account when they build collaborations with stakeholders underpinned by different logic and organizational ethics and values (Gillett et al., 2019; Mitzinneck & Besharov, 2019). Finally, a few studies have focused on the means of social enterprises to create institutional or societal change ethically, for instance, by conducting ethical trading and producing ethical products (Bagnoli & Megali, 2011; De Silva et al., 2020; Tracey et al., 2011). We present an overview of the findings and the above discussions in Figure 2.4, leading to the identification of potential future research opportunities in the next section.

Figure 2-4. Conversations between institutional theory and SE and ethical discussions of SE



2.8 Future research opportunities

Carefully looking at each conversation, each of them has not been fully probed, and hence new research opportunities exist. Promising research opportunities also emerge from further creating new conversations between SE and institutional theory by incorporating understudied institutional ideas into SE. Finally, we highlight opportunities for future research by enhancing ethical discussions in future SE research with an institutional perspective.

2.8.1 Research agenda for extending the identified conversations

The conversation of institutional and societal change. We first highlight SE scholars can consider a more extensive integration of institutional change with social movement approaches. Both SE and social movement research streams are extensively related to institutional entrepreneurship, but the synergies between them have not been fully exploited. Social movement approaches could offer a particularly useful set of conceptual tools for examining how SE challenges and alters existing institutions (Dacin et al., 2011; Mair & Marti, 2006). Through our review, research on SE predominantly adopts the institutional entrepreneurship approach to the change of institutions, focusing more on specific agents acting as institutional entrepreneurs. However, research on social movements emphasizes the collective actions of changing institutions through building alliances with diverse actors such as activists, professionals, and media (Battilana et al., 2009; Schneiberg & Lounsbury, 2008). Therefore, social movement research might contribute to existing SE studies by focusing more on the complex collective actions for institutional change. Additionally, social movement scholars have sufficiently employed frame analysis to understand how social movement activists and organizations the power of language in institutional change (Battilana et al., 2009; Benford & Snow, 2000). Framing is recognized as a communicative strategy by which social actors can influence audiences' actions (Cornelissen & Werner, 2014; Fisher et al., 2017). Social movement scholars have particularly revealed how to frame a vision for change in terms that mobilize collective action to implement it (Battilana et al., 2009; Schneiberg & Lounsbury, 2008). Therefore, we argue that framing could be useful for our understanding of institutional change in SE as social entrepreneurs strive to interact with different audiences.

Regarding the societal change created by SE, we suggest future studies can extend current knowledge of the role of SE in community development. Even though prior studies have found that social enterprises often get involved in the local communities as most societal issues are rooted there (Lumpkin & Bacq, 2019), we still know little about how they interact with communities and other relevant stakeholders underpinned by different logic to collaboratively generate civic wealth (i.e., economic, social, and communal values) at the community level. Besides, extant research focuses more on the positive societal change generated by SE (Parthiban et al., 2020; Sakarya et al., 2012), but relatively little attention has been paid to their (unexpected) destructive outcomes. Particularly, countries with weak institutions may invoke detrimental outcomes due to the negative learning references (i.e., corruption and criminal behavior) to which social enterprises are exposed (Hall et al., 2012). In this regard, we call on scholars to (more) deeply investigate under which conditions and how SE can reduce unexpected destructive outcomes. This can be done by studying a larger share of unsuccessful cases, next to the traditionally oversampled ‘best practices’.

The conversation of institutional complexity and hybrid organizations. We encourage future studies to adopt a perspective of legitimacy-as-perception to understand the relationship between institutional logic and the legitimacy of SE. Most studies exploring the legitimation of SE (legitimacy-as-process) assume they lack legitimacy (legitimacy-as-property) due to their dual logic, but relatively neglect to empirically investigate how the hybrid nature of social enterprises affects individual legitimacy judgements of SE and how the collective-level legitimacy opinion on SE is formed (legitimacy-as-perception). Additionally, scholars have recently argued that many hybrid ventures may not necessarily experience tensions arising from multiple logics to be problematic (Mair, 2020; Vedula et al., 2021). Therefore, we suggest that scholars may take this distinct reality into account by exploring under which circumstances the competing tensions are embraced by social entrepreneurs.

Furthermore, we encourage scholars to enrich the connections between legitimacy and SE through expanding theoretical notions of the legitimacy threshold, optimal distinctiveness, and translation, which have recently been well-developed in legitimacy research. The legitimacy threshold refers to the minimum level of legitimacy that new ventures need to reach to survive (Tracey et al., 2018; Zimmerman & Zeitz, 2002). In early studies, scholars recognized the legitimacy threshold as a single, fixed, and stable

point (Zimmerman & Zeitz, 2002). Below this threshold point, new ventures face many difficulties arising from a lack of legitimacy. Above this point, new ventures are recognized as legitimate and thus can gain resources for their survival and growth. Recently, scholars have argued that ventures may face multiple legitimacy thresholds as they evolve and grow (Fisher et al., 2016). Based on our review, research has yet to enrich the theoretical notion of the legitimacy threshold in the SE context. SE often needs to meet both social and economic expectations from various stakeholders due to its dual logic; thus, we believe that social enterprises may take the conceptualization of legitimacy thresholds one step further by understanding the legitimacy thresholds of hybrid organizations underpinned by multiple competing logics.

The notion of optimal distinctiveness may also enrich the interactions between legitimacy and SE, which has not gained much attention in current SE literature. Prior studies have argued that firms need to balance legitimation and competitive differentiation. That is, firms try to achieve “optimal distinctiveness” by being “as different as legitimately possible” (Deephouse, 1999: 147), especially considering the multiplicity of stakeholder expectations (Zhao et al., 2017). The success of social value creation often depends on multiple stakeholders with different expectations (Lumpkin & Bacq, 2019). Social enterprises need to develop optimally distinct strategies among their multiple stakeholders to better achieve their social mission. Currently, we lack an understanding of how they can achieve optimal distinctiveness when faced with different expectations from multiple stakeholders. We, thus, argue for more research on exploring how social enterprises make efforts to achieve optimal distinctiveness among multiple stakeholders in order to succeed in achieving their dual missions.

It is also promising to explore the legitimacy issue of SE in the ‘translation process’. New ventures can be created through the translation process in which an existing organizational form from one country is translated into other institutional settings (Greenwood & Suddaby, 2006; Tracey et al., 2011). Indeed, social ventures can also be created in this way. For instance, the Global Links Initiative founded in the UK has had a substantive influence on the translation of social enterprises from the UK to China at a time when the core characteristics of social ventures did not fit the Chinese institutional context of new ventures. However, as yet, little is known about the translations of this typical hybrid organizational form. Tracey et al. (2018) suggested that the translation of social enterprises may face a distinct set of legitimacy challenges

because the expectations of key stakeholders at both the local- and category- levels may differ. Therefore, we suggest future studies to enrich our current understanding of SE legitimacy by adopting a translation perspective.

The conversation of the institutional context of SE. The existing body of literature has proposed contradictory arguments about institutional support and void, however, both arguments may stand in the context of SE. Thus, we suggest researchers further explore how these two seemingly contradictory perspectives might jointly play a role in influencing SE activity. Besides, instead of emphasizing the role of a specific formal or informal institution, we believe that the emerging knowledge on entrepreneurial ecosystems could provide a comprehensive angle from which to understand the joint role of local conditions—knowledge, culture, talent, and formal institutions—in promoting SE development (Roundy, 2017; Stam, 2015). Furthermore, the majority of studies investigate the influence of institutions across different levels (i.e., the national, organizational, and individual levels) while ignoring entrepreneurial teams in the founding and growth of SE (Saebi et al., 2019; Shepherd et al., 2017). This requires a deeper explanation of how institutional arrangements may affect the entrepreneurial teams' behavior, such as opportunity identification, exploitation, and dual mission management.

Finally, research could be enriched and expanded by exploring whether institutional spillover effects are evident in the SE context. Prior entrepreneurship research has acknowledged that the influence of institutions may span across national borders, which is called institutional spillovers (Hoppmann & Vermeer, 2020). Bellavitis et al. (2020) found that regulatory spillover occurs when a regulatory ban on entrepreneurial finance initiatives in one country affects the entrepreneurial finance markets in other countries. However, in the context of SE, research to date has not examined sufficiently how formal and informal institutions in specific countries affect the emergence and growth of SE in other countries. Particularly, some countries have adopted legal forms for social enterprises, which tend to be different given distinct historic, cultural, and legal backgrounds (European Commission, 2020). Thus, it would be of interest to explore whether and how institutional spillovers can influence SE activity across national borders.

2.8.2 Toward new conversations: ethics and the institutional theory approach of SE

Most of the institutional theory-based SE studies treat “social” as equal to “ethical” due to the primary social mission of SE (actively doing good), or assume ethics is taken care of as long as the tensions arising from two conflicting logics are managed in SE. However, SE may not be “ethically pure” and focusing on ethical dilemmas resulting from competing logic within SE limits the scope of ethical challenges arising at different levels. Thus, institutional theory-based SE research has yet to fully capture the role of ethics, leaving space for future studies.

To enrich the integration of ethics in institutional theory-based SE literature, we provide some potentially fruitful areas for future studies. For instance, according to the well-acknowledged idea of institutions (i.e., focusing on the institutional constraints on actors’ behavior), how can SE maintain its ethical stance in a constrained institutional environment where there may be pressures or weak institutions to compromise for seeking survival? The codes of ethics related to solving a particular social problem may vary in different institutional contexts; thus, what are the different ways in which social enterprises, particularly transnational social enterprises, can address the social problem to achieve greater societal impact ethically across countries?

Additionally, institutional theory also emphasizes actors’ ability to change institutions, such as the idea of institutional work and institutional entrepreneurship, which have been proven to be attractive to SE for striving for large-scale societal change. However, the integration of discussion on the ethical aspects of SE is restricted in current research, limiting our comprehension of how SE ethically contributes to societal and institutional change both in terms of means and outcomes. Particularly, scholars have called upon the “dark side” and failure of institutional entrepreneurship (Granados et al., 2022; Khan et al., 2007). For instance, Khan et al. (2007) demonstrated the hegemonic operation of power in addressing and reporting child labor, deflecting attention from concealed problematic aspects of the apparently progressive and benign institutional reform. Thus, it would be of interest to understand how SE can avoid the dark side of institutional entrepreneurship and maintain its ethical stance to genuinely address social problems, for instance by learning from cases where the dark side was overturned. To what extent are strong ethical commitments of social entrepreneurs beneficial for their

commitment to the social mission and to what extent does this avoid failure and unintended negative effects of their institutional work?

Finally, a group of SE studies has criticized the discourse on “social” means “equal” in the context of SE (Chandra & Jin, 2023; Chell et al., 2016; Hota et al., 2020), providing some knowledge stance to understand the ethical issues in future institutional theory-based studies. For instance, SE scholars have examined the ethical dilemmas that can arise at both individual (e.g., choosing between personal achievements and supporting beneficiaries) and organizational levels (e.g., mission drift resulting from their competing logic) (Hota et al., 2020). Future studies can explore more in-depth how social entrepreneurs or social enterprises deal with these ethical dilemmas when they engage in institutional work to transform or change existing institutions. Besides, there is a lack of understanding of the ethical complexity and dilemmas faced by collective SE as the members are often underpinned by different ethical values and logic, which should attract more attention in future studies to better understand the collective nature of institutional change in the SE context.

2.8.3 Blending institutional theory with other theories in the context of SE

Institutional theorists have long integrated institutional theory with other theories such as social capital, rhetoric, and bricolage to improve our understanding of management practices (Alvesson & Spicer, 2019). This literature thus provides insights into how integrating institutional theory and other theories can contribute to SE research, which is evident in our identified three conversations. For instance, the interface of social capital and institutional theory has helped to understand how institutional factors and individuals’ capital jointly shape their decision-making on engaging in SE. The leverage of rhetoric has contributed to understanding SE legitimacy building. To expand the dialogue between SE and institutional theory, we suggest scholars might incorporate other theories such as the social movement approach (see Section 2.8.1), category, and emotions in their conversations.

Categories are recognized as cognitive frameworks used to organize complex reality by grouping similar entities into distinct clusters (Glynn & Navis, 2013). Each category is associated with typical behaviors used to define what is legitimate or normal for members of the category (Paruchuri & Misangyi, 2015). While the category of SE has become mature and settled over the past decades, there is still a very limited

understanding of how this category emerges, evolves, and persists in its ambiguity (Chliova et al., 2020). Prior studies have suggested the legitimacy and institutional logic perspective can contribute to understanding new category emergence and development (Jones et al., 2012; Xu et al., 2014). We, therefore, suggest that future studies can integrate legitimacy or institutional logic views to understand the categorization process of SE. For instance, how does SE as an ambiguous category gain its legitimacy as it emerges in the first and progresses into maturity? Does the legitimacy spillover effects (i.e., legitimacy spills over from an existing organizational form to a new one; Xu et al., 2014) exist in the context of SE as it spans two distinct well-established categories of business and nonprofit (Battilana & Lee, 2014), which might contribute to the emergence of SE? It is also promising to uncover how SE as a new category emerged from bridging distance institutional logic (i.e., market and community logic).

Prior studies have found social entrepreneurs can use emotions to influence audiences, mobilize potential supporters, encourage collective action, as well as facilitate the enactment of a social cause (Barberá-Tomás et al., 2019; Miller et al., 2012). Emotions also have been highlighted in the studies of institutions, for instance, shaping individuals' commitment to institutional prescriptions (Douglas Creed et al., 2014), triggering institutional change and institutional work (Moisander et al., 2016), and facilitating the adoption of a particular institutional logic (Brown et al., 2012). However, the integration of emotions and institutions in SE studies is missing, indicating there is more space for future scholars to understand the power of emotions in the interface between institutions and SE literature. For example, what is the role of emotions in the process of creating and legitimizing positive societal and institutional change by social entrepreneurs, helping to understand the micro-foundations of the institutional process? How do social entrepreneurs elicit emotions among stakeholders to help them gain legitimacy? How do emotions help social entrepreneurs manage the institutional complexity arising from their combination of dual logic or the competing demands from their partners or stakeholders?

2.9 Conclusion

By conducting a bibliometric analysis to systematically review the institutional theory-based SE research across a wide range of academic journals, we outline patterns of the

applications of the institutional theory approach in SE. We further capture the value of ethics in current institutional SE research by uncovering the ethical foundations of conversations between SE and institutional theory. Based on our findings, we provided future research opportunities by zooming in on each of the identified three conversations. We also encourage scholars to zoom out on existing dialogues by integrating other theories with the institutional theory to understand SE, such as social movement theory, category, and emotions. Considering the importance of ethics, we also provide several pointers to guide future discussions on ethics in the institutional SE literature, as critical coverages are so far surprisingly limited. Overall, by revealing some gaps in existing SE research and suggesting potential research avenues for future study we hope to motivate novel research to study this important area and as such contribute to improving the impact of SE initiatives.

We acknowledge several research limitations. First, we adopt the bibliometric analysis to reduce subjectivity in conducting a literature review, however, it does not completely avoid this problem. It requires researchers' intervention to define the search keywords. Besides, in our paper search, we focused on the title, abstract, and keywords of an article rather than the full paper based on our keywords. While this allows us to effectively identify relevant articles, we might unintentionally have excluded some studies in SE literature using the institutional theory perspective. Finally, there might be more insightful perspectives by exploring the conversations between institutional theory and SE literature beyond the search strings we used and the journals limited in this review.

Chapter 3 Institutional Contexts, Entrepreneurial Alertness and Engagement in Social Entrepreneurship: A Multilevel Approach⁴

Abstract: Blending the discovery theory of opportunities with institutional theory, our multilevel model investigates how individual-level entrepreneurial alertness and country-level institutional contexts affect social entrepreneurship (SE). We test our model using data from the Global Entrepreneurship Monitor 2015, covering 100,110 individuals across 49 countries. Results reveal a previously undocumented coexistence of institutional support (captured by market-supporting regulatory quality) and institutional void structures (i.e., unmet basic human needs) impacting SE. The finding shifts the debate that was hitherto merely fed from the government (spending) perspective by incorporating social and market conditions for understanding SE. We further advocate greater consideration of the entrepreneurial nature of SE. Using the discovery perspective of entrepreneurial opportunity, we find entrepreneurially alert individuals are more likely to engage in SE. This positive effect is contingent on the aforementioned institutional context, where entrepreneurial alertness exhibits a higher impact on SE in both contexts of institutional support and void. Our study advocates a greater consideration of the entrepreneurial nature of SE intention (next to the currently dominant narrative of prosocial motivations) and a deeper understanding of national contexts in predicting SE.

Keywords: Entrepreneurial alertness; institutions; institutional void; institutional support; discovery of opportunities

3.1 Introduction

Social entrepreneurship (SE) is a practice that applies business logic and market-based solutions to solve social ills (e.g., poverty and unemployment) (Dacin et al., 2011; Mair

⁴ This Chapter, authored by X. Li & N. Bosma, currently receives first-round revise and resubmit at *Journal of Business Research*. **Xing Li:** Conceptualization, Methodology, Data curation, Software, Formal analysis, Writing- Original draft preparation, Project administration. **Niels Bosma:** Conceptualization, Writing-Reviewing and Editing, Supervision.

& Marti, 2006). Given its potential to address social problems and generate positive social impact, plenty of studies have explored the external environment in which SE is embedded (Miller et al., 2012; Saebi et al., 2019; Stephan et al., 2015). Particularly, the emergence of SE results from the coexistence of market and government failures (Mair & Marti, 2006; Miller et al., 2012). They argue that neither commercial companies nor governments (due to a lack of resources) will systematically engage in activities and areas that are considered to have a high potential for value creation but little potential for value capture (Santos, 2012), which leads to the under-provision of beneficiary goods and reflects their failures in satisfying basic human needs (Beaton & Dowin Kennedy, 2021; Rangan et al., 2006; Santos, 2012). The primacy of social mission and social value creation by addressing social needs is recognized as the *raison d'être* of social enterprises (Bacq & Alt, 2018; Bruder, 2021; Dwivedi & Weerawardena, 2018; Lamy, 2019). Therefore, the “void” in government support, especially for social programs, and market failure can create entrepreneurial opportunities for social entrepreneurs (Anokhin et al., 2022; Dean & McMullen, 2007; Stephan et al., 2015). Prior studies have found individuals are more likely to engage in SE when governments and/or commercial businesses are less active in providing social services (Anokhin et al., 2022; Estrin et al., 2013). The above claims about the importance of market and government failures in enhancing SE imply the need to directly focus on a nation’s basic human needs in enabling social entrepreneurial activity. However, prior studies have not directly and quantitatively addressed basic human needs as a critical antecedent to social venture creation, which limits a deeper understanding of the link between social problems and SE.

In addition, prior literature primarily concentrates on the antecedents of SE from its ‘social’ dimension, addressing the institutional and individual levels (Bacq & Alt, 2018; Miller et al., 2012; Stephan et al., 2015). It tends to neglect the entrepreneurial aspect of SE at both levels, a critical component as significant as its ‘social’ aspect. At the national level, examining the entrepreneurial facet of SE can help us understand under which market-related institutions can foster its development, moving beyond the prevalent government and market failure perspective. For instance, pro-market institutions have been identified as critical for the establishment and success of traditional businesses (Fuentelsaz et al., 2021; Kasper et al., 2012). However, this has been overlooked in the context of SE, despite the fact that SE shares similarities with

commercial entrepreneurship in terms of the entrepreneurial process and market orientation (Austin et al., 2006; Estrin et al., 2013; Saebi et al., 2019). At the individual level, directing attention to the entrepreneurial aspect can supplement ongoing discussion on the prosocial personalities of social entrepreneurs including traits such as empathy and compassion (Bacq & Alt, 2018; Miller et al., 2012). Especially, opportunity spotting such as entrepreneurial alertness has not received as much research attention as may be warranted, which might play a critical role in predicting SE (Bacq & Alt, 2018; Sahasranamam & Nandakumar, 2020).

In this study, we integrate the institutional approach and discovery theory of opportunity to examine *how national-level unsatisfied basic human needs, a country's pro-market institutions, and individual-level entrepreneurial alertness can directly and jointly predict the probability of an individual's SE entry*. Specifically, based on the institutional theory and in line with the argumentation that links government and market failures with the emergence of SE (Austin et al., 2006; Santos, 2012; Stephan et al., 2015), we first assume that unfulfilled basic human needs arising from the government and/or market failure serve as a source of entrepreneurial opportunity for social entrepreneurs. Since social entrepreneurs seek to create social value (Santos, 2012), fulfilling basic needs provides a condition for these agencies to generate social value by starting new social ventures. Unfulfilled most basic human needs at the institutional level thus can encourage more individuals to become social entrepreneurs to fill these gaps or “voids”.

Directing attention from the social to the entrepreneurial dimension of SE, we first propose a pro-market institution at the national level can contribute to the emergence of SE. When institutions related to ensuring the transparency and openness of the market are well designed and implemented, they can help to reduce information asymmetries, ease corruption, and formalize exchange, which provides a business environment characterized by efficient exchanges and low transactions (Fuentelsaz et al., 2021; Ghoul et al., 2017). These pro-market institutional supports and benefits are not just expected to be essential for commercial entrepreneurship (Boudreaux, Nikolaev, & Klein, 2019; Dau & Cuervo-Cazurra, 2014) but also for SE as it also engages in market activities for effectively and sustainably addressing social problems. Second, at the individual level, we adopt the discovery theory of opportunities and propose that entrepreneurial alertness, a cognitive capability to discover potential profit

opportunities that have hitherto been overlooked (Kirzner, 1973), can also explain an individual's SE intention. People with entrepreneurial alertness are more likely to become social entrepreneurs. In addition, we move the conversation from whether the individuals' entrepreneurially related personality (i.e., entrepreneurial alertness) matters to examining under which conditions it is more likely to encourage SE creation (Estrin et al., 2013; Stephan et al., 2015). We blend the discovery theory of opportunities with the institutional approach to developing an integrated theoretical framework connecting individual entrepreneurial characteristics to country-level institutional arrangement.

We adopt a multilevel regression technique to test our hypotheses. We examine our hypotheses using Global Entrepreneurship Monitor 2015 data covering 49 countries. The index of unmet basic human needs is leveraged as our proxy for a country's social development and regulatory quality as the proxy for pro-market institutions. Our findings first support a coexisting effect of 'void' (i.e., the unmet most basic human needs) and supportive market institutions on the emergence of SE activity. Specifically, we find a positive association between a country's unmet basic human needs and individuals' probability of engaging in SE. Pro-market institutions can also positively predict individuals' SE involvement. We further find individuals' entrepreneurial characteristic (i.e., entrepreneurial alertness) plays a vital role in promoting SE intention as it does in a conventional entrepreneurship context. Furthermore, the effect of entrepreneurial alertness on SE entry is contingent on the national conditions of "void" and pro-market institutions. Individuals having entrepreneurial alertness are more likely to become social entrepreneurs in countries with higher levels of unmet basic social needs and regulatory quality.

Our cross-country results suggest the coexistence influence of "void" and institutional support on social entrepreneurial activity. It shifts previous SE research's attention from the typical investigation of "institutional void or support" on the government side to the co-occurring effects of "void" in social society and "institutional support" on the market aspect. In addition, we find the significant role of entrepreneurial alertness in predicting SE entry. Our study enriches our understanding of the antecedents of SE intention from the entrepreneurial nature of SE instead of focusing on its prosocial nature. Our results can help policymakers to design better institutional programs to stimulate SE.

3.2 Theoretical background

3.2.1 Contextualization of social entrepreneurship: institutional voids and institutional support structures

According to the institutional perspective, the manifestation of entrepreneurship depends on the external environment embedded (Bruton et al., 2010; Estrin et al., 2013). In particular, institutions, defined as the humanly devised constraints shaping human behavior, can either enable or impede new venture creation (Bruton et al., 2010; North, 1990). Therefore, next to individual-level characteristics that have been found to influence social entrepreneurial action (Estrin et al., 2016; Saebi et al., 2019), the extant SE literature has explored the vital role of institutions in pushing individuals to act entrepreneurially to solve social problems (Estrin et al., 2013, 2016; Hoogendoorn, 2016; Stephan et al., 2015). Scholars have emphasized the quality of institutions (e.g., regulations, rules, cultural values) and government intervention in welfare or social programs as central to social venture creation. For instance, Austin, Stevenson, & Wei-Skillern (2006) identify diverse external contextual factors such as tax policies, regulations, social policies, and socio-political environment that can influence social entrepreneurial behavior.

Prior studies have particularly shown that SE emerges when there is market and/or government failure in satisfying social demands or needs (Austin et al., 2006; Mair & Marti, 2006; Saebi et al., 2019). Anokhin et al. (2022) and Haugh (2007) find there is an increased rate of social venture creation after a crisis, such as the global pandemic, economic downturn, or natural disaster, as a response to serve intense social needs in the absence of well-functioning market structures. In addition, scholars have emphasized the positive relevance of government failures (i.e., institutional void identified by Stephan et al., (2015) to social venture creation as unattended social needs are drivers for entrepreneurship to create social value (Austin et al., 2006; Hoogendoorn, 2016; Mair & Marti, 2006). Such claims about the emergence of SE form as one of the responses to unsatisfied needs left by market failure and the “void” in government support for social programs imply the significant value of understanding the impact of unsatisfied social needs in stimulating SE activities. However, prior studies have not directly and quantitatively addressed the different levels of fulfilment of basic social needs as a contextual factor to social venture creation. Therefore, in this study, we

particularly focus on the extent to which countries are able to meet basic human needs based on the logic that SE occurs in a situation where societal demand for products and services that are essential to living a decent life is unfulfilled.

In addition to exploring the impact of institutional contexts that link to SE's 'social' component, we investigate institutional contexts underlying the market logic of SE. SE is recognized as a way to meet social needs by operating in the market, even though it can take many forms, such as nonprofit, public, and private organizations (Litrico & Besharov, 2019; Saebi et al., 2019). It often shares a series of entrepreneurial characteristics with commercial entrepreneurship, including opportunity recognition, resource mobilization, and innovation to create new ventures or innovatively manage existing organizations for value creation (Bacq et al., 2016; Saebi et al., 2019; Zahra et al., 2009). Prior studies have paid much attention to the positive impact of pro-market institutions on entrepreneurship or the impassable barriers to entrepreneurial entry created by the weak or absence of market-supporting institutions (Dau & Cuervo-Cazurra, 2014; Johnson & Schaltegger, 2020; Salvi et al., 2023). However, there has been very little work regarding the impact of pro-market institutions such as premarket political and ideological values on the emergence of social entrepreneurial activities (Dart, 2004b). As so many countries around the world have implemented supportive market institutions over the last few decades to promote business development, it is thus critical to test the influence of pro-market institutions on SE.

3.2.2 Opportunity and entrepreneurial alertness

While contexts matter greatly for the manifestation of entrepreneurship and the previous section posited that SE is certainly not an exception to that, these contexts should be linked to individual-level characteristics. Entrepreneurship, whether commercial or social, starts with opportunities (Murphy & Coombes, 2009). The extant entrepreneurship literature has paid much attention to understanding how opportunities are formed, leading to two distinct approaches: an opportunity discovery and an opportunity creation view. In the discovery view, opportunities are assumed to arise from exogenous shocks, such as technological shifts, political changes, and social transition (Alvarez & Barney, 2007; Kirzner, 2015; Shane, 2003). They exist objectively in the external world, waiting to be observed and exploited through systematically scanning the environment (Alvarez & Barney, 2007; Baron, 2007). The

concept of alertness has mainly been used in the discovery theory to help understand the differences between entrepreneurs and nonentrepreneurs (Alvarez & Barney, 2007; Lanivich et al., 2022). It is defined as “the ability to notice without search opportunities that have hitherto been overlooked” (Kirzner, 1979: 48), which can explain why some people are able to exploit opportunities while others are not (Alvarez & Barney, 2007; Shane, 2003). The opportunity creation view is an alternative view to explain entrepreneurs’ activities to create and exploit opportunities (Aldrich & Kenworthy, 1999; Baker & Nelson, 2005). In creation theory, opportunities are endogenously created through the actions and reactions of entrepreneurs (Gartner, 1985; Sarasvathy, 2001).

In this research, we aim to understand the potential role of entrepreneurial alertness in the SE context, particularly from the discovery opportunity perspective. Entrepreneurial alertness, reflecting individual cognitive capability for entrepreneurial opportunity recognition and identification, is central to understanding entrepreneurial behaviors but has not received scant attention in the SE context (Franczak et al., 2023; Fuentelsaz et al., 2021; González et al., 2017). This merely links with the opportunity discovery theory approach as argued above, but we do not rule out a connection with the creation approach either, as discovery promotes the creation of entrepreneurial opportunities and vice versa (Zahra, 2008). Social entrepreneurs who are entrepreneurially alert often discover opportunities from long-standing societal problems (e.g., poverty and the lack of health care) or emerging social issues caused by exogenous shocks (i.e., Covid-19 and natural disasters) (Anokhin et al., 2022; Bacq & Lumpkin, 2021; Saebi et al., 2019). However, discovery alone is frequently inadequate for creating value unless accompanied by the diverse activities associated with the process of creation (Zahra, 2008). To generate greater value, social entrepreneurs who discover opportunities may follow the creation approach to develop business models that are well-suited to address particular (local) social problems.

While investigating a link between entrepreneurial alertness and SE may seem trivial given the existing evidence in mainstream entrepreneurship research, we argue instead it is highly relevant, in particular concerning the interplay with the institutional context (Schmutzler et al., 2019; Welter, 2011). Indeed, Shane (2003) indicated that “neither the environment-centric nor the individual-centric approach toward entrepreneurship is more 'correct' than the other”. As an example, Dencker et al. (2021) found that the

entrepreneurial process of necessity entrepreneurship is conditional on an individual level of human capital endowments and the development of supportive institutional levers. Similarly, our research aims to develop a better understanding of the variation within SE behavior by considering both the external motives and individual differences in discovering opportunities (Dencker et al., 2021; Gartner, 1985).

Blending insights from the discovery theory of opportunity with those of the institutional approach we develop a conceptual framework linking individual-level alertness to country-level institutional conditions to understand an individual's social entrepreneurial action comprehensively. It responds to the call for the contextualization of entrepreneurship study by emphasizing social cognitions regarding entrepreneurial intention are contingent upon the context (Siu & Lo, 2013).

3.3 Hypotheses development

3.3.1 Institutions and social entrepreneurship

SE differs from commercial entrepreneurship regarding opportunity identification and exploitation. Commercial entrepreneurs typically exploit opportunities for generating financial returns, while social entrepreneurs focus on value creation by identifying and realizing opportunities derived from social problems (Saebi et al., 2019; Santos, 2012; Zahra, 2016). For social entrepreneurs, economic profits are only a means to an end. Social entrepreneurs strive to address social problems in the present, thereby bringing social or institutional change, such as alleviating poverty (Tobias et al., 2013), empowering women (Datta & Gailey, 2012), and altering social norms (Leung et al., 2014; McNamara et al., 2018). Indeed, the positive relationship between SE and the prevalence of social problems is consistent with previous studies demonstrating the emergence of SE is due to market and government failures (Austin et al., 2006; Santos, 2012). Prior research has shown that countries characterized by a lack of government support for social welfare often experience an abundance of unsatisfied social needs and, thus, a higher demand for social entrepreneurship (Estrin et al., 2013; Stephan et al., 2015). Similarly, SE more frequently arises to meet unfulfilled social needs that are typically not attractive enough for the private sector to serve (Anokhin et al., 2022; Corner & Ho, 2010). In sum, SE is more prevalent in countries that face intense pressure to fulfil social needs and demands.

Consequently, we expect that individuals are more likely to become social entrepreneurs where the provision of basic human needs (i.e., physiological and safety needs) is scarce because of their primary goal of social value creation that often involves the fulfilment of basic needs such as providing water and food (Certo & Miller, 2008). As aforementioned, commercial entrepreneurs often pursue opportunities for value capture and maximize private profit. However, the entrepreneurial opportunities arising from fulfilling basic human needs (e.g., food, water, shelter, etc.) always lack the profit potential required by commercial entrepreneurs and/or other stakeholders because those needing the services are unable to pay enough for them (Austin et al., 2006; Mair & Marti, 2006). Therefore, commercial entrepreneurs often forgo the opportunity to meet the most basic needs. In addition, due to the lack of resources, governments cannot always engage in activities with little potential for value capture, such as eliminating disease or malnutrition in developing countries (Pless, 2012; Santos, 2012). Unlike commercial entrepreneurs and governments, unmet basic human needs can motivate individuals to become social entrepreneurs to address these problems, thereby creating social values for beneficiaries and society. Our reasoning is consistent with Santos (2012, p.340), who explains that: “*activities perceived as having a high potential for value creation but a low potential for value capture are a natural domain of action for economic actors predominantly driven by value creation, such as social entrepreneurs.*” Prior research indeed finds a rise in the number of social ventures created to respond to local interests and needs that arise from exogenous crises or adversity (Anokhin et al., 2022; Haugh, 2007). Therefore, unsatisfied human basic needs are sources of social value creation opportunities to which social entrepreneurs would act.

In addition, the unmet human basic needs can encourage more individuals to engage in SE due to the short orientation of social entrepreneurs (Austin et al., 2006; Hechavarría et al., 2022). Social entrepreneurs seek to solve social problems as quickly as possible and strive to bring about societal change by addressing these problems in the present (Hechavarría et al., 2022). Luria et al. (2015) also highlight a negative relationship between future orientation and individuals’ prosocial behaviors. Addressing unfulfilled physiological and safety needs (e.g., water and food) is often perceived as more urgent as they are the basic needs for individuals’ survival (Dencker et al., 2021; Maslow, 1943). Therefore, societies with a higher level of unmet human basic needs tend to

motivate individuals to become social entrepreneurs with a short-term orientation for quickly and effectively addressing these basic needs. Taken together, the basic human needs at the macro level can create opportunities for social entrepreneurship. Therefore, we hypothesize:

Hypothesis 1a (H1a). *The extent of a country's unmet basic human needs is positively associated with the likelihood of individuals engaging in SE.*

Continuing to understand how macro-level contextual factors influence individual-level social entrepreneurial efforts, we move to explore how market-supporting institutions can affect social venture creation. Prior research has extensively discussed the adverse impact of institutional voids—defined as the absent or underdeveloped institutional arrangements that support markets—on various entrepreneurial activities (Ge et al., 2017; Puffer et al., 2010; Sydow et al., 2022). The institutional voids perspective argues that the absence of market-supporting institutions can increase transaction and operational costs for entrepreneurs, thereby depressing entrepreneurship and economic growth (Doh et al., 2017; North, 1990). In contrast, countries with supportive market institutions, including property rights protection and economic freedom, can foster entrepreneurial activity by providing a more appropriate environment (Fuentelsaz et al., 2021; Kasper et al., 2012).

SE literature extensively emphasizes that institutional voids from the perspective of weak government provision of services can stimulate more social ventures (Estrin et al., 2013, 2016; Stephan et al., 2015). However, considering SE involves various entrepreneurial activities as commercial entrepreneurship, such as opportunity identification, resource mobilization, and financial funding (Saebi et al., 2019; Zahra et al., 2009), institutional void from the absence of supportive market institutions may constrain social venture creation. Scholars have acknowledged that such voids can detract entrepreneurs from adopting market-based solutions to systemic problems that usually plague many emerging countries (Mair & Marti, 2009; Stephan et al., 2015; Townsend & Hart, 2008). Similarly, Mersland et al. (2020) find that social enterprises avoid contexts with high country risk based on host countries' macroeconomic conditions that could cause a shortfall in expected returns, when deciding on their international market selection.

By contrast, societies with supportive market institutions can provide the ideal environment for individuals to start and grow a social venture. First, high-quality institutions related to markets can facilitate information flows, build trust in the economy, and help entrepreneurs access more crucial resources (Autio & Fu, 2015; Brieger et al., 2020; Orcos et al., 2018). Such favorable institutional environments typically reduce barriers and transaction costs to new venture creations (Mallon & Fainshmidt, 2022; Meyer et al., 2009). In addition, pro-market institutions can also motivate the development of financial institutions and other services, which can provide entrepreneurs with more capital for starting and scaling their businesses, like financial capital and training (Brieger et al., 2020). Consequently, more social entrepreneurial activities may arise in contexts characterized by supportive market institutions.

Based on previous studies, this study focuses on regulatory quality linked well to the construct of pro-market institutions (Lu et al., 2014; Orcos et al., 2018). It directly captures the soundness of policies and regulations formulated and implemented by governments that can permit and promote the development of private sectors. Therefore, we argue that regulatory quality can enable more individuals to become social entrepreneurs.

Hypothesis 1b (H1b). *The regulatory quality of market-supporting institutions at the national level is positively associated with the likelihood of individuals engaging in SE.*

3.3.2 Entrepreneurial alertness and social entrepreneurship

Entrepreneurial alertness is recognized as a necessary condition for entrepreneurial activities (Kirzner, 1973), which often determines the extent to which individuals create new ventures (Baron, 2006; Klein, 2008). Prior studies have empirically identified entrepreneurial alertness as one of the most important predictors of an individual's intention to involve in entrepreneurship (Arenius & Minniti, 2005; Boudreaux, Bennett, Lucas, & Nikolaev, 2022; Boudreaux et al., 2019). Being alert to entrepreneurial opportunities represents the cognitive mechanism in the opportunity identification process by which individuals assess the match between internal talents and resources with the external environment and market signals (Lanivich et al., 2022; Tang et al., 2012). People perceiving potential entrepreneurial opportunities are more likely to have accessible resources and abilities toward new venture creation. Therefore, people with

entrepreneurial alertness are more likely to become entrepreneurs (Boudreaux et al., 2019; Stuetzer et al., 2014).

Our objective to link entrepreneurial alertness with institutional settings and SE first necessitates exploring the relationship between entrepreneurial alertness and engagement in SE. In line with prior studies that have acknowledged the beneficial role of entrepreneurial alertness in traditional entrepreneurship entry, we argue that entrepreneurial alertness also benefits an individual's SE entry. As argued above, social entrepreneurs typically engage in an opportunity identification process for starting a new business or launching a social venture to pursue a social mission while securing profits (Bacq et al., 2016; McMullen & Warnick, 2016). According to Kirzner's (1973) perspective, people with entrepreneurial alertness are more likely to recognize unnoticed opportunities with profit potentials, which can also serve as the basis for leading to social venture creation. While many SE scholars have focused more on the prosocial nature of SE intention by focusing on individual personalities such as empathy, sympathy, and compassion (Dees, 2012; Miller et al., 2012), a traditional business impetus such as self-efficacy and network with entrepreneurs are also found to motivate social entrepreneurship entry (Bacq & Alt, 2018; Sahasranamam & Nandakumar, 2020). Moreover, even though we expect the opportunity discovery view to be most relevant for SE, also from an opportunity creation view perspective entrepreneurial alertness can be expected to exert a positive influence on SE. By means of effectuation, for example, alert entrepreneurs may create opportunities for collective action and new business models that can be applied to combat (local) societal problems (Sarasvathy & Ramesh, 2019). Therefore, we expect that entrepreneurially alert individuals are more likely to become social entrepreneurs. It should be noted that H2 sets out individuals engaged in SE against all other individuals in the adult population and does not involve a comparison between social and commercial entrepreneurs.

Hypothesis 2 (H2). *Entrepreneurial alertness is positively related to the likelihood of individuals engaging in SE.*

3.3.3 Entrepreneurial alertness and national-level contexts

While both an individual- and context-centric approach can help us to understand the internal and external motives for individuals to become social entrepreneurs, a combination of both is required for a comprehensive understanding (Dencker et al.,

2021; Gartner, 1985). As such, we further explore how individual-level entrepreneurial attributes and two macro-level factors jointly explain the variance of social entrepreneurship engagement among individuals. We previously discussed that individuals alert to entrepreneurial opportunities are more likely to become social entrepreneurs. We further argue that the extent to which entrepreneurial alertness will enable an individual's social entrepreneurial entry will depend on the external institutional environment, which can influence their efforts to translate identified opportunities into venture creation.

We first suggest that the cognitive capability of entrepreneurial alertness may be more likely to predict an individual's engagement in SE in a context with a higher level of unmet basic needs. Previous research on traditional entrepreneurship (e.g., opportunity- or necessary-based entrepreneurship) suggests individuals exhibiting entrepreneurial alertness will be less likely to create new businesses in institutional contexts where there are lower expected business returns (profits) and the relative gains from alternative jobs are higher (Boudreaux et al., 2019; Sobel, 2008). However, societies with more unsatisfied basic human needs can induce SE behaviour by not only expanding the range of opportunities individuals with entrepreneurial alertness can observe or discover, but also by shifting the priority towards SE (in comparison to opportunities for commercial entrepreneurship). Considering the primary goal of SE is social value creation (McMullen, 2011; Saebi et al., 2019), opportunities present in settings with more unmet basic human needs can drive individuals to become social entrepreneurs by addressing these unfulfilled human demands. Similarly, as suggested by the attention-based view, personal attributes and contextual factors interact to affect individuals' allocation of attention and then their actions (Ocasio, 1997; Ocasio et al., 2018). For example, certain contextual factors, such as natural disasters, tend to direct individuals' attention toward social problems and interact with personal attributes (e.g., fear of failure) to influence individual SE (Wei et al., 2023). Therefore, we expect individuals with entrepreneurial alertness to be even more likely to become social entrepreneurs in societies with plenty of unmet basic human needs as they would be more inclined to manifest their alertness for entrepreneurial opportunities to these social problems.

Hypothesis 3a (H3a). *National levels of basic human needs moderate the positive relationship between entrepreneurial alertness and the likelihood of individuals*

becoming social entrepreneurs, such that the relationship is stronger in countries where there are more unmet basic human needs.

In addition, we assume that market-supporting institutions can also enhance the positive effect of individuals' alertness to opportunities in social entrepreneurial efforts. According to the discovery theory of opportunity, entrepreneurs can move forward by evaluating the riskiness of exploiting opportunities by collecting information about the new opportunity (Alvarez & Barney, 2007; Hmieleski et al., 2015). A pro-market institutional environment often provides more crucial resources, reduces transaction costs, and lowers uncertainty through offering a structuring to everyday life (Mallon & Fainshmidt, 2022; Meyer et al., 2009). Autio & Fu (2015) and Brieger et al. (2020) find that countries exhibiting higher regulatory quality typically have more effective government support, encompassing both tangible and intangible resources. They also identify a pro-market institutional environment helps to build trust in the economy and promotes information flows. Given the better information flows and trust, individuals are more easily to capture and gain the potential support that exists in a pro-market institutional environment. In this context, the riskiness of seizing an identified opportunity would be lower. Individuals with entrepreneurial alertness thus are more likely to engage in social entrepreneurial activity when a pro-market institutional condition is present. In contrast, countries with a non-munificent regulatory quality in the private sector tend to have problems with corruption and lower levels of social wealth (Bade, 2022; Djankov et al., 2002), which could impede individuals from seizing opportunities to become social entrepreneurs. Overall, we argue that a country's regulatory quality positively moderates the relationship between an individual's entrepreneurial alertness and SE entry.

Hypothesis 3b (H3b). *Regulatory quality of market-supporting institutions moderates the positive relationship between entrepreneurial alertness and the likelihood of individuals becoming social entrepreneurs, such that the relationship is stronger in countries with higher regulatory quality.*

Figure 3.1 presents our research model and hypotheses.

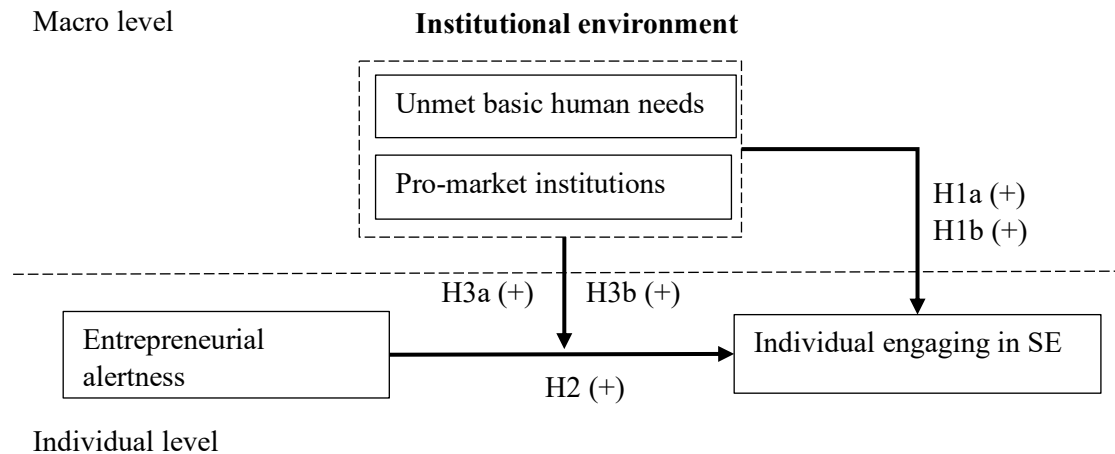


Figure 3-1: Theoretical model

3.4 Research methods

3.4.1 Sample and data source

We adopted a multilevel design to examine our model in which individual-level (level 1) data are nested within country-level data (level 2). We combined several datasets to test our hypotheses. First, our individual-level data relied on a large population-representative survey, the Adult Population Survey (APS), collected in 2015 by the Global Entrepreneurship Monitor (GEM) (Lepoutre et al., 2013; Stephan et al., 2015). Each year in GEM surveys, a representative population sample of at least 2,000 individuals is randomly selected in each participating country. Participants were interviewed by phone or face-to-face. A more detailed description of the data collection protocols can be found in the GEM manual (Bosma et al., 2012). Prior studies have acknowledged the GEM survey for producing reliable results, and many empirical cross-national entrepreneurship studies published in leading academic journals have adopted GEM data for (part of) the analysis (Boudreaux, Nikolaev, & Klein, 2019; Kibler et al., 2018; Sahasranamam & Nandakumar, 2020). In 2015, more than 181,000 individuals in 60 countries completed the survey. Notably, the 2015 GEM survey additionally focused on social entrepreneurship, with specific questions targeted at identifying social entrepreneurial activity.

Data for our country-level variables came from multiple sources, such as the Social Progress Index, Worldwide Governance Index, and World Bank. To avoid potential endogeneity between our hypothesized predictors and the outcome of SE, we lagged all

country-level variables for at least one year. After merging the individual data with the above several country-level data sources, our final sample consisted of 100,110 individuals from 49 countries for whom all personal data and SE were available. An overall description of the data sources and the measurement of used variables is presented in Table B.1 in the Appendix.

3.4.2 Variables and measures

Dependent variable: SE engagement

The dependent variable used in this study is individuals' engagement in SE. We identified individuals as social entrepreneurs if they answered yes to these two questions: "Are you, alone or with others, currently trying to start or currently leading any kind of activity that has a social, environmental, or community objective?" and "Over the past twelve months have you done anything to help start this activity, organization or initiative?" (Pathak & Muralidharan, 2016, 2018; Sahasranamam & Nandakumar, 2020). Our measurement of SE engagement is consistent with prior studies (Mair & Marti, 2006; Stephan et al., 2015). The dependent variable, a binary variable, was coded = 1 if individuals responded in the affirmative that they are currently "trying to start," "currently leading," or "trying to start and leading," and they have put some effort to start this activity over the past twelve months, and 0 otherwise.

Independent variables

Our independent variables include individual-level entrepreneurial alertness and two macro-level contextual factors indicating a country's unfulfilled basic needs and supportive market institutions.

Entrepreneurial alertness. To capture individuals' alertness to opportunity, we used individual-level data relating to their perception of business opportunities in their environment. Specifically, we asked whether an individual perceives potential opportunities to start businesses in the next six months. It would equal one if he/she responded in the affirmative: "In the next six months, will there be good opportunities for starting a business in the area where you live?" We obtained this data from the GEM APS database as well.

Unmet basic human needs. According to Maslow's hierarchy of Needs framework, human beings have five levels of need, ranging from the bottom to the top, as follows:

physiological, safety, love and belongingness, esteem, and self-actualization (Maslow, 1943). Among these five levels of need, physiological and safety needs are the basic needs that must be met for survival (e.g., access to water and food). The Social Progress Index provides a source for measuring the dissatisfaction with a country's basic human needs (Stern et al., 2014). The indicator of basic human needs from the Social Progress Index (2014) captures a country's capability to meet its citizens' basic human needs, including adequate nourishment and basic medical care, availability of water and sanitation, provision of shelter, and guarantee of personal safety. We measure unsatisfied basic human needs by deducting the score of basic needs from 100 from the Social Progress Index. Therefore, countries with a higher level of unmet basic needs indicate more urgent social problems that need to be addressed and hence signal higher levels of institutional void.

Regulatory quality. As discussed in the hypotheses, social entrepreneurs rely not only on a country's social development but also on the quality of pro-market institutions. We capture the level of a country's pro-market institutions in terms of regulatory quality that shows the extent to which governments have implemented sound policies and regulations to promote and permit private sector development (Kaufmann et al., 2009). We obtained the data from the World Governance Indicators (2014) provided by the World Bank. Prior research has acknowledged this indicator is an appropriate measurement to evaluate the market-supporting institutions existing in a country (Hearn & Filatotchev, 2019; Kim & Li, 2014; Omri, 2020).

Control variables

We included individual- and country-level control variables, consistent with prior multilevel empirical studies (Kibler et al., 2018; Stephan et al., 2015). At the individual level, we controlled for gender (female=0, male=1) (Estrin et al., 2013; Stephan et al., 2015). We also included individuals' ages, coded as categories 1-5, representing the following categories: 18-24, 25-34, 35-44, 45-54, and 55-64, respectively (Stephan et al., 2015). Further, prior research has suggested individuals' education level is positively associated with SE (Estrin et al., 2013), which has seven classes based on the GEM survey: pre-primary = 0, primary or first stage basic education = 1, lower secondary or second stage basic education = 2, upper secondary= 3, post-secondary, non-tertiary education = 4, the first stage of tertiary education = 5, and second stage of

tertiary education = 6. In our analysis, ‘age=1’ and ‘education=0’ are the reference categories for age and education, respectively. In addition, evidence suggests that both work status and household income can affect SE activity (Pathak & Muralidharan, 2016; Sahasranamam & Nandakumar, 2020). Thus, we included household income as one of the control variables. We measured household income as a dummy variable, which equals 1 when individuals indicate that their income belonged to their countries’ middle- or higher-income group. We further included individual socio-cognitive traits such as individuals’ perceived entrepreneurial self-efficacy, fear of failure, and individuals’ network with entrepreneurs, which is known to influence entrepreneurial activity (Boudreaux et al., 2019; Pathak & Muralidharan, 2016; Sahasranamam & Nandakumar, 2020). Exact questions for measuring the above individuals’ socio-cognitive traits are available in Table B.1 in the Appendix, which provides the definition and data source for all variables used in our study.

At the country level, we included GDP growth for 2014 as a control variable to capture the potential country-level effects in our main regression model, which follows the study by Stephan et al. (2015). Based on prior studies, we also included unemployment and government spending on social welfare as control variables (Estrin et al., 2013; Sahasranamam & Nandakumar, 2020; Stephan et al., 2015). We obtained GDP growth and unemployment data from the World Bank. Government spending data was obtained from the dataset of Heritage Foundations. We lagged for all country-level variables for at least one year. All variables’ definitions and sources are presented in Appendix Table B.1.

3.4.3 Methodology

We used multilevel modeling on our dataset because of the hierarchical nature, including national and individual levels in our setting. People from the same country have similar experiences, which leads to similar beliefs about SE. In the multilevel modeling, observations within one nation are not independent of one another, i.e., country factors that affect part of the errors in assessing the individuals’ willingness to participate in SE. Specifically, I adopted multilevel logit regression for the main analyses. The multilevel logit model has several advantages compared to the standard logit regression. First, it overcomes *ecological fallacy*, which means “the assumption that relationships between variables at the aggregate level imply the same relationships

at the individual level” (Jargowsky, 2005: 715). Second, it considers the nonindependence of error terms, thereby reducing more reliable estimates than the single-level regression (Estrin et al., 2013).

In line with prior studies of Estrin et al. (2013), we examined whether the multilevel modeling is appropriate statistically. First, we ran the multilevel regression in an empty model (a multilevel model without any explanatory variables) to test the significance of country effects (random intercepts). The results suggest significant country-level variances ($p < 0.001$) in explaining individuals’ engagement in social entrepreneurial activity. The residual intra-class correlation (ICC) indicates that 16.98% of the variation of SE engagement resides at the country level, and this proportion is indeed large (Hox et al., 2017). Thus, multilevel modelling is appropriate in this paper. In addition, we compared the ICC before and after considering all variables of interest, including all predictors. The result indicates that after adding all variables of interest, the ICC reduces to 11.99%, which is significantly different from zero. Therefore, there is still some overall country-level variance in our dependent variable that our country-level variables cannot explain.

We further adopted the variance inflation factor (VIF) method to test multicollinearity, as shown in Appendix Table B.2. For our models, the VIF statistic suggested that there was no multicollinearity among our variables as all the VIF scores were below the critical threshold (<5) (Hair, 2009).

3.5 Results

Table 3.1 provides the descriptive statistics and a correlation matrix for all variables used in our study. We test our hypotheses using a series of logistic multilevel regression models, with a dependent variable as an individual’s engagement in SE, a binary variable following the Bernoulli distribution. Five logit regression models applied to test our hypotheses are displayed in Table 3.2. Model 1 includes all the individual- and country-level control variables. To test hypotheses 1 and 2, Models 2-4 add all focal predictors: entrepreneurial alertness, unmet basic human needs, and regulatory quality. For examining the moderating effect of individuals’ alertness to opportunity, we included both interaction terms consecutively in Model 5.

Table 3.1: Description and correlations matrix

	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. SE	0.05	0.22	1													
2. Gender	0.49	0.50	0.025***	1												
3. Age	2.98	1.33	-0.005**	-0.012***	1											
4. Education	3.11	1.43	0.055***	0.023***	-0.086***	1										
5. Income	0.64	0.48	0.051***	0.082***	-0.011***	0.256***	1									
6. Know entrepreneurs	0.38	0.49	0.107***	0.067***	-0.082***	0.066***	0.104***	1								
7. Start-up skills	0.50	0.50	0.106***	0.123***	0.002	0.069***	0.096***	0.253***	1							
8. Fear of fail	0.41	0.49	-0.044***	-0.071***	0.010***	0.016***	-0.025***	-0.030***	-0.144***	1						
9. GDP growth	2.86	2.04	0.054***	-0.002	-0.088***	-0.046***	-0.007***	0.116***	0.036***	-0.036***	1					
10. Unemployment	10.26	7.50	-0.067***	0.007***	0.068***	-0.070***	-0.095***	-0.074***	-0.032***	0.041***	-0.389***	1				
11. Govern spending	36.54	10.65	-0.032***	0.008***	0.133***	0.126***	-0.001	-0.143***	-0.114***	0.061***	-0.501***	0.405***	1			
12. Unmet basic needs	18.84	12.55	0.077***	-0.007***	-0.164***	-0.228***	-0.007***	0.165***	0.162***	-0.072***	0.513***	-0.295***	-0.728***	1		
13. Regulatory quality	0.70	0.80	0.010***	0.005**	0.133***	0.220***	-0.003	-0.133***	-0.118***	0.030***	-0.229***	0.038***	0.532***	-0.777***	1	
14. Entrepreneurial Alertness	0.41	0.50	0.093***	0.042***	-0.071***	0.066***	0.086***	0.228***	0.212***	-0.080***	0.081***	-0.142***	-0.103***	0.120***	-0.020***	1

3.5.1 Main results

We proposed a positive relationship between unsatisfied basic human needs and individuals' SE entry in Hypothesis 1a. In Model 4, we find that unmet basic human needs are positively associated with an individual's SE entry, and the relationship is statistically significant at the 1 percent level ($\beta = 0.048$, $p < 0.01$). From Model 4, we also find support for our Hypothesis 1b, as a country's pro-market institutions (regulatory quality) have a significant positive effect on an individual's SE entry ($\beta = 0.643$, $p < 0.01$). In Hypothesis 2, we argue that entrepreneurial alertness can positively predict SE entry. Model 4 provides evidence that entrepreneurial alertness is positively associated with SE entry ($\beta = 0.375$, $p < 0.01$). The interaction models further indicate that the positive influence of an individual's alertness to opportunity on SE entry is enhanced by both unmet basic social needs and pro-market institutions. From Model 5, we find a significant positive interaction between unmet most basic human needs at the national level and individuals' alertness to opportunity ($\beta = 0.01$, $p < 0.01$), which supports our Hypothesis 3a. Finally, in Model 5, we note that an individual's alertness to opportunity also strengthens the positive relationship between regulatory quality and individuals' SE engagement ($\beta = 0.121$, $p < 0.05$), supporting our Hypothesis 3b as well.

Table 3.2: Main results

Variables	Model 1	Model 2	Model 3	Model 4	Model 5
Gender	.106*** (.029)	.106*** (.029)	.102*** (.029)	.102*** (.029)	.103*** (.029)
Age range					
1.Ranges only (25-34)	-.049 (.046)	-.049 (.046)	-.046 (.047)	-.046 (.047)	-.047 (.047)
2.Ranges only (35-44)	-.022 (.048)	-.021 (.048)	-.011 (.048)	-.01 (.048)	-.012 (.048)
3.Ranges only (45-54)	.144*** (.049)	.145*** (.049)	.164*** (.049)	.165*** (.049)	.162*** (.049)
4.Ranges only (55-64)	.093* (.053)	.095* (.053)	.121** (.053)	.122** (.053)	.119** (.053)
Education					
Primary education	.104 (.082)	.108 (.082)	.099 (.082)	.103 (.082)	.096 (.082)
Lower secondary education	.14* (.084)	.145* (.084)	.147* (.084)	.152* (.084)	.146* (.084)
Upper secondary education	.33*** (.081)	.336*** (.081)	.334*** (.081)	.34*** (.081)	.334*** (.081)
Post-secondary, non-tertiary education	.561*** (.087)	.568*** (.087)	.569*** (.087)	.576*** (.087)	.571*** (.088)
First stage of tertiary education	.887*** (.082)	.893*** (.082)	.886*** (.082)	.892*** (.082)	.89*** (.083)
Second stage of tertiary education	1.189*** (.119)	1.193*** (.119)	1.201*** (.119)	1.204*** (.119)	1.203*** (.119)
Income	.088** (.034)	.088*** (.034)	.074** (.034)	.074** (.034)	.078** (.034)
Know entrepreneurs	.742*** (.031)	.741*** (.031)	.678*** (.031)	.677*** (.031)	.676*** (.031)
Start-up skills	.653*** (.034)	.652*** (.034)	.61*** (.035)	.61*** (.035)	.609*** (.035)
Fear of fail	-.196*** (.032)	-.195*** (.032)	-.176*** (.032)	-.175*** (.032)	-.177*** (.032)
GDP growth	.083 (.058)	.021 (.054)	.082 (.058)	.022 (.054)	.021 (.054)
Unemployment	-.028 (.022)	-.026 (.02)	-.025 (.021)	-.023 (.02)	-.024 (.02)
Government spending	.015 (.012)	.027* (.014)	.016 (.012)	.027* (.014)	.026* (.014)
Unmet basic needs		.05*** (.015)		.048*** (.015)	.043*** (.015)
Regulatory quality		.675*** (.199)		.643*** (.199)	.577*** (.2)
Entrepreneurial alertness (Alertness)			.376*** (.031)	.375*** (.031)	.333*** (.033)
Alertness*Unmet basic needs					.01*** (.003)
Alertness*Regulatory quality					.121** (.061)
Constant	-4.838*** (.538)	-5.116*** (.556)	-5.011*** (.534)	-5.286*** (.557)	-5.242*** (.554)
Variance of random intercept between countries	.577*** (.121)	.448*** (.094)	.567*** (.118)	.448*** (.094)	.443*** (.093)
Number of countries	49	49	49	49	49
Observations	100110	100110	100110	100110	100110
AIC	38255.01	38247.01	38103.51	38096.44	38089.96
BIC	38445.29	38456.32	38303.31	38315.26	38327.81

Standard errors are in parentheses.

**** p<.01, ** p<.05, * p<.1*

We plot the significant moderating effects that display the average predicted probability of engaging in SE at low and high levels of unmet basic human needs (based on differences of one standard deviation of the mean) and regulatory quality with varying levels of alertness to entrepreneurial opportunities. In Figure 3.2, the vertical axis indicates the probability of an individual engaging in SE, whereas the horizontal axis shows the degree of unsatisfied basic human needs in a country. The results in Figure 3.2 indicate that as unmet basic human needs increase, both people with entrepreneurial alertness and those without alertness to new venture opportunities are more likely to engage in social entrepreneurship than their counterparts in societies with fewer requirements for basic human needs. In addition, the gap between these two groups becomes more significant as unmet basic human needs increase. We plot the graphs for the significant interaction effect between regulatory quality and entrepreneurial alertness in social entrepreneurship (Figure 3.3). It shows that people with entrepreneurial alertness are more likely to start a social venture when they are facing better regulatory quality in their country. Overall, all figures suggest that the higher level of unmet basic human needs and better pro-market institutions strengthen the positive association between entrepreneurial alertness and individuals' SE entry.

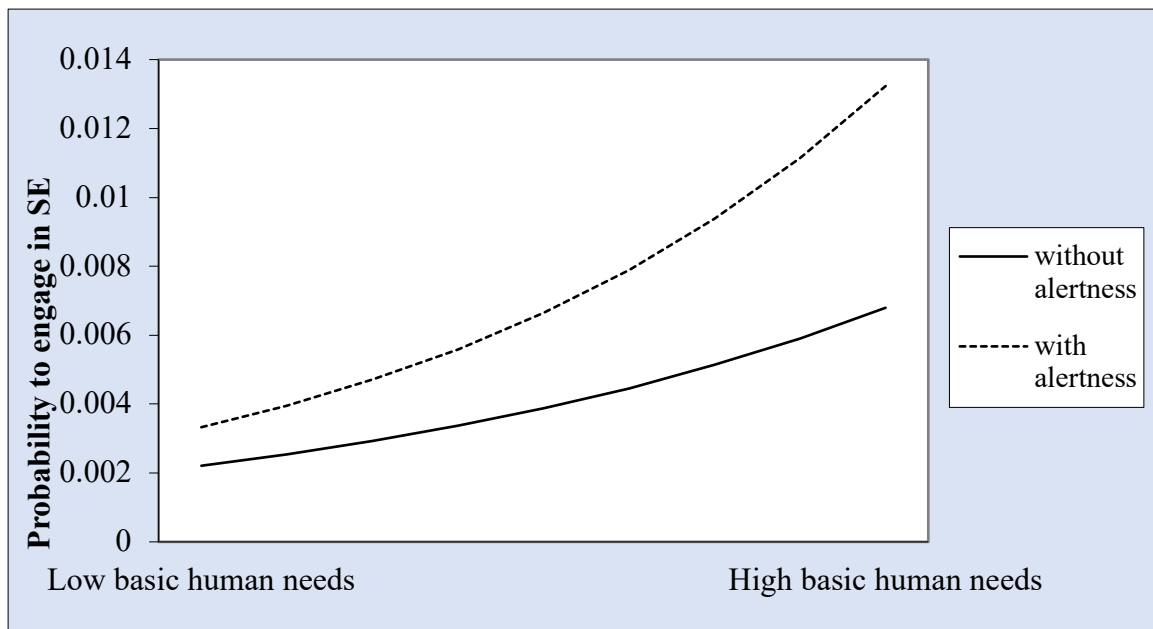


Figure 3-2: Interaction between unmet basic human needs and entrepreneurial alertness

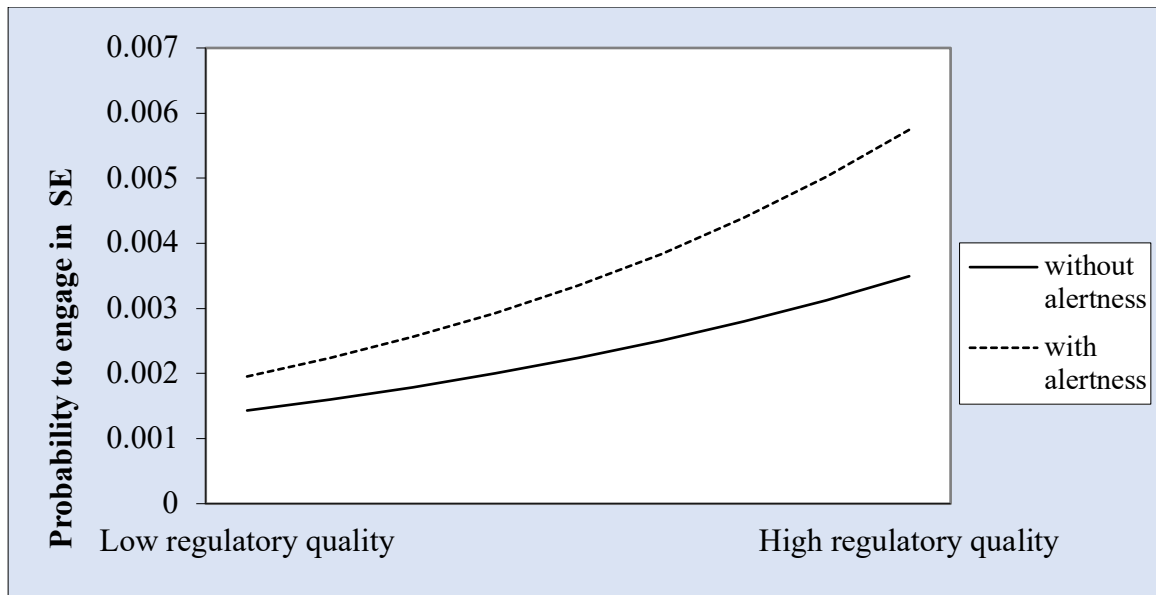


Figure 3-3: Interaction between regulatory quality and entrepreneurial alertness

3.5.2 Robustness checks

We then conducted a series of robustness checks, as shown in Table 3.3-3.4 and Table B.3-C.5.

We re-test our findings by focusing on the most basic human needs (i.e., physiological needs). Among these five levels of need from Maslow’s Hierarchy of Needs framework, physiological needs are the most urgent and basic needs that must be met for survival (e.g., access to water and food) (Maslow, 1943). Therefore, we measure the unmet physiological needs as a proxy for human’s most basic needs. We leave out the safety needs as they are higher-level needs. We calculate the physiological needs by deducting the unweighted average score of three factors from 100 based on the indicator of the basic need from the Social Progress Index: nutrition and basic medical care, water and sanitation, and shelter. We found that the results are consistent with our findings (see Table 3.3).

Table 3.3: Robustness results

Variables	Model 1	Model 2	Model 3
Gender	.106*** (.029)	.102*** (.029)	.103*** (.029)
Age range			
1.Ranges only (25-34)	-.049 (.046)	-.046 (.047)	-.047 (.047)
2.Ranges only (35-44)	-.022 (.048)	-.01 (.048)	-.013 (.048)
3.Ranges only (45-54)	.144*** (.049)	.165*** (.049)	.161*** (.049)
4.Ranges only (55-64)	.093* (.053)	.122** (.053)	.119** (.053)
Education			
Primary education	.104 (.082)	.105 (.082)	.097 (.082)
Lower secondary education	.14* (.084)	.154* (.084)	.146* (.084)
Upper secondary education	.33*** (.081)	.342*** (.081)	.335*** (.081)
Post-secondary, non-tertiary education	.561*** (.087)	.578*** (.087)	.572*** (.088)
First stage of tertiary education	.887*** (.082)	.895*** (.082)	.89*** (.083)
Second stage of tertiary education	1.189*** (.119)	1.207*** (.119)	1.204*** (.119)
Income	.088** (.034)	.074** (.034)	.078** (.034)
Know entrepreneurs	.742*** (.031)	.677*** (.031)	.675*** (.031)
Start-up skills	.653*** (.034)	.61*** (.035)	.609*** (.035)
Fear of fail	-.196*** (.032)	-.175*** (.032)	-.177*** (.032)
GDP growth	.083 (.058)	.003 (.054)	.003 (.054)
Unemployment	-.028 (.022)	-.026 (.019)	-.027 (.019)
Government spending	.015 (.012)	.021* (.013)	.021 (.012)
Physiological needs		.043*** (.011)	.037*** (.011)
Regulatory quality		.548*** (.168)	.49*** (.17)
Alertness		.375*** (.031)	.333*** (.033)
Alertness*Physiological needs			.009*** (.003)
Alertness*Regulatory quality			.103* (.053)
Constant	-4.838*** (.538)	-6.017*** (.573)	-5.847*** (.573)
Variance of random intercept between countries	.577*** (.121)	.421*** (.089)	.418*** (.088)
Number of countries	49	49	49
Observations	100110	100110	100110
AIC	38255.01	38093.56	38085.16
BIC	38445.29	38312.39	38323.01

Standard errors are in parentheses.

*** $p < .01$, ** $p < .05$, * $p < .1$

In addition, we replicated our analysis by using an alternative measurement for pro-market institutions, the economic freedom index from the Fraser Institute's Economic

Freedom dataset. We found that the results are consistent with our findings. Individuals are more likely to become social entrepreneurs when a country has high demands for basic needs. And economic freedom can also promote more social entrepreneurship. Both effects are strengthened when individuals are alert to potential business opportunities (see Table 3.4).

Table 3.4: Robustness results

Variables	Model 1	Model 2	Model 3
Gender	.106*** (.029)	.102*** (.029)	.103*** (.029)
Age range			
1.Ranges only (25-34)	-.049 (.046)	-.046 (.047)	-.046 (.047)
2.Ranges only (35-44)	-.022 (.048)	-.01 (.048)	-.012 (.048)
3.Ranges only (45-54)	.144*** (.049)	.165*** (.049)	.162*** (.049)
4.Ranges only (55-64)	.093* (.053)	.122** (.053)	.119** (.053)
Education			
Primary education	.104 (.082)	.101 (.082)	.095 (.082)
Lower secondary education	.14* (.084)	.15* (.084)	.144* (.084)
Upper secondary education	.33*** (.081)	.338*** (.081)	.332*** (.081)
Post-secondary, non-tertiary education	.561*** (.087)	.575*** (.087)	.57*** (.088)
First stage of tertiary education	.887*** (.082)	.89*** (.082)	.888*** (.083)
Second stage of tertiary education	1.189*** (.119)	1.203*** (.119)	1.201*** (.119)
Income	.088** (.034)	.074** (.034)	.076** (.034)
Know entrepreneurs	.742*** (.031)	.677*** (.031)	.676*** (.031)
Start-up skills	.653*** (.034)	.61*** (.035)	.608*** (.035)
Fear of fail	-.196*** (.032)	-.176*** (.032)	-.178*** (.032)
GDP growth	.083 (.058)	.034 (.058)	.034 (.058)
Unemployment	-.028 (.022)	-.033 (.021)	-.034 (.021)
Government spending	.015 (.012)	.036** (.015)	.037** (.015)
Unmet basic needs		.038** (.016)	.032* (.016)
Alertness		.376*** (.031)	.333*** (.033)
Economic freedom (Fraser)		.395* (.203)	.314 (.204)
Alertness*Unmet basic needs			.011*** (.003)
Alertness*Economic freedom (Fraser)			.148** (.06)
Constant	-4.838*** (.538)	-5.624*** (.6)	-5.593*** (.598)
Variance of random intercept between countries	.577*** (.121)	.507*** (.106)	.504*** (.106)

Number of countries	49	49	49
Observations	100110	100110	100110

Standard errors are in parentheses.

**** $p < .01$, ** $p < .05$, * $p < .1$*

Besides, we remove one control variable, GDP growth, to check the consistency of our findings (see Table B.3 in the Appendix). Last, we add the GDP per capita as another control variable to redo our analysis (see Table B.3 in the Appendix). All of these analyses further confirm our findings.

3.6 Discussion and implications

This study focuses on the importance of environmental context in influencing individuals' social venture creation by shifting focus from the government side to the social and market conditions. Aligning the previous argument on the institutional void in social entrepreneurship literature (Estrin et al., 2013; Stephan et al., 2015), we argue that the unmet most basic human needs arising from market and/or government failure can stimulate more individuals to become social entrepreneurs. In addition, we also propose that the existence of institutional support affects social entrepreneurial activities in terms of the role of market-based institutions, which has caused less attention in prior social entrepreneurship research (Fuentelsaz et al., 2021; Kasper et al., 2012). The empirical results suggest that unfulfilled basic human needs and pro-market institutions positively affect individuals' SE engagement. This study also pays more attention to individuals' entrepreneurial characteristics (i.e., entrepreneurial alertness) in stimulating SE entry, which expands previous studies on SE intention from the prosocial perspective. We further integrate the discovery theory of opportunity and institutional approach to illustrate the effect of entrepreneurial alertness on SE entry is contingent on the external institutional environment (Bruton et al., 2010; Estrin et al., 2013). We find that the positive effect of entrepreneurial alertness on SE entry can be significantly enhanced when individuals are embedded in a context with higher basic human needs and better regulatory quality. Overall, our findings contribute to understanding where social entrepreneurs may emerge by focusing on social entrepreneurs' entrepreneurial personality, the coexistent effects of the institutional void from the social development side, and the institutional support from pro-market conditions.

3.6.1 Theoretical implication

This paper contributes to extending SE literature by enriching our understanding of social entrepreneurial behavior in the following four ways. First, our research responds to prior calls for more significant consideration of the institutional context in studying SE (Hechavarría et al., 2022; Stephan et al., 2015). Our study suggests that macro-level drivers for individual engagement in SE come from the demand or ‘void’ side (i.e., the unsatisfied most basic human needs) and the support side in terms of pro-market institutions. We highlight the unmet basic human needs can provide opportunities for individuals to create social values through engaging in social entrepreneurial activities. It helps us to understand the previous debate on the role of institutional void and support from the government side in SE. It indicates that the effects of government support or failure on SE depend on the extent to which they have addressed the most basic human needs. Besides, given the adoption of a market-based method to seek a sustainable way to solve social problems, we find SE can benefit from a supportive market environment. It emphasizes the significance of market-based institutions in affecting SE, expanding beyond a prominent focus on the role of government. In sum, our study advances SE literature by discussing the role of void or demands (i.e., unmet basic needs) and examining the supportive role of pro-market institutions.

Second, this study goes beyond focusing on the prosocial perspective of SE intention, which has been well-established in previous SE literature (Miller et al., 2012; Saebi et al., 2019). We emphasize the entrepreneurial nature of SE and find entrepreneurial alertness plays a critical role in predicting SE intention. We further investigate how the effect of individuals’ entrepreneurial alertness on their SE entry depends on the macro-level context they are surrounded by. It enriches prior discussions on how national conditions and individual capital jointly affect social entrepreneurship entry (Estrin et al., 2016; Sahasranamam & Nandakumar, 2020). By considering the heterogeneity among individuals and the national-level context, our study can help future researchers better understand how individual characteristics and the national environment relate to SE entry.

Finally, our findings have the potential to be generalized. Although we focus on SE contexts, we expect that a country’s condition of human needs and market-supporting institutions can also give rise to other types of entrepreneurial activity, such as

opportunity and necessity entrepreneurship. Prior researchers have argued that people live in poverty with basic needs not only represent a promising market for firms from mature economies but also can leverage an entrepreneurial way to break the cycle of poverty and improve their lives (Bruton et al., 2013; Dencker et al., 2021; Sutter et al., 2019). Therefore, a country with high demands for basic human needs may motivate people to start a business to pursue entrepreneurial opportunities and encourage more individuals to become necessity entrepreneurs due to their eagerness to fulfill basic needs. In addition, supportive market institutions may contribute to both opportunity and necessity entrepreneurship since they help reduce the transaction costs for entrepreneurs and improve transparency (Baron et al., 2018; Sydow et al., 2022). As such, there is potential to extend our studies to different kinds of entrepreneurial behavior. Given their similarities and differences, conducting a comparative study on the effects of social and market conditions among these various entrepreneurial activities would also be promising.

3.6.2 Practical implication

The findings of this study have important implications for policymakers who aim to stimulate social entrepreneurial activity. Governments usually play a key and active role in providing social welfare. The results of our study reveal that unsatisfied basic human needs foster more individuals to engage in SE, indicating that SE can serve as an alternative way to solve social problems. Authorities, particularly in developing countries, can promote SE development to complement the inabilities of local governments in social welfare provision (Seelos & Mair, 2005; Zahra et al., 2008). Governments can release relevant policies targeting social ventures. For example, policymakers can improve SE's legitimacy by granting sociopolitical recognition through legislation and laws, as prior research suggests that government endorsements are essential sources of legitimacy for new organizations (Tost, 2011).

In addition, governments should not be timid in facilitating commercial start-ups for fear that this will reduce the development of social entrepreneurial activity in their countries. By contrast, policymakers are encouraged to increase various government support and build a supportive entrepreneurial ecosystem for start-ups. Prior studies have shown that commercial ventures can benefit from a high-quality market environment, such as well-developed economic freedom and property rights (Tran,

2019; Webb et al., 2020). Our analysis further shows that a supportive market environment can also motivate more individuals to become social entrepreneurs. Therefore, building market-supporting institutions in a country can not only promote the growth of traditional start-ups but also encourage more potential members to engage in SE. Such encouragement could use certain incentives to signal benefits (i.e., financial support or direct subsidies) and establish supportive regulative institutional arrangements (Stenholm et al., 2013).

Furthermore, policymakers should notice that individuals are more likely to become social entrepreneurs when they are alert to business opportunities. The positive effects of our macro-level factors on individuals' SE engagement are enhanced when individuals perceive a potential entrepreneurial opportunity in their countries. In other words, individuals alert to business opportunities in their country are more likely to engage in social entrepreneurship when surrounded by a higher level of unmet basic human needs or supportive market institutions. Entrepreneurial alertness often includes individuals' observation of the environment, resource association, and evaluation of ideas (Lanivich et al., 2022; Tang et al., 2012). Policymakers thus can build on this insight by creating a supportive entrepreneurial environment, such as providing financial support and building favorable incubator conditions for potential social entrepreneurs.

3.7 Limitation and future research

Although our study has contributed to understanding macro-level antecedents of social entrepreneurial activity by focusing on a country's social development and market conditions, we acknowledge that our work is not without limitations that can serve as a springboard for future studies. First, in this study, we drew on a population-representative sample across 49 diverse countries to test our multilevel hypotheses. However, due to the cross-sectional nature of our data set, it is unable to draw causal conclusions from our analyses. Future research could use alternative methodologies to shed light on the causal relationships, such as applying experimental or longitudinal research design. Besides, our focus on macro-level comparison implies that our study has not fully captured some within-country variance. For instance, the fulfillment of basic human needs (e.g., water, food, and safety) and market-based policies or

regulations might vary significantly across regions within the same country. As a result, individuals living in different areas may perceive different levels of urgency of local social problems and the development of market-supporting institutions, which may affect their social entrepreneurial behavior. Thus, more nuanced data can be collected within each nation in order to understand these geographic differences better.

Second, we categorize SE as binary. However, variance exists in terms of social entrepreneurial activity. For instance, Zahra et al. (2009) suggested that social entrepreneurs can be classified into three types: social bricoleur, social constructionist, and social engineer. Social bricoleurs often focus on discovering and addressing small-scale local social needs. Social constructionists tend to remedy broader social problems inadequately solved by existing businesses and governments. Finally, social engineers seek to bring about revolutionary changes to address systemic issues. Given the differences among these three types of social entrepreneurs, Zahra et al. (2009) argue that these different social entrepreneurs vary in finding opportunities and assembling the required resources for pursuing these opportunities. As a result, there is a need to explore how unsatisfied basic human needs and pro-market institutions may influence different types of social entrepreneurs. However, the GEM data set does not allow us to distinguish the types of social entrepreneurs. We thus suggest that future research needs to probe the effects of a country's social development and market-related institutions among different kinds of social ventures for further exploring if these macro-level contextual factors have differing effects on certain types of social ventures.

Third, this study specifically explored how a country's unmet basic social needs can affect individuals' social venture engagement. However, people often have higher-level human needs besides the lower-level basic needs, including the needs of safety, belongingness and love, esteem, and self-actualization (Maslow, 1943). People also seek to fulfill these higher-level needs as they are also critical to people's development. Even though we tested how unfulfilling of a country's basic needs influences social entrepreneurial activity, future research may explore whether and how other unsatisfied higher-level needs could impact SE. Notably, researchers have reconceptualized necessity entrepreneurship by understanding the variations in necessity entrepreneurial behavior under the boundary condition of basic needs, particularly focusing on the most basic physiological and safety needs (Dencker et al., 2021). Therefore, scholars would

benefit from additional studies that investigate the influence of unmet higher-level needs in a country related to the creation of social ventures.

Finally, individuals' entrepreneurial alertness is just one plausible traditional entrepreneurial trait proven to significantly affect entry into SE. Other entrepreneurial-related characteristics may also play an essential role in the SE context as they do in conventional entrepreneurship research, such as fear of failure and self-efficacy (Boudreaux et al., 2019), which can be investigated in future studies. Further research can also enrich current discussions on the prosocial personalities of social entrepreneurs. For instance, it is interesting to understand whether and how prosocial personalities, such as empathy and compassion, can influence the relationship between unmet basic social needs, market-supporting institutions, and social venture creation.

3.8 Conclusion

We adopt the discovery theory of opportunities to understand how entrepreneurial alertness can affect SE entry. Unlike previous studies focusing on the prosocial personalities of social entrepreneurs, we find that an individual's entrepreneurial characteristics (i.e., entrepreneurial alertness) can also positively predict SE entry. In addition, based on institutional theory, we propose a comparative cross-country study to examine two less-explored macro-level antecedents of SE. We suggest that a country's progress in satisfying basic human needs and establishing supportive market institutions can affect individuals' engagement in SE. We show that individuals from countries with a high demand for basic human needs and supportive market-related institutions are significantly more likely to participate in social entrepreneurial activity. Our research shifts previous studies on the effects of the institutional void on social venture creation from the government side to the "voids" that existed in societies. Besides, we find the coexistence of institutional support effect on SE regarding the pro-market institutions. By integrating the discovery theory of opportunities and the institutional theory, we further find the relationship between entrepreneurial alertness and SE entry is contingent on the national level "void" and "support" context. In sum, our study enriches prior studies by enhancing the understanding of both individual and macro-level antecedents of SE entry.

Chapter 4 The Role of Cognitive Legitimacy in Social Entrepreneurship: A Multilevel Analysis⁵

Abstract: While the role of cognitive legitimacy in new organizational forms' development has been extensively studied, the cognitive legitimacy of social entrepreneurship (SE) has so far received limited attention. Drawing from legitimacy theory and organizational ecology literature, we theorize and explore how SE obtains cognitive legitimacy via its prevalence and the legitimacy spillovers of the two categories it encapsulates: new business and nonprofit organizations. Using data from the Global Entrepreneurship Monitor, we find evidence for the existence of legitimacy spillovers from both new business and nonprofit organizations to SE activity. Second, the perceived density of social enterprises is significantly related to individuals' engagement in SE. Third, we find the legitimacy spillover effects to be more significant when individuals perceive a lower density of social enterprises. Our study contributes to the research on SE, organizational ecology, and hybrid organizations by exploring the multiple sources for increasing SE's legitimacy, particularly highlighting the existence of cross-categories legitimacy spillover effect within hybrid organizations.

Keywords: Institutional theory; legitimacy; organizational ecology; legitimacy spillover; social entrepreneurship; hybrid organizations

4.1 Introduction

Over the past decades, social entrepreneurship (SE) has attracted significant attention from scholars and practitioners due to its great potential to solve societal problems using market-based solutions (Mair & Marti, 2006; Saebi et al., 2019). It seeks to create social values while generating profits (Austin et al. 2006; Battilana and Lee 2014; Mair and Marti 2006). This focus on potentially competing dual objectives reflects the hybrid nature of SE (Battilana and Lee 2014; Saebi et al. 2019), making it neither fully

⁵ This Chapter, authored by X. Li, W. Cai & N. Bosma, has been published at *Small Business Economics*. **Xing Li:** Conceptualization, Methodology, Data curation, Software, Formal analysis, Writing- Original draft preparation, Project administration. **W. Cai:** Conceptualization, Methodology, Writing; **Niels Bosma:** Conceptualization, Writing-Reviewing and Editing, Supervision.

understood nor taken for granted up until now (Dart 2004b; Nicholls 2010b; Weidner et al. 2019). The legitimacy perspective provides a fundamental framework for understanding the emergence and development of SE, which primarily focuses on institutional pressure and conformity to stakeholder expectations rather than market efficiency and effectiveness (Bruton et al., 2010; Dart, 2004b; Huybrechts & Nicholls, 2013). Three dimensions of legitimacy are well documented: pragmatic, moral, and cognitive (Suchman, 1995). To date, scholars have primarily emphasized the role of pragmatic and moral legitimacy in understanding SE (Bruder, 2021; Dart, 2004b) and individuals' engagement in SE (Au et al. 2023; Miller et al. 2012; Zheng et al. 2022), the cognitive legitimacy of SE remains relatively unexplored.

The limited attention that SE scholars have paid so far to cognitive legitimacy is striking. We aim to explore SE's cognitive legitimacy for two reasons. First, early SE researchers assumed that it was theoretically impossible to explore the cognitive legitimacy of SE at its initial stage (Dart, 2004b). However, organizational ecologists argue that new organizational forms can obtain cognitive legitimacy from similar categories as they begin to grow (Kuilman and Li 2009; Lewis et al. 2021; Xu et al. 2014). Exploring the sources of SE's cognitive legitimacy thus challenges previous studies and enriches current SE literature. Second, cognitive legitimacy—the absence of questions or challenges regarding a new entity (Suchman, 1995; Tost, 2011)—is recognized as “the most subtle and the most powerful source of legitimacy” (Suchman, 1995). When new entities gain cognitive legitimacy, individuals will support them regardless of their moral and pragmatic legitimacy (Tost 2011). New ventures and organizations thus often seek to obtain cognitive legitimacy to make them understandable to consumers (Shepherd & Zacharakis, 2003) and investors (Maier et al., 2023), increasing their survival rate (Rao, 1994), and enhancing stakeholders' loyalty to the organization (Tyler, 2006; Tyler & Blader, 2005). Social enterprises⁶ (SEs) often grapple with a series of challenges, including acquiring financial resources, assessing organizational performance, and navigating a non-munificent institutional environment, which primarily stems from its inherent struggle for legitimacy (Bhatt et al., 2019; Gupta et al., 2020). Building a deeper understanding of how SE obtains its cognitive legitimacy

⁶ The corresponding new organizations of social entrepreneurship are recognized as social enterprises (Miller et al., 2012).

is critical for SE to overcome these challenges. Furthermore, scholars have identified that cognitive legitimacy matters in developing new organizational forms, categories, or practices (Kuilman and Li 2009; Lewis et al. 2021; Xu et al. 2014; Zhao et al. 2018). Focusing on SE's cognitive legitimacy thereby can enhance our understanding of individuals' SE engagement and enrich our knowledge about its emergence.

This paper aims to address a lack of understanding of SE's cognitive legitimacy. We ask: *What are the major sources of SE's cognitive legitimacy, and how do they affect individuals' decision to engage in SE activity?* Building on legitimacy theory and organizational ecology perspectives (Bitektine and Haack 2015; Kuilman and Li 2009), we argue that SE can obtain cognitive legitimacy from 'legitimacy spillovers' and the perceived density of SEs. On the one hand, organizational ecology theorists suggest that a great recognition of one organizational category increases the legitimacy of similar organizational forms (i.e., legitimacy spillover) (Kuilman and Li 2009; Li et al. 2007; Suddaby et al. 2017). Especially, at the beginning stage of a new organizational form, when its population starts to grow, initial cognitive legitimation for the new organizational form comes from an existing organizational form with well-established legitimacy (Xu et al., 2014). As an exemplar type of hybrid organization (Doherty et al. 2014), SEs share similarities with two well-established organizational categories, 'business' and 'nonprofit organization'. Thus, evaluators may use the legitimacy of both business and nonprofit categories to interpret SE based on their shared characteristics. On the other hand, as the new organization form develops, it can obtain cognitive legitimacy from its density (Bogaert et al., 2016; Dobrev & Gotsopoulos, 2010; Hannan & Carroll, 1992). Given SE has undergone decades of legitimation in many countries, we expect it can also obtain cognitive legitimacy from its own prevalence as perceived by the inhabitants (Husted et al. 2016; Lewis et al. 2021). However, these two sources of legitimacy are not fully complementary to each other. As both sources of cognitive legitimacy provide an understanding of SE, extra sources of legitimacy are not needed once the practice of SE is widely understood (Taeuscher et al. 2021). Spillover effects are more important in obtaining legitimacy when the organizational form is new (Xu et al. 2014; Zhao et al. 2018). Therefore, we further predict legitimacy spillover effects to be weaker if individuals perceive a higher density of SE activity in their environment.

Empirically, we use the data from the special survey on SE from the Global Entrepreneurship Monitor (GEM) conducted in 2015. We apply multilevel models to test how a nation's density of new businesses and nonprofit organizations can influence individuals' likelihood of starting a social venture. The empirical results confirm our hypotheses: national new business and nonprofit organization density, as well as individuals' perceived SEs density, are positively associated with individual engagement in SE; furthermore, the influence of new business and nonprofit organization density on individuals' engagement in SE (i.e., legitimacy spillover) is weaker if the perceived SEs density is high. Further analyses suggest that the results are robust.

This paper contributes to SE, organization ecology, and hybrid organization research. First, it improves the understanding of the cognitive legitimacy of SE, obtained through legitimacy spillover from business and nonprofit categories, as well as derived from SE's prevalence. It shifts previous attention from SE's pragmatic and moral legitimacy to its cognitive legitimacy, uncovering the significant role of cognitive legitimacy in predicting individual SE engagement. It also provides empirical evidence of how individuals evaluate an entity's cognitive legitimacy through either evaluative or passive modes and how passive mode dominates the evaluation process (Bitektine and Haack 2015; Tost 2011). Furthermore, it contributes to organizational ecology literature by leveraging a multilevel legitimacy perspective (Bitektine and Haack, 2015), thereby explaining how interpopulation (e.g., legitimacy spillover) and intrapopulation processes (i.e., perceived SE density) affect individuals' action through a cross-level mechanism. Finally, departing from prior predominant arguments that hybridity can cause confusion to audiences (Pache & Santos, 2013b; Zuckerman, 1999), our findings suggest that hybrid organizations can receive legitimacy benefits from categories that they straddle based on the above legitimacy spillover perspective.

The remainder of this paper is organized as follows. We first introduce relevant concepts and propose hypotheses. Next, we address the data and the methods used in our analysis. We then report the results of our regression analysis and discuss the results of several robustness checks. Finally, we summarize our main findings and discuss implications, limitations, and suggestions for future research.

4.2 Theoretical Background

4.2.1 The legitimacy of social entrepreneurship

While in most societies attention to SE has increased, actors in this field still perceive a lack of recognition (Bhatt et al., 2019; Bruder, 2021), especially regarding its pursuit of social and financial objectives simultaneously (Doherty et al. 2014; Pache and Santos 2013b). Previous research has utilized the legitimacy perspective to comprehend the emergence and evolution of SE (Dart 2004; Ewald Kibler 2018; Miller et al. 2012). The legitimacy view fits this purpose particularly because it emphasizes institutional pressure and conformity to stakeholder expectations instead of market efficiency and effectiveness (Bruton et al., 2010; Dart, 2004b). Suchman (1995: 574) defines legitimacy as “a 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 definition.” He classifies legitimacy into three dimensions: *pragmatic legitimacy* based on audiences’ self-interest calculation, *moral legitimacy* rooted in the audience’s socially constructed value system, and *cognitive legitimacy* as a reflection of an organization’s comprehensibility or taken-for-granted assumptions.

Academic studies have so far mainly attributed the emergence of SE to its pragmatic and moral legitimacy (Au et al., 2023; Bruder, 2021; Dart, 2004b). For instance, researchers argue that SE has gained some pragmatic and moral legitimacy because of the practical value of its outcomes and the dominance of pro-business ideology in the broader social environment, thus contributing to its emergence (Dart, 2004b). Furthermore, Miller et al. (2012) propose that both pragmatic and moral legitimacy affect compassion-triggered SE engagement. More recent research continues to adopt a prosocial or moral standpoint when addressing the emergence of SE (Bruder, 2021; Zheng et al., 2022). By contrast, SE’s cognitive legitimacy has received little attention. This study aims to contribute to previous studies by exploring the cognitive legitimacy of SE for two main reasons.

First, exploring SE’s cognitive legitimacy challenges previous arguments in SE literature that it is inappropriate and unnecessary to consider the cognitive legitimacy of SE during its early development (Dart 2004b; Miller et al. 2012). Dart (2004b: 421) argues that the social-enterprise form (at that time) was unprecedented and put forward that “at this stage, it is likely theoretically excessive and unwarranted” to explore SE’s

cognitive legitimacy. Nicholls (2010b) also discusses SE as a pre-paradigmatic field with limited knowledge about its legitimate methods, usefulness, and problems. More recent studies also argue that SE is neither fully understood nor taken for granted as an emerging organizational entity for stakeholders (Chliova et al., 2020; Saebi et al., 2019; Weidner et al., 2019). However, cognitive legitimacy can be considered to be a continuous rather than a binary variable (Fisher et al., 2016; Gardberg & Fombrun, 2006; Tost, 2011); that is, it reflects the degree to which an entity is understandable. Therefore, even if SE is a relatively new phenomenon, it has been around long enough to gain some extent of cognitive legitimacy. Organizational ecologists also posit that organizations can obtain cognitive legitimacy even at their emerging stage (Kuilman & Li, 2009; Lewis et al., 2021; Xu et al., 2014; Zhao et al., 2018). They argue that new entities can gain cognitive legitimacy through both interpopulation and intrapopulation processes. As a new organizational form begins to grow, it obtains initial legitimation from existing organizational forms with well-established legitimacy, especially when there are shared similarities or identity overlaps with these established forms (Audia et al., 2006; Ruef, 2000). The new organizational form further garners increased acceptance and accumulates more cognitive legitimacy from its density as it becomes more popular and grows in size (Bogaert et al., 2016). Thus, even though the SE field has not reached maturity, it has gained a certain degree of cognitive legitimacy (taken for grantedness) from multiple audiences due to its increasing popularity over the past decades (Miller et al. 2012; Short et al. 2009). Consequently, we propose that it is appropriate, and perhaps even necessary, to explore the cognitive legitimacy of SE.

Second, cognitive legitimacy, the widespread acceptance of the organization as *necessary* or *inevitable*, is considered to be the most powerful source of legitimacy (Suchman, 1995; Tost, 2011). Tost (2011) argues that if an entity or organizational form reaches a certain level of cognitive legitimacy, individuals will support it regardless of its moral and pragmatic legitimacy. Thus, ventures that adopt new entities often need to obtain cognitive legitimacy to attract consumers or investors (Maier et al., 2023; Shepherd & Zacharakis, 2003). Cognitive legitimacy may also help such ventures to overcome liabilities of newness, increase their chance of survival, and acquire resources (Suddaby et al. 2017; Überbacher 2014). Organizational ecology literature also finds that the cognitive legitimacy of a category contributes to the survival and growth of the organizations that belong to the category (Hannan & Carroll, 1992; Kuilman & Li, 2009;

Xu et al., 2014). Thus, a deeper understanding of the cognitive legitimacy of SE may not only support SEs' survival but also provide insights into developing the whole category of SE. Overall, we aim to contribute to a deeper understanding of where the cognitive legitimacy of SE comes from, in order to better explain and perhaps influence individuals' choices to participate in SE activity (Miller et al., 2012; Townsend & Hart, 2008).

4.2.2 Hybrid organizations and social entrepreneurship

Hybrid organizations, known to combine aspects of multiple organizational forms, are typically considered to be lacking legitimacy due to their deviations from existing well-established categories that convey a coherent social recognition for a group of organizations (Deephouse, 1996; Wry et al., 2011). The mixed identities, organization forms, and institutional logics in hybrid organizations often confuse what "type" they belong to, which further causes difficulties for them in obtaining and maintaining legitimacy (Greenwood et al. 2011; Kostova and Zaheer 1999). Social enterprise is often recognized as an exemplary type of hybrid organization that combines elements from both commercial business and nonprofit organizations (Battilana and Lee 2014; Chliova et al. 2020; Doherty et al. 2014; Pache and Santos 2013b). Hybridity often makes social enterprises deviate from a widely acknowledged type (i.e., commercial business or nonprofit organization), leading to a lack of legitimacy. However, hybridity also exemplifies the shared similarities and identity overlaps between social enterprises and commercial businesses or nonprofit organizations. Specifically, SE is similar to commercial entrepreneurship regarding resources, context, and opportunity (Austin et al., 2006). Both commercial and social entrepreneurs wish to obtain future returns, are embedded in similar external contexts (including tax, regulatory, sociopolitical environment, and macroeconomy), and require financial and human resources. Besides, SE emerges from nonprofit sectors and shares nonprofit organizations' social and civic orientation (Battilana and Lee 2014; Dart 2004a; Haugh 2007).

Considering the shared similarities, research suggests that audiences may at some point tolerate the disruption caused by category spanning (Durand & Paoella, 2013), as categorical boundaries become blurred (Battilana and Lee 2014) and new categories emerge due to the category-spanning (Durand & Khair, 2017). This line of reasoning therefore proposes a somewhat different perspective on the link between hybridity and

legitimacy in the context of SE that is only limitedly validated via (quantitative) empirical analysis.

4.3 Hypotheses development

4.3.1 Legitimacy spillovers and SE engagement

Organizational ecology literature posits that the cognitive legitimacy of new organizational forms can be obtained through the interpopulation process by receiving “legitimacy spillovers” from an existing organizational form with well-established legitimacy (Kuilman & Li, 2009; Xu et al., 2014). In other words, *legitimacy spillovers* occur when greater social recognition for one established category results in a higher social recognition for related organizations as well (Kostova and Zaheer 1999; Kuilman and Li 2009; Li et al. 2007). Such spillovers are usually based on the similarities between the new and well-established organizational forms (Haack et al., 2014; Suddaby et al., 2017). For instance, Kostova and Zaheer (1999) propose that the legitimacy of subunits of a multinational organization (MNE) may be evaluated by the MNE as a whole since they belong to the same cognitive category. Research has also shown that legitimacy spillover can occur in the context of foreign banks (Kuilman & Li, 2009), and financial cooperates (Dobrev et al., 2006).

Based on the legitimacy spillover perspective, legitimacy can transfer from the well-established organizational form to the new form as long as there is some identity overlap between them (McKendrick et al., 2003; Xu et al., 2014). Hence, legitimacy spillover can also occur for hybrid organizations since they can build parallels or analogies using existing categories they straddle, thereby increasing audiences’ understanding of what they are (Alexy & George, 2013; Martens et al., 2007). Empirical research has confirmed the existence of legitimacy spillovers within certain hybrid organizations or practices (Peng, 2003; Xu et al., 2014). For instance, science-technology-hybrid start-ups are positively evaluated by venture capital (Wry et al., 2014). China’s collectively owned enterprises can gain legitimacy from state-owned enterprises as they share some key identity codes (Peng, 2003; Xu et al., 2014). Drawing on the above perspective, we expect SE may gain legitimacy from spillover effects from both commercial business and nonprofit organizational categories as it combines elements from both categories.

However, prior research mainly explored legitimacy spillover effects at the macro level (i.e., how the density of an organization is positively associated with that of another) (Kuilman and Li, 2009). Researchers attributed the macro-to-macro relationship to several across-level causal mechanisms (Coleman, 1994; Hedstrom & Swedberg, 1998). As Bitektine and Haack (2015) argue, legitimacy is a cross-level process that includes macro-level ‘collective’ legitimacy judgment (i.e., validity), which influences micro-level perceptions and judgment of social acceptability (i.e., property). The macro-level validity can thus affect how individuals evaluate observed organizational behaviors and properties, which further affects individuals’ behavior and then (Bitektine and Haack 2015). Related to these cross-level mechanisms, Scott (1995) and Suchman (1995) argue the comprehensibility of a category originates from the availability of cultural models that provide plausible explanations. When an organizational form is new to the evaluator, s/he needs conceptual exemplars to interpret it (Zhao et al. 2018). Commercial businesses and nonprofit organizations, as two well-established categories, thus provide parallels and/or syllogisms to individuals to help them understand SE through shared identities: the legitimacy of the business category assists individuals in understanding SEs’ business-related activities, while the legitimacy of the nonprofit category improves individuals’ understanding of SEs’ social mission. Overall, the commercial business and nonprofit categories can thus make SE predictable, inviting, and meaningful (Bitektine and Haack 2015; Suchman 1995). When individuals perceive SE to be understandable (i.e., cognitively legitimate) through the spillover effect of legitimacy from both business and nonprofit organizations, they are more likely to engage in SE creation.

In line with previous studies (Lewis et al., 2021; Suddaby et al., 2017), we proxy the legitimacy of commercial business and nonprofit categories by their population density. A higher prevalence of organizations indicates a higher level of social recognition and acceptance level of these organizations; therefore, more cognitive legitimacy is accumulated for them (Bogaert et al., 2016; Chung & Cheng, 2019). We thus argue that the more legitimacy both commercial businesses and nonprofit organizations have, the more easily an individual can be expected to understand SE, and the more likely s/he would start a social venture. A concern about potential competition between businesses/charities and social enterprises arises, as organizational ecologists argue that the increasing population density drives competition and thus leads to a decrease in the

founding rate of new organizations (Lander & Heugens, 2017; Miller & Eden, 2006; Suddaby et al., 2017). However, we argue that conflict and competition are less likely to happen between SE and organizational forms of business and nonprofit. SE exists due to the market and government's failure to meet social needs or solve social problems (Austin et al., 2006; Stephan et al., 2015). It identifies opportunities from societal problems that are not usually considered by commercial businesses, leaving space for SE development (Austin et al., 2006; Saebi et al., 2019). SE and nonprofit organizations are more likely to mutually be supportive of each other as both aim to address social problems and create social values (Battilana and Lee 2014; Saebi et al. 2019). Therefore, we propose the following hypotheses that capture legitimacy spillovers concerning individuals' engagement in SE:

***Hypothesis 1 (H1a):** New business density at the national level is positively associated with the likelihood of individuals engaging in SE.*

***Hypothesis 1 (H1b):** Nonprofit organization density at the national level is positively associated with the likelihood of individuals engaging in SE.*

4.3.2 Perceived SE density and SE engagement

As a new organizational form grows in size, it can also gain cognitive legitimacy through the *intrapopulation* process (Audia et al., 2006; Ruef, 2000; Xu et al., 2014). Here, the cognitive legitimacy of a given organizational form is based on the widespread knowledge about this form and therefore depends on the prevalence of the organizational form (Hannan & Freeman, 1984). When new organizational forms or practices become more prevalent within an area, there are more shared scripts and understandings about them; they further become more comprehensible and unquestioned to individuals (i.e., cognitive legitimacy). Therefore, the popularity of a new organizational practice increases its comprehensibility and is most commonly linked to its cognitive legitimacy (Bird & Wennberg, 2014; Husted et al., 2016; Schultz et al., 2014; Sine et al., 2005).

In line with the organizational ecology perspective, we expect that SEs' density can also serve as a source of cognitive legitimacy for SE. After decades of development, SE has increasingly gained popularity in the world (Miller et al., 2012; Saebi et al., 2019; Short et al., 2009). As discussed above, a higher prevalence of an organizational form increases its comprehensibility (i.e., cognitive legitimacy) (Husted et al., 2016;

Schultz et al., 2014). Accordingly, SE is more likely to be recognized when there is a higher density of SEs in their countries. Also here, a concern may arise in that population density may reflect competition, which further leads to the decrease or exit of new organizational forms (Lewis et al. 2021; Schultz et al. 2014; Xu et al. 2014). However, as organizational ecologists argued, density only causes fierce competition when an organizational form becomes fully taken-for-granted (Dobrev & Gotsopoulos, 2010; Lander & Heugens, 2017; Suddaby et al., 2017). Since SE is still a relatively recent phenomenon and becoming taken-for-granted is still the central concern of SE's development (Bhatt et al., 2019; Kibler et al., 2018), SE's density can better represent its cognitive legitimacy rather than competition. Thus, as the number of SEs grows, the density of SE contributes to its increased acceptance and taken-for-grantedness.

Institutionalists and organizational ecologists further find that the cognitive legitimacy of a new organizational practice, sourcing from its density, can enhance its adoption and implementation. As the density of a new organizational form increases, it becomes more widely accepted, and further, it has a much higher chance of being adopted by an individual. For instance, in the context of corporate social responsibility (CSR), Husted et al. (2016) show that the rising CSR density enhances its legitimacy, thus increasing a focal firm's CSR engagement. We extend this logic to uncover the role of cognitive legitimacy at the micro level. We argue that the cognitive legitimacy of SE as perceived by an individual will enhance the likelihood of this individual engaging in SE. We focus on the perceived cognitive legitimacy of SE because the degree to which the legitimacy of a new organizational form determines an individual's decision to engage in SE is dependent on individual perception (Miller et al., 2012; Nicholls, 2010b; Scott & Lane, 2000). Bitektine and Haack (2015) also highlight the relevance of perceived cognitive legitimacy (via a mechanism of validity and collective judgement) in their multilevel model of legitimacy towards a certain observable action. Therefore, we propose that an individual's perceptions of the social-enterprise form's cognitive legitimacy can shape his/her choice to engage in SE. As we stated above, perceived cognitive legitimacy can be derived from residing in a region with a higher (perceived) density of social enterprise. We thus focus on individuals' perceived SE density as an indicator of their perceived SE's cognitive legitimacy and hypothesize:

***Hypothesis 2 (H2):** An individual's perceived density of social enterprise is positively associated with the likelihood of individuals engaging in SE.*

4.3.3 The interaction between perceived SE density and spillover effects

As aforementioned, individuals can increase their recognition and acceptance of SE through perceived SE density and legitimacy spillover effects, further leading to their entry into social entrepreneurial activity. However, these sources of cognitive legitimacy may not be strictly additive (Zimmerman & Zeitz, 2002). Institutional and organizational ecology theorists argue that individuals evaluate the legitimacy of a category differently as the category develops (Kuilman and Li 2009; Tauscher et al. 2021). The legitimacy spillover effect tends to play a more important role when the organizational form is relatively new. For instance, Zhao et al. (2018) find that an emerging category largely depends on conformity with other categories to obtain legitimacy during its early development. However, an organization's legitimacy is characterized by a "range of acceptability" (Deephouse, 1999: 152). Once an organization reaches the audiences' range of acceptability, it is perceived as legitimate and will gain only marginal benefits from additional legitimacy (Tauscher et al., 2021). For example, Xu et al. (2014) show that an increasing density of new organizational forms can reduce the need for legitimacy transfer from other categories.

We attribute this change in the legitimacy evaluation of new organizational forms to different evaluative modes used by evaluators (Bitektine and Haack 2015; Tost 2011). Audiences evaluate the legitimacy of an organization using two different modes: either an evaluative or a passive mode (Bitektine and Haack 2015; Jacqueminet and Durand 2020; Tost 2011). The evaluative mode is based on individual perception of the practice's appropriateness, which requires more mental effort during the evaluation process. By contrast, in the passive mode, individuals either adopt collective beliefs and approval (i.e., validity) of the practice or quickly passively embrace practices that align with their expectations, which is effortless (Tost, 2011). The passive mode takes precedence unless there is a need or desire for the evaluative mode to intervene because individuals tend to conserve cognitive energy when evaluating (Tost, 2011). In addition, as a category has gained high legitimacy, evaluators face strong social pressure from its collective legitimacy, and those who make different evaluations are under pressure to suppress their deviant opinions (Centola et al., 2005; Zhu & Westphal, 2011). Thus, in this situation, individuals' passive mode dominates the judgment process of an organization's legitimacy and the evaluative mode is suppressed (Bitektine and Haack 2015). In contrast, when the population of a new category starts to grow and there is a

lack of perceived validity, the evaluative mode dominates the legitimacy judgement process (Tost, 2011).

As discussed above, the legitimacy spillover from both commercial business and nonprofit organizations to SE reflects an evaluative mode because it requires individuals to make efforts to understand the appropriateness of SE based on the two distinct categories it blends. By contrast, perceived SE density represents the perceived collective legitimacy of SE, thereby reflecting individuals' evaluation in a passive mode (Bitektine and Haack 2015). Therefore, in contexts with a perceived higher density of SEs, individuals are more likely to accept SE passively to conserve energy (Lewis et al. 2021; Tost 2011). As individuals become more exposed to SEs, the predictability and understandability of SEs increase, eliminating the need for individuals to interpret SE through other similar categories. That is, they rely less on the legitimacy spillover effects from business and nonprofit organizational forms. We, therefore, propose:

Hypothesis 3 (H3a). *The positive legitimacy spillover effect of the business category on individual engagement in SE is weaker if the individual perceives a higher SE density.*

Hypothesis 3 (H3b). *The positive legitimacy spillover effect of the nonprofit category on individual engagement in SE is weaker if the individual perceives a higher SE density.*

Figure 4.1 presents the conceptual framework combining Hypotheses 1-3 and showcases the multilevel nature of the mechanisms we propose for analyzing the cognitive legitimacy of SE.

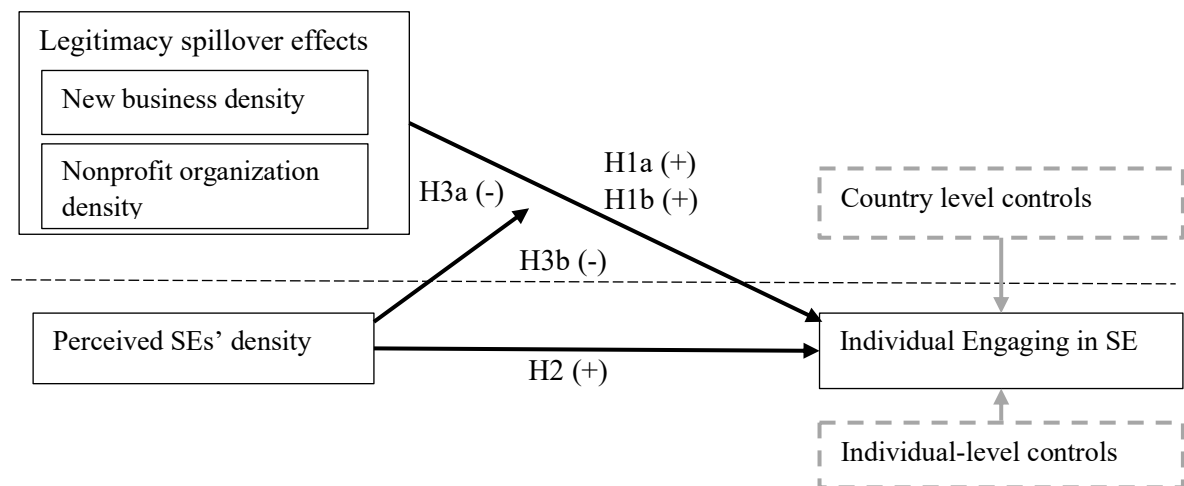


Figure 4-1: Theoretical model

4.4 Research method

4.4.1 Sample and data sources

To examine our model, we utilized a multilevel design incorporating individual-level (level 1) data nested within country-level data (level 2). To test our hypotheses, we combined multiple datasets. Firstly, our individual-level data were derived from the Adult Population Survey (APS), a sizeable population-representative survey conducted by the Global Entrepreneurship Monitor (GEM) in 2015 (Lepoutre et al., 2013; Stephan et al., 2015). The APS survey by GEM selects a random sample of at least 2,000 individuals each year in every participating country, ensuring broad representation. These participants were interviewed either through phone or face-to-face interviews. For detailed information on data collection protocols, we refer to the GEM manual (Bosma et al., 2012).

Previous studies have recognized the GEM survey as a reliable data source, and numerous empirical cross-national entrepreneurship studies published in reputable academic journals have utilized GEM data for their analyses (Boudreaux et al. 2019; Kibler 2018). In 2015, the survey collected responses from over 181,000 individuals across 60 countries. In addition, the 2015 GEM survey emphasized social entrepreneurship, incorporating specific questions that aimed to identify and capture individuals' social entrepreneurial activity.

The data for our country-level variables were gathered from various sources, including the World Values Survey and the World Bank. To prevent any potential endogeneity issues between our predictors and the outcome, we lagged all country-level variables by at least one year. Once we merged the individual data with the aforementioned country-level data sources, our final sample encompassed at least 48,906 individuals from 22 countries, ensuring that all personal data and SE engagement information were accessible. The number of observations by country is presented in Table C1 in Appendix C.

4.4.2 Variables and measures

Dependent variable at the individual level: SE

This study's dependent variable focused on individuals' involvement in social entrepreneurial activity. To identify social entrepreneurs, we employed a two-question

criterion derived from previous studies (Pathak & Muralidharan, 2016, 2018; Sahasranamam & Nandakumar, 2020). Our measurement of SE engagement aligns with prior research on SE (Mair & Marti, 2006; Stephan et al., 2015). Participants were classified as social entrepreneurs if they responded affirmatively to both questions: “Are you, alone or with others, currently attempting to start or lead any activity with a social, environmental, or community objective?” and “In the past twelve months, have you taken any action to help initiate this activity, organization, or initiative?”. The dependent variable is treated as a binary variable, which is coded as 1 if individuals confirmed their current involvement in “trying to start,” “currently leading,” or both and had made efforts to commence the activity within the past twelve months. A code of 0 was assigned otherwise.

Independent variable at the country level

New business density. We measured the national-level new business activity using the total start-up activity in a country from the World Bank’s Entrepreneurship Survey. It is proxied by new firm density, which is the World Bank’s best-known indicator of total start-up activity. It represents the number of newly registered businesses (i.e., private, formal sector companies with limited liability) per 1,000 working-age people (aged from 15 to 64), thus providing cross-national analysis data. Prior research has reported that this index has high validity and reliability (Carbonara et al. 2016; Herrera-Echeverri et al. 2014; Stenholm et al. 2013).

The density of nonprofit activity. According to prior studies, it is difficult to obtain homogeneous cross-national data on the nonprofit sector, such as the number of nonprofit organizations in a wide range of countries, donations, or employment within the third sector (Apinunmahakul & Devlin, 2008; Nissan et al., 2012; Saxton & Benson, 2005). Therefore, in this study, we measured the level of national nonprofit activity using a proxy variable — an average membership volume of nonprofit organizations of different types in a country. We obtained data from the World Values Survey Wave 6 (the 2010-2014 Wave). In this survey, individuals indicate whether they are active members of the following ten voluntary associations: (1) church or religious organization; (2) sport or recreational organization; (3) art, music, or educational organization; (4) labor union; (5) political party; (6) environmental organization; (7) professional association; (8) humanitarian or charitable organization; (9) consumer

organization; and (10) self-help group, mutual aid group. The World Value Survey dataset further provides the country-level rate of all respondents that belong to each above association. We computed the average rate across all ten associations. The score used in our analyses reflects the average percentage of individuals in each country's sample actively involved in different nonprofit organizations.

Independent and moderating variable at the individual level: perception of SE density

As discussed in the hypotheses, individuals' decision-making on engaging in SE relies on the legitimacy spillovers from the population-level business and nonprofit activity and individuals' perception of SE legitimacy. To capture individuals' perception of SE legitimacy, we used individual-level data relating to their perception of SE density in their country. We measure an individual's perception of SE density as a dummy variable, which equals 1 if he/she responded in the affirmative that "in my country, you will often see businesses that primarily aim to solve social problems." We obtained this data from the GEM APS database as well.

Control variables

We incorporated individual- and country-level control variables in line with prior multilevel empirical studies (Kibler et al., 2018; Stephan et al., 2015). At the individual level, we accounted for gender using a binary variable (female=0, male=1) (Estrin et al. 2013; Pathak and Muralidharan 2018). Additionally, we included age as a categorical variable (Pathak & Muralidharan, 2023; Wei et al., 2023). Previous research has indicated a positive association between individuals' education level and SE engagement (Estrin et al., 2013). Thus, we employed a seven-level education variable based on the GEM survey. Furthermore, we recognized the potential influence of work status and household income on SE activity (Pathak & Muralidharan, 2016; Sahasranamam & Nandakumar, 2020). We included work status as a binary variable, with a value of 1 indicating full-time or part-time employment. Similarly, household income was represented by a dummy variable, with a value of 1 signifying belonging to the middle- or higher-income group within their respective countries. Additionally, we accounted for individual socio-cognitive traits known to impact (social) entrepreneurial activity, such as perceived entrepreneurial self-efficacy, alertness to entrepreneurial opportunities, fear of failure, and individuals having a peer startup entrepreneur in the network (Boudreaux et al., 2019; Pathak & Muralidharan, 2016;

Sahasranamam & Nandakumar, 2020). The specific questions used to measure these socio-cognitive traits are in Table 4.1.

At the country level, we included the logarithmic scale of GDP per capita for 2014 as a control variable to capture the potential country-level effects in our main regression model (Hoogendoorn, 2016). To conduct a series of robustness checks, we further considered three country-level variables (including GDP growth, unemployment, and postmaterialism) based on prior studies on SE (Hechavarría et al., 2023; Sahasranamam & Nandakumar, 2020). We obtained GDP per capita, GDP growth, and unemployment data from the World Bank. The indicator of postmaterialism is available from the World Value Survey, which was measured using a 4-item postmaterialism index (Inglehart, 1997). We used the data from the Wave 6 survey (period from 2010 to 2014). The postmaterialism society reflects a country prioritizing prosocial attitudes, volunteering, and political activism (Stephan et al., 2015). We lagged for all country-level variables for at least one year. Table 4.1 shows all variables’ definitions and sources.

Table 4.1: Variable descriptions

Variables	Descriptions	Data sources
<i>Dependent variables</i>		
Individual’s engagement in SE	Two questions are used together to measure this variable in the GEM survey: one is “Are you, alone or with others, currently attempting to start or lead any activity with a social, environmental, or community objective?”; Another one is “In the past twelve months, have you taken any action to help initiate this activity, organization, or initiative?”. If an individual’s answer for the first question is “trying to start”, "currently leading" or “trying to start and leading” and the answer for the second question is “yes”, then it is coded 1.	GEM APS (2015)
<i>Independent variables</i>		
New business density	New business density (new registrations per 1,000 people ages 15-64).	World Bank, World Development Indicators (2014)
The density of nonprofit activity	Using a proxy variable: an average membership volume of the following ten nonprofit organizations in a country: church or religious organization; sport or recreational organization; art, music or educational organization; labor union; political party; environmental organization; professional association; humanitarian or charitable organization; consumer organization; and self-help	World Value Survey (2010-2014)

	group, mutual aid group.	
<i>Moderating variables</i>		
Individual's perception of SE	Coded 1 if individuals answer yes to the question "In <country>, you will often see businesses that primarily aim to solve social problems", 0 otherwise.	GEM APS (2015)
<i>Individual-level controls</i>		
Gender	A dummy variable: 1= male; 0 = female.	GEM APS (2015)
Age	A categorized variable; It includes five categories: 18–24, 25–34, 35–44, 45–54, and 55–64, which are coded as 1–5, respectively	GEM APS (2015)
Education	A categorized variable. it is coded according to the UN classification: pre-primary= 0, primary/first stage basic education =1, lower secondary/second stage basic education =2, upper secondary= 3, post-secondary, non-tertiary education = 4, first stage of tertiary education= 5, and second stage of tertiary education =6.	GEM APS (2015)
Work status	It captures whether individuals are not working, are retired, or are students (= 0), or working full- or part-time (=1)	GEM APS (2015)
Household income	It is a dummy variable, which equals 1 when a respondent indicated that he/she belonged to the middle- or higher-income group of the country, and 0 otherwise.	GEM APS (2015)
Individuals having a peer startup entrepreneur in the network	A dummy variable: coded 1 if a respondent knows an entrepreneur, 0 otherwise. The question for measuring this variable in the GEM survey is "Do you know someone personally who started a business in the past 2 years?".	GEM APS (2015)
Individual's self-efficacy	A dummy variable: coded 1 if a respondent believes that he/she has the knowledge for starting a new business and 0 otherwise. The question for measuring this variable in the GEM survey is "Do you have the knowledge, skill, and experience required to start a new business?".	GEM APS (2015)
Fear of fail	A dummy variable: coded 1 if a respondent is afraid of failure and 0 otherwise. The question for measuring this variable in the GEM survey is "fear of failure would prevent them from starting a business?".	GEM APS (2015)
Alertness to opportunity	A dummy variable: coded 1 if a respondent indicates there will be a good opportunity for starting a new business in the next six months. The question for measuring this variable in the GEM survey is "In the next six months, will there be good opportunities for starting a business in the area where you live?".	GEM APS (2015)
<i>Country-level controls</i>		
Log of GDP per capita	The logarithm of real GDP per capita, PPP.	World Bank, World

		Development Indicators (2014)
<i>Country-level variables used in robustness checks</i>		
GDP growth	Real GDP growth rate.	World Bank, World Development Indicators (2014)
Unemployment	Unemployment, total (% of the total labor force).	World Bank, World Development Indicators (2014)
Postmaterialism	Inglehart's 4-item postmaterialism index. It emphasizes immaterial life goals such as pro-environmental attitudes and volunteering. It is measured as the percentage of individuals in each country who are identified as "postmaterialist."	World Value Survey (2010-2014)

4.4.3 Empirical method

We employed a multilevel modeling approach in our analysis due to the hierarchical nature of our dataset, which encompasses both national and individual levels. Individuals within the same country often share similar experiences, leading to comparable beliefs regarding SE. In multilevel modeling, observations within a nation are not considered independent of each other. In our study, it means that country-level factors influence the variation in assessing individuals' willingness to engage in SE. Thus, for our main analyses, we utilized multilevel logit regression. This model offers several advantages compared to standard logit regression. Firstly, it helps overcome the ecological fallacy, which assumes that relationships observed at the aggregate level hold true at the individual level. We can avoid this fallacy by considering the multilevel structure (Jargowsky 2005: 715). Secondly, the multilevel logit model accounts for the nonindependence of error terms, resulting in more reliable estimates compared to single-level regression (Estrin et al., 2013).

Consistent with the study conducted by Estrin et al. (2013), we assessed the statistical suitability of employing multilevel modeling in our analysis. Initially, we ran an empty multilevel regression model, which does not include any explanatory variables, to examine the significance of country effects (random intercepts). The findings revealed statistically significant country-level variances ($p < 0.001$) in explaining individuals' engagement in social entrepreneurial activity. The residual interclass correlation (ICC1)

indicated that 15.28% of the variation in SE engagement could be attributed to the country level, indicating a substantial proportion (Hox et al., 2017). To further evaluate the appropriateness of the multilevel modeling approach, we compared the ICC1 before and after incorporating macro-level control variables such as GDP per capita, business entry rate, and nonprofit activity. The results showed that the ICC1 decreased to 8.44% after accounting for these macro-level controls, suggesting that multilevel modeling remains suitable for our research purposes.

We utilized the variance inflation factor (VIF) method to assess the multicollinearity issue, as presented in Table C2 in Appendix C. Our analysis indicated that multicollinearity was not a concern among our variables, as all VIF scores remained below the critical threshold of 5 (Hair, 2009).

4.5 Empirical results

Within our study, Table 4.2 presents the descriptive statistics and correlation matrix for all variables utilized. We further examine our hypotheses by employing a series of logistic multilevel regression models, as our research aim was to explore whether population-level legitimacy can spill over to influence an individual's SE decision-making, a binary variable following the Bernoulli distribution. Table 4.3 displays eight logit regression models used to test our hypotheses.

Model 1 incorporates all individual- and country-level control variables. Model 2 adds the entry rate of new firms, the first focal predictor, to test hypothesis 1a, and Model 3 adds nonprofit activity, our second focal predictor, to examine hypothesis 1b. To test hypothesis 2, Model 4 adds individuals' perception of SE density as an independent variable. Model 5 includes all focal predictors. To test hypotheses 3a and 3b, Models 6-7 contain the interaction terms in a stepwise manner. We also incorporated both interaction terms in one model, as shown in Model 8. Finally, Model 9-16 provides a series of additional analyses to examine the robustness of our main results.

Table 4.2: Descriptive statistics and correlations

Variables	Mean	Std. Dev.	1	2	3	4	5	6	7	8	9
1. Individual's SE entry	0.050	0.218	1								
2. New business density	3.632	3.481	0.041***	1							
3. The density of nonprofit activity	6.909	3.394	0.052***	0.025***	1						
4. Individual's perception of SE	0.317	0.465	0.022***	-0.067***	0.086***	1					
5. Gender	0.522	0.500	0.025***	-0.00100	-0.013***	-0.00200	1				
6. Age	2.983	1.287	-0.005**	0.028***	-0.048***	-0.006**	-0.012***	1			
7. Education	3.088	1.396	0.055***	0.126***	0.042***	-0.081***	0.023***	-0.086***	1		
8. Work status	0.680	0.466	0.072***	0.036***	0.029***	-0.015***	0.176***	0.015***	0.172***	1	
9. Household income	0.631	0.482	0.051***	0.004	0.049***	-0.031***	0.082***	-0.011***	0.256***	0.214***	1
10. Individual network	0.392	0.488	0.107***	-0.051***	-0.001	0.051***	0.067***	-0.082***	0.066***	0.145***	0.104***
11. Individual self-efficacy	0.517	0.500	0.106***	-0.032***	0.046***	0.068***	0.123***	0.002	0.069***	0.164***	0.096***
12. Fear of fail	0.406	0.491	-0.044***	-0.039***	-0.032***	0.000	-0.071***	0.010***	0.016***	-0.007***	-0.025***
13. Alertness to opportunity	0.404	0.491	0.093***	0.034***	0.093***	0.127***	0.042***	-0.071***	0.066***	0.104***	0.086***
14. Log of GDP per capita	9.962	0.615	-0.060***	0.442***	-0.080***	-0.132***	0.007***	0.156***	0.258***	0.035***	0.019***
<i>Variables used in robustness checks</i>											
15. GDP growth	2.701	1.978	0.054***	-0.020***	0.001	0.081***	-0.002	-0.088***	-0.046***	0.031***	-0.007***
16. Unemployment	11.59	8.744	-0.067***	-0.103***	-0.358***	-0.063***	0.007***	0.068***	-0.070***	-0.108***	-0.095***
17. Postmaterialism	10.29	5.976	0.043***	0.011***	0.414***	-0.030***	-0.004	0.018***	0.033***	0.049***	0.015***
10. Individual network	0.392	0.488	1								
11. Individual self-efficacy	0.517	0.500	0.253***	1							
12. Fear of fail	0.406	0.491	-0.030***	-0.144***	1						
13. Alertness to opportunity	0.404	0.491	0.228***	0.212***	-0.080***	1					
14. Log of GDP per capita	9.962	0.615	-0.149***	-0.155***	0.072***	-0.098***	1				
<i>Variables used in robustness checks</i>											
15. GDP growth	2.701	1.978	0.116***	0.036***	-0.036***	0.081***	-0.470***	1			
16. Unemployment	11.59	8.744	-0.074***	-0.032***	0.041***	-0.142***	0.194***	-0.389***	1		
17. Postmaterialism	10.29	5.976	-0.034***	0.025***	-0.023***	0.105***	0.383***	-0.153***	-0.200***	1	

4.5.1 Main results for hypotheses

Before addressing the results linked to our hypotheses, we briefly discuss those control variables, which predominantly confirm earlier findings. From Model 1, we observe that the probability of being engaged in SE differs among distinct age groups. Specifically, compared to the 18-24 age category, age this probability is lower for individuals aged 25-34 ($\beta = -0.197$, $p < 0.01$) and 35-44 ($\beta = -0.185$, $p < 0.05$), while it is larger for those in the 55-64 age range ($\beta = 0.175$, $p < 0.05$). Model 1 also finds that people are more likely to pursue SE within groups characterized by higher levels of educational attainment. Individuals who are either fully or part-time employed are also more inclined to be involved in SE ($\beta = 0.499$, $p < 0.01$). Household income also shows a positive relationship with involvement in SE ($\beta = 0.16$, $p < 0.01$). Consistent with prior findings of e.g. Boudreaux et al. (2019) and Sahasranamam and Nandakumar (2020), Model 1 indicates a strong association between individual socio-cognitive entrepreneurial traits and self-reported SE activity. Specifically, we find individuals' having a peer startup entrepreneur in their network ($\beta = 0.68$, $p < 0.01$), entrepreneurial self-efficacy ($\beta = 0.543$, $p < 0.01$), and alertness to entrepreneurial opportunity ($\beta = 0.349$, $p < 0.01$) to be positively associated with the probability to be engaged in SE, while fear of failure presents a negative relation ($\beta = -0.162$, $p < 0.01$).

Turning to our hypotheses, we proposed a positive relationship between the entry rate of new businesses at the national level and individuals' SE entry in Hypothesis 1a. In Model 2, we find the entry rate of new businesses was positively associated with an individual's SE entry, and the relationship was statistically significant at the 5 percent level. The coefficient of *New business density* is 0.085, indicating that if the number of new businesses per 1,000 residents increases by 1, the log odds ratio of SE entry increases by 0.085. From Model 3, we also support Hypothesis 1b, as a country's nonprofit activity significantly positively affects an individual's SE entry ($\beta = 0.074$, $p < 0.05$). Model 4 supports Hypothesis 2 that an individual's perceived density of social enterprise is significantly and positively associated with the likelihood of individuals engaging in SE ($\beta = 0.214$, $p < 0.01$). We still found positive and robust relationships when all focal predictors were included in the same model (Model 5). The average marginal effects of new business density and nonprofit activity are 0.004 and 0.003, suggesting that the average probability of an individual engaging in SE increases by 0.004 and 0.003, respectively, if new business density and nonprofit activity by one unit.

The interaction models further indicate that an individual's perception of SE density negatively moderates the effects of legitimacy spillovers on an individual's SE engagement. Specifically, from Model 6, we find a significant negative interaction between the entry rate of new businesses at the national level and individuals' perception of SE density ($\beta = -0.028$, $p < 0.05$), which supports our Hypothesis 3a. Finally, in Model 7, we note that an individual's perception of SE density also has a significant negative moderating effect on the influence of a nation's nonprofit activity on individuals' SE engagement ($\beta = -0.045$, $p < 0.01$), providing support for our Hypothesis 3b as well. When we included both interaction terms into one model (Model 8), the results still supported Hypothesis 3a and 3b.

Table 4.3: Multilevel logit regression results

Variables	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
Controls								
Gender: male	.027 (.045)	.027 (.045)	.027 (.045)	.03 (.045)	.03 (.045)	.03 (.045)	.028 (.045)	.028 (.045)
Age range								
1.Ranges only (25-34)	-.197*** (.073)	-.198*** (.073)	-.198*** (.073)	-.192*** (.073)	-.193*** (.073)	-.194*** (.073)	-.194*** (.073)	-.196*** (.073)
2.Ranges only (35-44)	-.185** (.074)	-.185** (.074)	-.186** (.074)	-.182** (.074)	-.183** (.074)	-.186** (.074)	-.184** (.074)	-.187** (.074)
3.Ranges only (45-54)	.109 (.074)	.109 (.074)	.109 (.074)	.106 (.074)	.106 (.074)	.102 (.074)	.105 (.074)	.101 (.074)
4.Ranges only (55-64)	.175** (.08)	.175** (.08)	.175** (.08)	.169** (.08)	.169** (.08)	.163** (.08)	.167** (.08)	.161** (.08)
Education								
Primary education	.000 (.177)	.003 (.177)	-.002 (.177)	.006 (.177)	.006 (.177)	-.001 (.177)	.003 (.177)	-.005 (.177)
Lower secondary education	.049 (.171)	.049 (.17)	.044 (.171)	.068 (.171)	.063 (.171)	.06 (.171)	.054 (.171)	.049 (.171)
Upper secondary education	.255 (.159)	.257 (.159)	.254 (.159)	.273* (.159)	.273* (.159)	.267* (.159)	.265* (.159)	.257 (.159)
Post-secondary, non-tertiary education	.367** (.165)	.369** (.165)	.365** (.165)	.394** (.165)	.395** (.165)	.389** (.165)	.386** (.165)	.379** (.165)
First stage of tertiary education	.61*** (.162)	.611*** (.162)	.61*** (.162)	.645*** (.162)	.646*** (.162)	.641*** (.162)	.638*** (.162)	.63*** (.162)
Second stage of tertiary education	1.034*** (.203)	1.033*** (.203)	1.04*** (.204)	1.074*** (.204)	1.08*** (.204)	1.074*** (.204)	1.079*** (.204)	1.072*** (.204)
Work status	.499*** (.061)	.5*** (.061)	.499*** (.061)	.497*** (.061)	.498*** (.061)	.495*** (.061)	.498*** (.061)	.495*** (.061)
Household income	.16*** (.053)	.159*** (.053)	.159*** (.053)	.169*** (.053)	.168*** (.053)	.163*** (.053)	.168*** (.053)	.163*** (.053)
Have a peer startup entrepreneur in the network	.68*** (.046)	.681*** (.046)	.681*** (.046)	.677*** (.046)	.678*** (.046)	.678*** (.046)	.678*** (.046)	.678*** (.046)
Individual's self-efficacy	.543*** (.052)	.544*** (.052)	.543*** (.052)	.532*** (.052)	.533*** (.052)	.53*** (.052)	.534*** (.052)	.53*** (.052)
Individual's fear of failure	-.162*** (.047)	-.162*** (.047)	-.161*** (.047)	-.167*** (.047)	-.165*** (.047)	-.169*** (.047)	-.164*** (.047)	-.169*** (.047)
Individual's alertness to opportunity	.349*** (.046)	.349*** (.046)	.349*** (.046)	.323*** (.047)	.322*** (.047)	.318*** (.047)	.323*** (.047)	.319*** (.047)
National GDP per capita (log)	.02 (.227)	-.265 (.231)	.056 (.212)	.043 (.227)	-.194 (.219)	-.184 (.219)	-.203 (.219)	-.194 (.218)

Predictors at the country-level								
New business density	.085**				.08**	.089***	.081**	.091***
	(.035)				(.033)	(.033)	(.033)	(.033)
Nonprofit activity density		.074*			.061*	.061*	.074**	.077**
		(.04)			(.036)	(.036)	(.036)	(.036)
Predictor at the individual-level								
Perceived SE density			.214***	.214***	.2***	.268***	.262***	
			(.047)	(.047)	(.048)	(.052)	(.053)	
Cross-level interaction effects								
New business density X Perceived SE density						-.036***		-.039***
						(.012)		(.012)
Nonprofit activity density X Perceived SE density							-.031**	-.037***
							(.014)	(.014)
Constant	-4.832**	-1.94	-5.237**	-5.137**	-2.767	-2.854	-2.689	-2.768
	(2.259)	(2.315)	(2.113)	(2.259)	(2.195)	(2.191)	(2.192)	(2.189)
Variance of random intercept between countries	.451***	.349***	.387***	.45***	.303***	.302***	.302***	.302***
	(.141)	(.111)	(.122)	(.141)	(.097)	(.097)	(.097)	(.096)
Number of countries	22	22	22	22	22	22	22	22
Observations	48881	48881	48881	48881	48881	48881	48881	48881
AIC	16876.4	16873.07	16875.16	16857.81	16853.54	16845.96	16850.4	16841.16
BIC	17052.34	17057.81	17059.9	17042.55	17055.88	17057.09	17061.53	17061.09

Standard errors are in parentheses

*** $p < .01$, ** $p < .05$, * $p < .1$

We plot the notable moderating effects. They illustrate the average predicted probability of individuals' engagement in social entrepreneurship, jointly considering different levels of perceived density of social enterprises and varying densities of new businesses or nonprofit organizations. In Figure 4.2, the vertical axis represents the probability of engaging in social entrepreneurship, while the horizontal axis represents the density of newly established businesses within a country. The results in Figure 4.2 indicate that as the density of new businesses increases, both people who perceived SEs' density and those who did not are more likely to engage in social entrepreneurship than their counterparts in societies with a lower density of new business. In addition, the legitimacy spillover effect from the new business on SEs becomes smaller when individuals perceive a density of SEs in their countries. We plot the graphs for the significant interaction effect between nonprofit organizations and perceived SEs density in social entrepreneurship (Figure 4.3). It shows that people with a perception of SEs density are less likely to depend on the legitimacy spillover effect from nonprofit organizations for deciding to start a social venture. Overall, all figures suggest that the legitimacy spillover effects become smaller in predicting individuals' SE entry when they perceive a density of SEs in their countries.

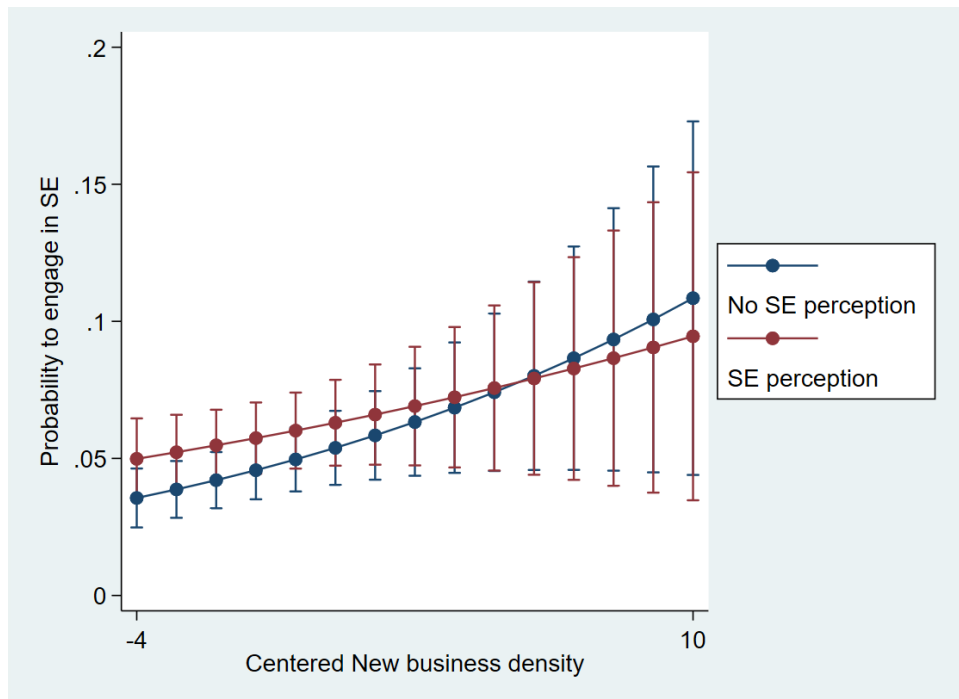


Figure 4-2: Interaction between new business density and perceived SEs density

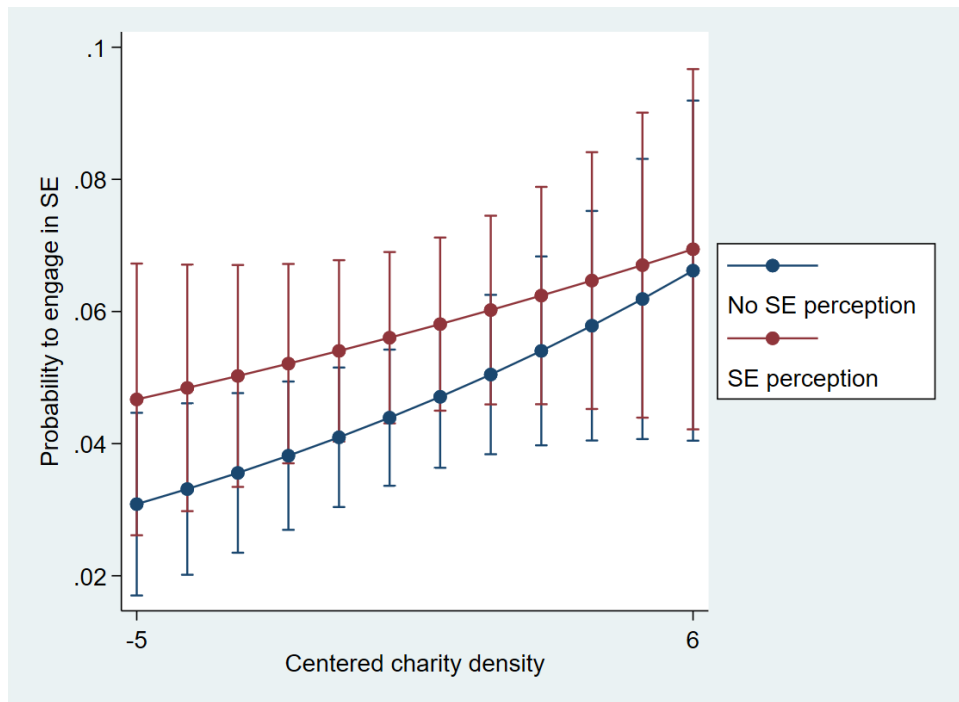


Figure 4-3: Interaction between nonprofit organizations density and perceived SEs density

4.5.2 Robustness check

We then conducted a series of robustness checks, as shown in Table 4.4. First, all the positive effects of our focal predictors and the interaction effects were replicated by removing alertness to entrepreneurial opportunity as an individual-level control variable; The results support the robustness of our findings. Then, we added GDP growth and unemployment as country-level control variables separately. The results provide evidence of the robustness of our findings. Finally, we used postmaterialism from the World Value Survey as an alternative measure for one of our predictors, the national-level nonprofit activity. We repeated all the analyses. The results are consistent with our original findings, as presented before, except for a less robust moderating effect of perceived SE density on the relationship between postmaterialism and individuals' SE entry (Model 16). Apart from the above robustness tests, we further run our analysis by adopting an alternative measurement for our dependent variable (i.e., individuals' engagement in SE) and using the lagged density of business by two years, respectively. The results still support our hypotheses (see Table C3 and Table C4 in Appendix C).

Table 4.4: Robustness check

Robustness check	Removing alertness to opportunity		Adding GDP growth as a control		Adding unemployment as a control		An alternative measure for nonprofit activity: Postmaterialism	
	Model 9	Model 10	Model 11	Model 12	Model 13	Model 14	Model 15	Model 16
Controls								
Gender	.014 (.043)	.012 (.043)	.03 (.045)	.028 (.045)	.03 (.045)	.028 (.045)	.03 (.045)	.029 (.045)
Age								
1.Ranges only (25-34)	-.186** * (.07)	-.189** * (.07)	-.193** * (.073)	-.196** * (.073)	-.192** * (.073)	-.196** * (.073)	-.192** * (.073)	-.195** * (.073)
2.Ranges only (35-44)	-.181** * (.072)	-.187** * (.072)	-.183** * (.074)	-.187** * (.074)	-.182** * (.074)	-.187** * (.074)	-.182** * (.074)	-.186** * (.074)
3.Ranges only (45-54)	.073 (.072)	.068 (.072)	.106 (.074)	.101 (.074)	.107 (.074)	.102 (.074)	.106 (.074)	.102 (.074)
4.Ranges only (55-64)	.104 (.077)	.096 (.077)	.169** (.08)	.161** (.08)	.17** (.08)	.162** (.08)	.169** (.08)	.164** (.08)
Education								
1.Educ. - primary/first stage	-.017 (.174)	-.028 (.174)	.005 (.177)	-.006 (.177)	.006 (.177)	-.005 (.177)	.008 (.177)	-.006 (.177)
2.Educ. - lower secondary/second stage	.024 (.168)	.01 (.168)	.062 (.171)	.049 (.171)	.064 (.171)	.051 (.171)	.065 (.171)	.049 (.171)
3.Educ. - upper secondary	.23 (.156)	.215 (.156)	.271* (.159)	.256 (.159)	.273* (.159)	.258 (.159)	.274* (.159)	.255 (.159)
4.Educ. - post-secondary, non-tertiary	.368** (.162)	.352** (.162)	.394** (.165)	.377** (.165)	.395** (.165)	.379** (.165)	.399** (.165)	.378** (.165)
5.Educ. - first stage of tertiary	.659*** (.159)	.644*** (.159)	.645*** (.162)	.629*** (.162)	.646*** (.162)	.631*** (.162)	.648*** (.162)	.626*** (.162)
6.Educ. - second stage of tertiary	1.043** * (.198)	1.033** * (.198)	1.08*** * (.204)	1.072** * (.204)	1.083** * (.204)	1.074** * (.204)	1.077** * (.204)	1.057** * (.204)
Work status	.503*** (.058)	.501*** (.058)	.497*** (.061)	.495*** (.061)	.497*** (.061)	.495*** (.061)	.497*** (.061)	.495*** (.061)
Household income	.202*** (.051)	.198*** (.051)	.169*** (.053)	.164*** (.053)	.167*** (.053)	.163*** (.053)	.169*** (.053)	.161*** (.053)
Have a peer startup entrepreneur in the network	.714*** (.044)	.713*** (.044)	.678*** (.046)	.677*** (.046)	.678*** (.046)	.677*** (.046)	.678*** (.046)	.676*** (.046)
Individual's self-efficacy	.578*** (.049)	.575*** (.049)	.534*** (.052)	.531*** (.052)	.534*** (.052)	.531*** (.052)	.533*** (.052)	.529*** (.052)
Fear of fail	-.184** * (.045)	-.187** * (.045)	-.165** * (.047)	-.169** * (.047)	-.166** * (.047)	-.169** * (.047)	-.164** * (.047)	-.169** * (.047)
Log of GDP per capita	-.235 (.216)	-.235 (.216)	-.132 (.237)	-.137 (.237)	-.208 (.207)	-.206 (.209)	-.373* (.221)	-.365* (.221)
Individual-level variable for Robustness check								
Alertness to opportunity			.322*** (.047)	.319*** (.047)	.321*** (.047)	.318*** (.047)	.32*** (.047)	.317*** (.047)
Country-level variable for Robustness check								
GDP growth			.044 (.067)	.04 (.067)				
Unemployment					-.03 (.019)	-.028 (.019)		

Postmaterialism						.036**	.041**	
						(.018)	(.018)	
Predictors at the country-level								
New business density	.082**	.093***	.078**	.09***	.085***	.096***	.098***	.109***
	(.032)	(.032)	(.032)	(.032)	(.031)	(.031)	(.032)	(.032)
Nonprofit activity density	.063*	.079**	.06*	.076**	.052	.069*		
	(.035)	(.036)	(.035)	(.036)	(.034)	(.035)		
Predictor at the individual-level								
Perceived of SE density	.252***	.3***	.214***	.262***	.214***	.261***	.216***	.216***
	(.045)	(.05)	(.047)	(.053)	(.047)	(.053)	(.047)	(.048)
Cross-level interaction effects								
New business density X Perceived SE density		-.036**		-.039**		-.038**		-.036**
		*		*		*		*
		(.011)		(.012)		(.012)		(.012)
Nonprofit activity density X Perceived SE density		-.036**		-.036**		-.036**		
		*		*		*		
		(.013)		(.014)		(.014)		
Postmaterialism X Perceived SE density								-.014**
								(.007)
Constant (individual level)	-2.249	-2.243	-3.513	-3.448	-2.369	-2.408	-.881	-.941
	(2.161)	(2.161)	(2.457)	(2.455)	(2.089)	(2.105)	(2.22)	(2.224)
Variance of random intercept between countries	.296***	.295***	.297***	.296***	.269***	.273***	.29***	.291***
	(.094)	(.094)	(.095)	(.095)	(.087)	(.088)	(.093)	(.093)
Number of countries	22	22	22	22	22	22	22	22
Observations	54062	54062	48881	48881	48881	48881	48881	48881
AIC	18512.4	18499.7	16855.1	16842.8	16853.2	16841.2	16852.6	16842.9
	3	6	2	1	4	8	5	
BIC	18708.1	18713.3	17066.2	17071.5	17064.3	17069.9	17055.0	17062.8
	8	1	5	3	3	7	2	8

Standard errors are in parentheses

*** $p < .01$, ** $p < .05$, * $p < .1$

4.6 Discussion and conclusion

This study explores pathways of how SE as an organizational form may obtain cognitive legitimacy. Drawing on legitimacy theory and organizational ecology perspectives, we find that SE can gain cognitive legitimacy by means of legitimacy spillover effects from both commercial business and nonprofit categories (Kostova and Zaheer 1999; Kuilman and Li 2009) and by the perceived prevalence of social enterprises (Hannan & Freeman, 1984). We also argue that these two sources of cognitive legitimacy are not strictly additive. We find legitimacy spillover plays a less vital role when individuals perceive a higher prevalence of SE activity. The empirical results suggest both the density of business and nonprofit activity in a country are positively associated with individuals' social entrepreneurial entry; moreover, this positive association is diminished when individuals perceive SEs to be prevalent in their country.

4.6.1 Theoretical implication

This paper makes contributions to research on SE, organizational ecology, and hybrid organizations. First, we contribute to SE literature by identifying its sources of cognitive legitimacy. Prior SE research initially considered studying SE's cognitive legitimacy to be theoretically unwarranted (Dart, 2004b) and has, accordingly, paid limited attention to SE's cognitive legitimacy (Kibler et al. 2018; Miller et al. 2012). This paper adds to the understanding of SE's cognitive legitimacy by identifying two sources at different levels of analysis: legitimacy spillovers from business and nonprofit organizations (macro level), and SE prevalence perceived by individuals (micro level). We propose that the macro-level legitimacy spillover effects of both business and nonprofit categories should be considered in conjunction with the perceived presence of SE at the micro level in order to assess SE's cognitive legitimacy, but in different ways: the perceived density of SE enables individuals to passively consider SE as comprehensible, while the macro-level legitimacy (i.e., density) of business and nonprofit organizations assist individuals to actively evaluate the comprehensibility of SE (i.e., legitimacy spillover). Our results further suggest that the legitimacy spillover effects become weaker if individuals perceive a higher SE density, thus providing empirical support to previous theories about how individuals evaluate legitimacy in either evaluative or passive modes and how the passive mode dominates the evaluation process (Bitektine and Haack 2015; Tost 2011).

Second, we contribute to the organizational ecology literature by leveraging a multilevel theory of legitimacy proposed by Bitektine and Haack (2015). Organizational ecologists have long discussed the prevalence of an organizational form by investigating interpopulation (i.e., legitimacy spillover) and intrapopulation processes (i.e., the accumulated legitimacy through their own density) (Kuilman and Li 2009; Lewis et al., 2021; Xu et al., 2014; Zhao et al., 2018). They mainly focus on understanding both processes at the macro level (Dobrev et al. 2006; Hannan and Carroll 1992; Kuilman and Li 2009; Li et al. 2007; Zavyalova et al. 2012). Our multilevel model explains how interpopulation and intrapopulation processes occur through a cross-level mechanism: the macro-level legitimacy of business and nonprofit organizations, as well as the perceived SE density, affect individuals' comprehension of SE, thereby influencing their engagement in SE. In addition, earlier organizational

ecologists mainly focus on the legitimacy spillovers within categories (e.g., from a category to its subcategory) (Dobrev et al. 2006; Kuilman and Li 2009; Li et al. 2007; Zavyalova et al. 2012). We extend previous research by focusing on how legitimacy spillovers occur across categories. That is, we find that social enterprises, which straddle contradicting categories of business and nonprofits, can receive legitimacy spillovers from both categories.

Finally, this paper contributes to the current body of literature on hybrid organizations. It responds to recent calls for more symmetrical theorization of hybridity to better understand its positive and negative effects (Wry et al., 2014). Scholars usually find that mixed identities, organization forms, and institutional logics in hybrid organizations could confuse what ‘type’ they belong to, which leads to tensions and may inhibit them in obtaining and maintaining legitimacy (Greenwood et al. 2011; Kostova and Zaheer 1999). Instead, our results suggest that SEs may also benefit from their hybrid nature, acquiring legitimacy over time through the spillover effects from both the established business and nonprofit categories that it straddles. It also holds the potential to contribute to a better understanding of the emergence and legitimacy of other types of hybrid ventures, such as sustainable and environmental entrepreneurship.

4.6.2 Implication for practice

The findings of this study may hold significant implications for policymakers seeking to promote social entrepreneurial activity. Our results indicate that the presence of new businesses and nonprofit initiatives within a country can positively influence individuals’ engagement in SE. Therefore, facilitating the establishment of new startups and supporting nonprofit activities in a country or region may also be conducive to the growth of social entrepreneurial activity. Policymakers are encouraged to enhance government support and foster a conducive business ecosystem for startups and nonprofit organizations while developing policies to foster SE. This approach not only benefits the expansion of startups and nonprofits but also serves as a catalyst for attracting more individuals to participate in SE. Encouragement can be manifested through various means, such as providing incentives to signal benefits (e.g., financial support or direct subsidies) and establishing supportive regulative institutional frameworks (Stenholm et al., 2013).

Policymakers should be aware that the positive legitimacy spillover effects on individuals' SE engagement tend to diminish when individuals perceive a greater density of SE in their countries. In other words, the initial legitimation for SE activity comes from its mixed business and nonprofit categories with well-established legitimacy when the number of social enterprises is small. However, as the SE population grows and accumulates constitutive legitimacy that is most commonly related to the proliferation of an organizational population, individuals who perceive a higher social recognition for SE in their country are less likely to rely on legitimacy spillover effects in their decision to engage in SE. Therefore, policymakers are advised to formulate a plan for SE's long-term development, taking into account legitimation over time due to legitimacy spillovers. For example, depending on the existing legal structures that may be enabling or hindering SE, granting sociopolitical legitimacy to SE through the enactment of legislation and laws can be an effective approach, as previous research has highlighted the importance of government endorsements as a source of legitimacy for new organizations (Tost, 2011).

4.6.3 Limitations and future research

While our study contributes to understanding legitimacy spillovers for social entrepreneurial activity, we acknowledge several limitations. This study employed a population-representative sample from 22 diverse countries to test our multilevel hypotheses. It is important to note that the cross-sectional nature of our dataset limits our ability to establish strong causal relationships based on our analyses. Future research could employ alternative methodologies, such as experimental or longitudinal research designs, to provide further insights into the causal relationships under investigation.

Another limitation of our study is that our measure of SE relies on a single indicator that reflects the overall SE activity. However, Zahra et al. (2009) categorized social entrepreneurs into three distinct types: social bricoleur, social constructionist, and social engineer. These different types of social entrepreneurs exhibit variations in their ability to identify opportunities and assemble the necessary resources to pursue those opportunities. Hence, it becomes crucial to investigate how legitimacy spillovers may influence each type of social entrepreneur differently. Unfortunately, the available GEM dataset does not provide the means to differentiate between these types of social

entrepreneurs. Future research should address this limitation by considering the diverse categories of social entrepreneurs to explore the potential varying effects of legitimacy spillovers across these different types.

Third, organizational scholars have recognized multiple legitimacy types (i.e., cognitive, normative, and regulatory legitimacy) that are important for organizations (Bitektine, 2011; Scott, 1995). However, in this study, we specifically explored the spillover effects of constitutive legitimacy on SE activity. Future research may investigate how other types of legitimacy spill over to SE activity. For instance, researchers could examine whether granting sociopolitical legitimacy to business or nonprofit sectors leads to higher social recognition for SE activity in the future.

Finally, while this paper has revealed the positive legitimacy transfers across categories (from business and nonprofit sectors to SE), the legitimacy of SE could also be negatively affected by its cognitively related categories. Prior studies have suggested that firms can suffer from negative spillovers when members of their industries engage in wrongdoing (Barnett & King, 2008; Zavyalova et al., 2012), and negative spillovers may have a stronger influence on legitimacy than positive spillovers (Haack et al., 2014; Kostova & Zaheer, 1999). Furthermore, this paper focuses on a so-called 'top-down' vertical spillover across categories. It is also possible to explore how the overall legitimacy of the "business" and "nonprofit" categories could be affected by SE activity, leading to 'bottom-up' legitimacy spillovers. Therefore, it may be fruitful to explore such bottom-up legitimacy spillovers, which can take place simultaneously as 'top-down spillovers' in future studies.

Chapter 5 When Social Enterprises Meet Communities: The Role of Dynamic Capabilities for Involving Local Communities in Societal Impact Creation⁷

Abstract: While communities play a crucial role in societal impact creation, previous research has overlooked how social enterprises (SEs) engage local communities in this process. Through an inductive, qualitative case study in China, we identify four central dynamic capabilities—sensing, collaborative advantage, multiplicity management, and continuous transformation—that contribute to involving local communities in SEs’ societal impact creation. These dynamic capabilities hinge on SEs’ strategies of dual logic management. For SEs adopting compartmentalization or integration strategies to navigate competing logic, dynamic capabilities of sensing, collaborating, and continuous transformation are vital to involve local communities, while effective multiplicity management is crucial for those implementing integration strategies. Our study contributes to the contextualization of dynamic capabilities in the social entrepreneurship context and enriches our understanding of the interaction between local communities and SEs for societal impact generation.

Keywords: Social entrepreneurship; local community; societal impact; dynamic capability; emerging country

5.1 Introduction

Social enterprises (SEs) are organizations that employ market-based methods to address most societal challenges such as social inequity, climate change, and entrenched poverty (Mair & Marti, 2006). However, SEs do not operate in isolation. To effectively confront such challenges and generate societal impact, they often involve communities either passively or actively (Bacq et al., 2022). For instance, SEs usually treat communities as their beneficiaries because most societal issues, such as inequality,

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poverty, and deficiencies in healthcare, are highly localized (Haugh, 2007; Lumpkin & Bacq, 2019). SEs also tend to mobilize resources from local communities to achieve their intended societal impact (Dacin et al., 2011; Hertel et al., 2021), as they often encounter obstacles in accessing traditional investment sources (Di Domenico et al., 2010). Local communities can provide various resources required for new venture creation, including financial, human, and physical resources (Bacq et al., 2022; Dubb, 2016). However, engaging local communities in SEs' initiatives remains a challenging process (Aquino, 2022). Research indicates that conflicting aims between SEs and host communities pose challenges for SEs in creating societal changes in a community (Aquino, 2022; Chatterjee et al., 2021). Other challenges include the legitimacy issue of SEs, a lack of understanding of community needs, and varying levels of community engagement (Aquino, 2022; Bailey & Lumpkin, 2021). To overcome these challenges and enhance local communities' engagement in societal impact creation, SEs can embed themselves within local communities and improve their knowledge for innovation (Bacq & Lumpkin, 2021; Bailey & Lumpkin, 2021).

Despite increasing scholarly attention to the interaction between SEs and local communities, three major gaps exist. First, the literature provides little discussion about the capabilities through which SEs get local communities involved with the aim of achieving positive societal impact (Bacq et al., 2022; Dahles et al., 2020; Lumpkin & Bacq, 2019). Furthermore, existing research fails to consider the hybrid nature of SEs, where they strive for social value creation while securing profits (Bacq et al., 2022; Saebi et al., 2019), thereby limiting a deeper understanding of how these capabilities are influenced by their hybridity management. Third, there is a lack of attention to the institutional environment, resulting in misunderstandings and overlooking the contextualization of research findings (Bhatt et al., 2019). Therefore, this research aims to address the following question: *What capabilities residing in SEs enable them to successfully involve local communities in their societal impact creation within a specific institutional environment, and how are these capabilities influenced by SEs' hybridity management?* The construct of community is broadly used and holds different meanings for different people and disciplines (Bacq et al., 2022; Lumpkin et al., 2018). For instance, communities can be distinguished by five characteristics: a shared geographical location, identity, fate, common interests, or practices related to expertise or craft (Bacq et al., 2022; Calvano, 2008). In this study, our focus is on communities

of place, referring specifically to local communities as an aggregation of individuals who share a geographical location (Bacq et al., 2022; Lumpkin & Bacq, 2019).

To address the first research gap, we adopt a dynamic capabilities (DCs) perspective defined as the organizational abilities of integration, building, and reconfiguration of internal and external competencies to respond to (or bring about) changes in the business environment (Teece, 2007; Teece et al., 1997). DCs have been found to be crucial for the long-run performance and success of for-profit organizations (Pezeshkan et al., 2016; Wilden et al., 2013). Scholars have recently uncovered the importance of DCs in supporting the simultaneous pursuit of multiple values within hybrid organizations, such as internal tension management (Best et al., 2021; Vallaster et al., 2021) and organizational survivability (Ince & Hahn, 2020). While DCs are identified as crucial in the context of for-profit and hybrid organizations, how they contribute to SEs to engage local communities in their societal impact creation remains unclear. Identifying the specific set of DCs for involving local communities in SEs' societal impact creation is important, as it enables SEs to address local social issues more efficiently and bring about greater social change.

Second, we provide a more holistic understanding of how DCs contribute to the involvement of local communities in SEs' societal impact creation, with a specific focus on identifying the influence of hybridity management within SEs. Hybridity results from the dual mission of social and economic value creation, reflecting competing commercial and social welfare logics within SEs' operations (Battilana & Lee, 2014; Dacin et al., 2011; Saebi et al., 2019). SEs can adopt different strategies to manage the competing social and commercial logic within SEs, such as compartmentalization and combination (Civera et al., 2020; Pache & Santos, 2013b). The application of distinct dual logic management approaches may give rise to varying degrees of tensions and legitimacy issues, potentially impacting the DCs of SEs in engaging local communities (Costanzo et al., 2014; Lee & Davies, 2021).

The third research gap we try to fill pertains to the necessity of considering the institutional environment in which SEs engage local communities in their societal impact creation. Prior research has underscored the significance of institutional context in understanding the organizational form of SEs (Saebi et al., 2019; Stephan et al., 2015; Sud et al., 2009). However, a majority of studies have been conducted in U.S. and

Western institutional contexts (Engelke et al., 2015; Sunley & Pinch, 2014), leaving a gap in our understanding of how SEs operate and create societal impact in general and non-Western institutional contexts in particular (Bhatt et al., 2019; Li & Bosma, 2021). Our study addresses this limitation by focusing on the understudied institutional context of China.

We conduct a qualitative, multiple-case study in the Chinese institutional context to capture the microfoundations of DCs contributing to local community involvement in SEs' value creation. Through grounded theory analysis, we first identify four dimensions of DCs for involving the local community in SEs' societal impact creation: (1) sensing opportunities; (2) collaborative advantage; (3) multiplicity management; and (4) continuous transforming. We then analyzed the micro-foundations of each dimension, such as attachment to communities, networking with communities, conflict-of-interest management, and innovation. Additionally, we take the hybrid nature of SEs into account and explain how these DCs are influenced by SEs' dual logic management. Our findings reveal that in both SEs adopting compartmentalization and integration strategies to manage competing logics, the dynamic capabilities of sensing, collaborating, and continuous transformation play a central role in involving local communities in SEs' societal impact creation. Multiplicity management, on the other hand, is of utmost importance in SEs implementing integration strategies. By leveraging the DCs perspective, this study uncovers the mechanisms that SEs use to involve local communities in their societal impact creation. It also responds to recent calls for contextualization of DCs in hybrid organizations, particularly focusing on capabilities for societal impact creation (De Silva et al., 2021; Vallaster et al., 2021).

5.2 Theoretical background

5.2.1 Social entrepreneurship, local communities, and societal impact creation

Scholars and practitioners are increasingly turning to SEs as an innovative and entrepreneurial way to solve social issues. SEs often target marginalized or suffering populations and primarily aim at social value creation rather than economic value generation (Austin et al., 2006; Miller et al., 2012; Saebi et al., 2019). Much of the existing research shows that SEs can bring about positive social change to society and alleviate social problems (McCarthy, 2012; Parthiban et al., 2020; Prashantham et al.,

2018; Rao-Nicholson et al., 2017; Sakarya et al., 2012). For instance, Parthiban et al. (2020) showed how two complementary institutional voids are addressed by SEs in India, that is, filling the education void of rural children and the productive aging void of the urban elderly.

Given their crucial role in driving social change, SEs are increasingly becoming one of the key actors in local communities, which we define as the aggregation of individuals who share a geographical location (Bacq et al., 2022; Gibson et al., 2021; Lumpkin & Bacq, 2019). This is first because most societal problems are manifested within local communities and need to be effectively alleviated or solved through the collaboration of multiple actors, including SEs (Bacq et al., 2022; Lumpkin & Bacq, 2019). For instance, SEs can improve the general health and well-being of citizens in communities (Ince & Hahn, 2020; Parthiban et al., 2020; Roy et al., 2014). Second, by engaging with communities, SEs can gain access to different types of resources including tangible and intangible support (i.e., legitimacy, financial support, and network) for achieving their social missions (Ruebottom, 2013; York et al., 2018). Communities, beyond being passive beneficiaries or resource providers, can also play a more active role (e.g., partners and agentic roles) to foster societal impact with SEs (Bacq et al., 2022; Dahles et al., 2020). Despite the acknowledgment of the importance of community involvement in facilitating societal impact, little is known about the capabilities SEs develop and employ to induce community engagement for their societal impact creation (Bacq et al., 2022; Dahles et al., 2020).

To gain a comprehensive understanding of community involvement in SEs' social impact creation, it is crucial to consider the hybrid nature of SEs and investigate the impact of different dual logic management strategies. Hybridity in SEs presents both challenges and opportunities for their mission and resource acquisition linked to tensions and flexibility (Dart, 2004b; Doherty et al., 2014; Pontikes, 2012). However, our knowledge about how the hybrid nature of SEs contributes to their DCs for involving local communities in societal impact creation remains limited. SEs often adopt different strategies to navigate competing and often conflicting commercial and social logic (Civera et al., 2020). In general, the competing social and commercial logic within SEs can be addressed through either separation or integration, as reflected in distinct organizational structures and arrangements (Costanzo et al., 2014). For instance, SEs may adopt a compartmentalization strategy to purposefully segment their

compliance with competing social and commercial logic (Fitzgerald & Shepherd, 2018; Pache & Santos, 2013a). Alternatively, a combination strategy refers to SEs' efforts to synthesize competing logic in their practices (Civera et al., 2020; Costanzo et al., 2014; Pache & Santos, 2013a). Dual logic management can bring about different levels of tensions and legitimacy issues, potentially influencing the dynamic capabilities of SEs to involve local communities in their societal impact creation (Costanzo et al., 2014; Lee & Davies, 2021).

5.2.2 Dynamic capabilities and social enterprises

DCs reflect the organization's ability to integrate, build, and reconfigure its internal and external competencies (e.g., resources and assets) in response to (or bring about) changes in the business environment (Teece, 2007; Teece et al., 1997). Unlike operational or ordinary capabilities which allow organizations to maintain their status quo and make a living in the present (Winter, 2003), DCs can extend and modify organizations' existing resource base, change their strategies, and even shape the external environment (Helfat & Winter, 2011; Schilke et al., 2018). Successfully building DCs is economically beneficial to organizations, such as entering new markets profitably, increasing the probability of survival, and fostering innovations (Allred et al., 2011; Bingham & Eisenhardt, 2011; Dixon et al., 2014; Mitchell & Skrzypacz, 2015).

DCs are not a unitary term and can manifest themselves in various forms. For instance, Teece (2007, 2012) suggests that the process of DCs can typically be categorized into three clusters of activities in a for-profit business context: (1) identification, evaluation, and assessment of opportunities and threats (sensing opportunities); (2) involvement of resource mobilization to seize identified opportunities and capture values from doing so (seizing opportunities); (3) combination and reconfiguration the enterprise's resources, structure, and capabilities to maintain competitiveness (transforming). Individual and firm traits that undergird a firm's sensing, seizing, and transforming capabilities include identifying market expectations, building loyalty and commitment, and knowledge management (Teece, 2007). Another group of scholars instead explores the micro-foundations of enterprise-level DCs through different functional activities of organizations, such as alliance (Schilke & Goerzen, 2010), internationalization

(Bingham & Eisenhardt, 2011), new product development (Danneels, 2008), and merges and acquisitions (Bingham et al., 2015).

Several recent studies have extended the application of DCs within the context of hybrid organizations, shedding light on how these capabilities function and their resulting effects (Best et al., 2021; Vallaster et al., 2021). Best et al. (2021) examine how social purpose organizations leverage DCs to manage social and economic tensions within collaborative networks with stakeholders. DCs have been identified as crucial to driving social innovation in large market-based social enterprises (Vézina et al., 2019). Social purpose organizations also deploy DCs for business model innovation, aiming to achieve their dual social and economic missions (De Silva et al., 2021). Ince & Hahn (2020) describe how DCs contribute to the survivability of SEs and propose three capabilities: ‘outreach to heterogeneous stakeholders’, ‘signalling business model’, and ‘collaboration management’, aligning with Teece's (2007) sensing—seizing—transforming capabilities. Finally, Bhardwaj & Srivastava (2021) adopt a meta-analytic methodology to identify various DCs (e.g., sensing opportunities, seizing opportunities, and resource reconfiguration) in SEs that enable them to achieve their dual mission.

Despite recent conceptual advances in exploring DCs within the context of SEs, little is known about the specific DCs developed and deployed by SEs to engage local communities in their social impact creation. Achieving societal impact creation is a process that involves diverse stakeholders to bring about positive social change (Bailey & Lumpkin, 2021; Lumpkin & Bacq, 2019). It requires capabilities to manage competing stakeholder expectations and value differences (Best et al., 2021), obtain legitimacy and resources from different stakeholders (Pache & Santos, 2013a), as well as address multiple identities (York et al., 2016). In this context, understanding the role of DCs is crucial for comprehending understanding how SEs can effectively involve local communities as key actors in achieving societal impact creation.

5.3 Method

5.3.1 The research context

In this study, we focused on China because it presents a distinct and underexplored institutional setting compared to the well-studied US and Western institutional contexts, which can contribute to new theories about SEs (Bhatt et al., 2019; Hu et al., 2020).

Since the late 1970s, China has undergone rapid economic growth, becoming the world's second-largest economy through economic reforms and opening-up policies. However, the government primarily focuses on fast economic growth, leaving a wide variety of social needs unmet (e.g., education and elderly care) and resulting in social issues such as income inequality and imbalanced regional development (Bhatt et al., 2019). Traditional businesses are profit-maximization-oriented and have aggravated social problems in China, such as food security and environmental pollution (Xu & Yang, 2010; Yin & Zhang, 2012). Actors addressing these issues, such as grassroots nonprofits, struggle to maintain financial sustainability due to the restrictive regulations and low social trust, stemming from donation misuse concerns in this sector (Ni & Zhan, 2017; Zhao, 2012). Consequently, market and government failures, along with nonprofit inefficiency, leave room for the development of SEs in China. Recent years have particularly witnessed an increasing number of SEs established in China to tackle various social problems (Chen et al., 2022; Ferreira de Souza, 2017). Despite the popularity of SEs and their potential to create societal change, the overall institutional environment for SEs development in China remains underdeveloped and SEs even face severe constraints (Bhatt et al., 2019; Chen et al., 2022). For example, there is no legal form for SEs. They can be registered as nonprofit organizations or traditional commercial firms, which is challenging to balance their social and commercial missions. There is also a strong assumption in China that solely governments can solve social issues (Bhatt et al., 2019), preventing the involvement of other actors like SEs. Furthermore, there is a general scepticism among the Chinese population regarding the hybrid nature of SEs, aiming to generate profits while simultaneously doing good (Bhatt et al., 2019). Thus, China provides a distinct and less explored environment for understanding SEs activities.

This study investigates certified SEs⁸ operated in Sichuan Province, China, as it provides a rich context to understand SEs' social impact creation. Firstly, the Sichuan earthquake in 2008 was a milestone for diverse organizations and institutions involved in local social services. The provincial government was unable to meet the enormous need for disaster relief and recovery due to the lack of resources. Before the earthquake, philanthropic giving by Chinese firms was minimal but corporate social responsibilities

⁸ The capital city of Sichuan Province, Chengdu, cooperates with a social third party, China Charity Fair (CCF), to certify social enterprises. <https://www.abacademies.org/articles/the-development-of-social-enterprise-in-china-chengdu-citys-innovative-practice-9164.html>

are now highly appreciated by Chinese authorities (Li et al., 2017). The nonprofit sector, especially in Sichuan Province, experienced rapid development after this natural disaster (Gao, 2019; Shieh & Deng, 2011). The reconstruction efforts following the Sichuan earthquake also fostered SEs practices (Arantes, 2022; Hsu, 2017). Second, local governments have recently created a more welcoming environment to stimulate SEs development, recognizing them as an innovative vehicle for achieving community governance. Since 2018, local government agencies have incorporated SEs innovatively into the array of agents for urban and rural community development and governance. This initiative aims to address urgent social needs and build high-quality and harmonious communities (China Social Enterprise and Impact Investment Forum & Narada Foundation, 2019). Therefore, SEs in the Sichuan Province are more likely to involve communities in their societal impact creation, providing an ideal context to address our research questions.

5.3.2 Research design

To understand how DCs function when SEs engage local communities to create societal impact, we conducted an inductive, qualitative multiple case study by examining 15 Chinese SEs in depth. This method is widely used in the study of SEs (Chen et al., 2022; Pache & Santos, 2013b; Sakarya et al., 2012). The case study method is well-suited for exploring our research question as it allows us to understand ‘how’ and ‘why’ questions regarding complex phenomena within real-life contexts and enables the comparison of various organizational situations (Ostertag et al., 2021; Yin, 2009). Multiple case studies can help to generate more valid theory development through within and cross-case analysis. In our study, we iteratively moved between empirical data from the cases and relevant theoretical foundations of the DCs literature streams (Dougherty, 2002).

5.3.3 Data collection

We adopted a purposeful sampling approach to identify information-rich cases and maximize variations (Patton, 2014). Specifically, our sample selection was based on the broadly accepted definition of SEs founded in prior social entrepreneurship literature (Saebi et al., 2019; Seelos & Mair, 2005). We identified organizations as SEs according to the following three main criteria: (1) the dual mission of social and economic value creation; (2) primacy of social value creation; and (3) aiming to address social problems and provide service to marginalized or suffering people by adopting a

market-based method. Additionally, we selected cases with different features to enhance the heterogeneity of the sample in terms of legal form, size, sector of operation, and key activities. In total, 15 SEs are subjects in our study. Table D.1 provides more detailed information on our sample cases, including their sectors of operation, key activities, legal form, year of establishment, and size in terms of their number of employees. Despite the heterogeneity of our sample cases, our proposed model could be generalized across cases.

Consistent with data triangulation and to increase the validity and reliability of research findings (Silverman, 2021; Yin, 2009), we collected data from multiple sources. First, we conducted semi-structured interviews with key informants from our sample SEs in 2019, such as founders and managers, as they possess comprehensive knowledge of their organizations' history, motives, and business processes, among other aspects (Ostertag et al., 2021; Teece, 2012). Each interview ranged between 30 minutes and 3 hours and was recorded and transcribed verbatim. The interviews were conducted in Chinese and the transcripts were translated for the analysis. We inquired about the social nature of their organizations and the business model in general. The interviews were further guided by several themes, including the overall process of SEs development, the interactions with local communities, value creation, and collaborations with different stakeholders such as governmental agencies and nonprofit organizations. Second, we supplement the primary data with various archival data, including policy-related documents, the website of these SEs, corporate documents, financial reports, press releases, and social media platforms.

5.3.4 Data analysis

We adopted an inductive process to analyze our data, which focuses on investigating empirical observations for novel conceptual insight and distinctions generation (Locke, 2007). The analysis includes three intertwined phases, which were performed repeatedly several times using the NVivo software package. During the first phase, we conducted open coding by engaging in an intensive reading of the data, which is in line with the principles of inductive analysis (Timmermans & Tavory, 2012; Vallaster et al., 2021). We created a list of codes encompassing a broad variety of concepts and information, then consolidated redundancies. This process involved several iterations and gradually generated our first-order codes. Throughout this process, we discussed

any similarities and discrepancies in our interpretation and shifted back to the data coding process whenever necessary to ensure the reliability of our coding.

After the first stage of coding, we turned to axial and selective coding. We structured the first-order codes into second-order themes by identifying the relationships between these first-order concepts. We then grouped the second-order themes into higher-level aggregated dimensions by constantly comparing them with insights from previous literature (Gioia et al., 2013). In the last phase of coding, we moved to theorization and the development of a grounded process model. In Figure 5.1, we provided a simplified data structure illustrating how our analysis led to the theoretical abstraction from the raw data. We reveal the connections between our aggregated dimensions to build a conceptual model that elucidates how DCs contribute to involving local communities in SEs' societal impact creation.

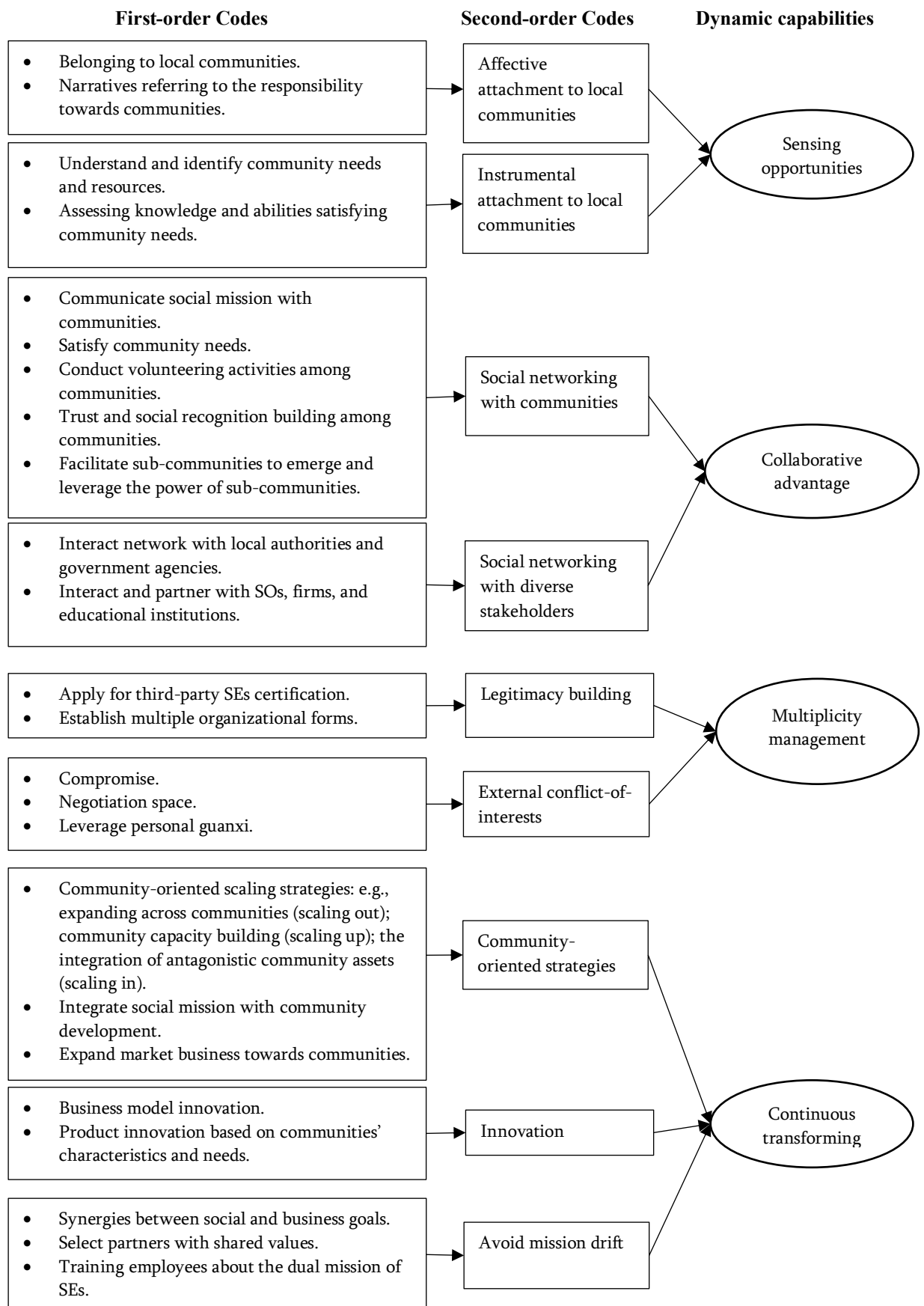


Figure 5-1: Data structure

5.4 Findings and discussion

This section shows our findings and discussions on the capabilities SEs develop to foster community involvement for creating societal impact in the Chinese context. Based on the theoretical themes derived from the data analysis, we present the four identified aggregate DCs and their micro-foundations in Section 5.4.1, as depicted in Figure 5.1. In Section 5.4.2, we discuss the influence of hybridity and the related strategies of SEs' dual logic management on these capabilities and develop a corresponding theory.

5.4.1 Dynamic capabilities for involving local communities in societal impact creation

Sensing opportunities

By sensing, SEs focus on identifying potential markets to achieve their dual mission of social and commercial value creation (Saebi et al., 2019). This often involves detecting issues that can be leveraged as business opportunities through observations of developments in the market and social setting. In this study, sensing dynamic capabilities refer to SEs' abilities to identify and create a sense of opportunities for generating positive societal change by incorporating local community involvement into their commercial activities. Two microfoundations that support SEs to sense opportunities are identified: affective and instrumental attachment to local communities.

Affective attachment with local communities. SEs' affective attachment to local communities refers to the extent to which social entrepreneurs or SEs are enmeshed in communities (Ng & Feldman, 2014). It contributes to their sensing opportunities from local communities and, in turn, involving local communities in their societal impact creation. The affective attachment of SEs to communities allows them to develop a sense of citizenry, easily obtain information about the communities, and be more likely to recognize the unsatisfied communities' social needs and demands.

For most SEs in our sample, the ability to sense opportunities from communities for social value creation was driven by social entrepreneurs' belonging to communities. Most interviewees from our sample described themselves as embedded members of communities when they developed their businesses for societal impact creation. It reflects that founders and managers have a strong affinity with the communities and are

more willing to involve themselves in identifying the unmet needs of the community. This, in turn, facilitates the passive or active involvement of communities in SEs' societal impact creation. For example, the founder of Case 10 illustrated: 'Because I am a resident here, I have a commitment to my hometown...I also had a more thorough understanding of the needs of the people and the local government here as I worked in this village...The development of our company is dependent on my hometown sentiment and aims to solve the identified problems in the village...' (Case 10). Similarly, the founder of Case 8 indicated that 'After locating our office here, we saw the surrounding environment was not good and there was some unused space. Much of our ecological artwork can be expanded to entire communities and fill the existing industry gaps [within communities]'. Apart from emotional bonds formed through their physical closeness to communities as geographical locales, some social entrepreneurs also cultivate emotional connections with communities as assemblies of individuals due to their shared personal experiences. For instance, social entrepreneurs can sense opportunities from communities because of their shared experience: 'She [founder] is a disabled person. She saw other disabled people were doing some very basic jobs, and there were very few people like her. After she had the ability, she wanted to do something to help people with disabilities' (Case 13).

In addition, social entrepreneurs' narratives toward community-based responsibility also reflect their emotional embeddedness with communities, motivating them to actively seek opportunities to address the social problems within these communities and further involve local communities in their societal impact creation. Founders and managers describe and advocate their role as community members by assuming responsibility for building communities. It shows their commitment to the community and demonstrates their concern and responsibility for developing communities, which progressively influences the initiation and outcomes of SEs' efforts to sense opportunities within communities. For instance, the founder of Case 2 elaborated: 'I think that people in the community should work together to build the civilization and the spiritual culture of the community. We think we have the responsibilities and abilities to do this'. According to the representative of a social enterprise in Case 13, 'We hope we can reach various communities to solve the problem of employment for the disabled'.

Instrumental attachment to communities. Unlike emotional attachment to communities, instrumental attachment pertains to the pragmatic concerns of SEs regarding their societal impact creation, such as the identification of community needs and resources (Mariadoss et al., 2016). It shows SEs' strategic stance and commitment to conducting and expanding business in communities. Our analysis shows that instrumental attachment to communities manifests in two forms: identifying community needs and resources, and assessing organizational knowledge and abilities that may help to address such needs. It not only signifies SEs' intention to identify communities' resources and needs as potential opportunities for achieving their societal impact creation but also underscores the assessment of their abilities to address these needs with community involvement, either as beneficiaries or resource providers.

Specifically, based on our cases, SEs often identify communities' needs related to sensing opportunities for societal impact creation. As illustrated by the founder of Case 5: 'After researching the community, Qiudao [the name of a social enterprise] found that the residents were more concerned about kitchen waste reduction, so Qiudao incorporated the concept of kitchen waste reduction into the renovation project of the site'. The identification of tangible and intangible resources available in communities for societal impact creation also reflects SEs' instrumental attachment to communities, as shown by the founder of Case 8: 'At present, many family workshops and small factories have left and the economy is not good, so there is more unused space, which is good for ecological creation [the social mission of this social enterprise]'. In addition, instrumental attachment to the community also means evaluating and assessing their knowledge and abilities to address community-based needs, reflecting SEs' capabilities of sensing opportunities from communities. For example, the founder of Case 4 explained: 'Many clinics close early in the evening and residents cannot get treatment for some common diseases at night...we open for 12 hours until late evening which is convenient for the working population in local communities and can efficiently address their needs'. Similarly, in Case 2, the founder provides evidence, stating: 'We will do more cultural enhancement work and produce cultural and creative products for the community. There is a need for this in many communities. We are capable and good at doing these things, including some book publishing and design'.

Collaborative advantage

The collaborative advantage is a capacity to create and maintain relationships focused on solving a social problem (Corner & Kearins, 2013). Building capabilities for collaborative advantage is critical for societal impact creation with local community involvement, as positive societal change often involves the interaction of multiple stakeholders (Bailey & Lumpkin, 2021; Dentoni et al., 2016). Thus, to generate societal impact with the involvement of local communities, SEs need to generate and possess the capabilities of collaborative advantage. Through our analysis, we find that SEs often demonstrate their collaborative advantage through social networking with communities and interactions with other stakeholders.

Social networking with communities. SEs, aiming to address the identified opportunities with the involvement of communities, often develop networking abilities with communities. They take different initiatives, including increasing their awareness and visibility among communities. Other beneficial initiatives include communicating social missions to communities, satisfying community needs, conducting volunteer activities, building trust, and leveraging the power of sub-communities. For instance, SEs need to establish a positive image and/or recognition within communities to ensure their business operations, further leading to societal impact generation. To improve their social recognition in communities, Case 4, for example, engaged in numerous charity activities to connect the residents: ‘We have been doing this kind of charity clinic from 2018 to 2019, and have developed a lot of products for children, which are distributed for free. We also provided free consultations for almost six months.’ Similarly, in Case 3, the social enterprise also participates in charity activities in communities to increase their visibility: ‘Doing more public welfare things can also enhance the corporate image.’ The founder of Case 3 also illustrated: ‘Our volunteers use their spare time to provide support, sympathy, and strategic companionship to special groups, people in need, and the elderly in the community’. This is also evident in Case 10, as the manager of Case 10 stated: ‘We do not charge any money for training women in communities.’

We further find several SEs even form new communities with the goal of generating societal impact by involving local communities. For instance, in case 3, this social enterprise creates new communities of interest within the existing community of place, as it tries to leverage the power of these new communities to create a more influential societal impact in the local communities. As the founder of Case 3 illustrated: ‘We have

formed different committees in the community so that the committee members can take the initiative to mediate conflicts between neighbors. They also help our company collect fees for property services. They can communicate with the residents in the community more easily than we can.’ Similarly, in case 5, the social enterprise also cultivates community self-governance organizations by organizing members with common interests together, further generating more societal impact with the help of these communities. Overall, SEs create new communities of interest to get the residents involved, aiming to expand their societal impact.

Social networking with diverse stakeholders. The capabilities of building networks are crucial for SEs’ societal impact creation, as wicked social problems and positive societal change often involve the interaction of multiple stakeholders, particularly with the involvement of communities (Bailey & Lumpkin, 2021; Dentoni et al., 2016). Through our analysis, we find that SEs often build formal networks and interact with other stakeholders when they chase the identified opportunities from communities, aiming to create societal impact.

In terms of formal networking construction, SEs in the Chinese context often try to build long-term partnerships with local authorities. Specifically, they can establish formal partnerships with communities (e.g., taking on community procurement projects and signing the contract) to collaboratively generate mutual values for both. According to the founder of Case 11: ‘The contract we signed with the Street Office is to operate the museum. On the one hand, I run the museum, and on the other hand, I have undertaken the development of an urban panda village in the community.’ In most cases, value is generated in communities through taking on public procurement projects, as illustrated by Case 3: ‘We organize cultural activities in the community through the project of Community Guarantee Fund’.

SEs also interact with a group of key stakeholders to secure more resources from different sectors for grasping the possibilities from communities and achieving their social mission of societal impact creation. Networking can help organizations access new knowledge and obtain resources (Hoang & Antoncic, 2003; Jiang et al., 2018), which benefits and drives their societal impact creation with community involvement (Lin et al., 2016; Vrontis et al., 2020). For instance, SEs collaborated with firms and universities to gain resources for achieving more societal impact in local communities:

‘We cooperate with the Industrial and Commercial Bank of China, the Construction Bank of China, and some state-owned enterprises. The Chengdu University of Technology organizes a lot of overseas Chinese children to come back to China for study tours, and then they also come to study, so that we can supplement our training for rural women and women and children in mountainous areas through some commercialized experience training’ (Case 6). SEs can also enhance their collaborative advantage by building connections with nonprofit organizations, as evidenced by Case 7: ‘We also provide venue decoration and cultural activities for industry associations’.

Multiplicity management

Our findings further suggest that SEs also rely on another set of micro-foundations to get communities involved in their societal impact creation, which we call “multiplicity management”. These practices allow SEs to present abilities to alleviate legitimacy barriers and resolve the conflict of interests among relevant stakeholders as they create societal impact with community participation.

Legitimacy building. The dual mission of pursuing competing social and commercial value creation at the same time often makes SEs face legitimacy issues as they challenge the “conceptualization of organizations as entities reproducing a single coherent institutional temple” (Pache & Santos, 2013b, p.973). Therefore, SEs often need to display their abilities to build legitimacy among communities. Through our analysis, we find our sample SEs often adopt three methods to overcome the legitimacy challenges from local communities and further lead to the involvement of local communities in their societal value creation. First, they recognize that the Certification of Social Enterprises from the third party contributes to building their legitimacy in communities. For instance, as the founder of Case 4 explained: ‘After receiving the Social Enterprise certification, I can communicate with the local community directly and the community gives some support to us. However, without such certification, the community often ignores us and is less likely to talk with us’. Besides, they may also redesign their organizational structures and/or make changes in their governance structures to meet the requirements of communities and thus make them acceptable to communities. Prior studies have shown that appropriate organizational and governance structures and forms are recognized as the key microfoundation firms’ dynamic capabilities that support the implementation of a business opportunity (Randhawa et al.,

2021; Rindova & Kotha, 2001; Wilden et al., 2013). Our findings empirically suggest that SEs experienced organizational structure change to meet community expectations and to become adaptive communities, which eventually leads SEs to grasp opportunities for societal impact creation from communities. For instance, as the founder of Case 8 explained: ‘We are setting up a new company in Wuhou District to cooperate with the local government. The government will not cooperate with you if you are not a local company.’ Another piece of evidence is from Case 10: ‘At the beginning, our company and the local government applied the project of building an industrial park together. But in the specific operation process, they critique the credibility of our small company to govern this industrial park. So, we finally established a nonprofit organization, the Datang E-commerce Association, to do that.’

Conflict-of-interest resolution. SEs are inevitably confronted with conflict-of-interest arising from institutional complexity when they connect communities and other stakeholders. Accordingly, to seek opportunities for societal impact generation with community participation, SEs need to demonstrate their abilities to manage the conflicts over interests between their goal and the expectations of communities and other stakeholders. Compromising and alignment have been well-recognized as an effective way to solve conflicts in conflict management studies (Demers & Gond, 2020; Pache & Santos, 2013b). In our sample, we also found that SEs choose to compromise with the powerful actors from community self-governance organizations when they face conflicting demands or interests with their key stakeholders. For instance, in Case 6, the manager illustrated: ‘In 2017, the Provincial Department of Culture said that we should enter the colleges and universities in response to the national policy of introducing intangible cultural heritage into colleges, universities, and the community. Then we split up our museum into several places’. They also leave some space for negotiation to communicate with the local community for managing the conflicting demands, for example: ‘Through communication with the communities, the communities slowly agreed to some of our development proposals’ (Case 11). Similarly, the founder of Case 10 said: ‘In terms of revitalizing the countryside, the village and the government both have tasks and needs. We combined everyone’s needs with our missions’. SEs can also leverage their pre-existing networks to handle the tensions, especially *Guanxi* is crucial to gaining support in the Chinese context (Chen et al., 2015). For instance, the founder of Case 1 explained: ‘Contrary to what we thought,

Chenghua District did not initially allow us to place these bins. The reason is that in China, on the one hand, Guanxi is important, and on the other hand, the government is concerned about performance. Chenghua District considered our results a political achievement for Jinniu District. However, our third partner had certain Guanxi that eventually convinced the Chenghua District government to grant permission’.

Continuous transforming

Continuous transforming refers to ‘efforts to build, maintain, and adjust the complementarity of product offerings, systems, routines, and structures’ for achieving sustained superior profitability (Teece, 2007:p.1335). In the context of SE, the transforming dynamic capability has been played an important role in addressing tensions inherent to its hybrid nature (Best et al., 2021; Vallaster et al., 2021). Regarding sustaining societal impact creation with community participation, SEs show their transforming capabilities by developing community-oriented strategies, fostering innovation, and avoiding mission drift.

Develop community-oriented strategies. Through our analysis, we find SEs develop a community-oriented strategy to better involve communities in their societal impact creation. For instance, scaling is a type of ability for SEs to sustain and expand societal impact. Our analysis reveals that SEs develop their community-targeted scaling abilities in different ways for their societal impact generation, such as scaling out by expanding their business in different communities. This is evident in Case 6: ‘Going into the community, the cooperation between several communities was established’. Some SEs create social impact through scaling up in communities and building the overall capabilities of the community. For example, as Case 2 shows: ‘We can work with communities to do community building and community culture construction’. Besides, other SEs may generate societal impact by scaling within their own business like incorporating antagonistic community assets into their operations (e.g., employing disadvantaged groups of people). For instance, the founder of Case 7 said: ‘We give priority to employing people in need and people with disabilities in the village, further contributing to solving the problem of insufficient human resources in the village’. In addition, SEs integrate their social and/or business goals with community development, which further benefits community involvement in their value creation. For instance, as

the founder of case 2 said ‘what we are doing fits the residents’ cultural needs’ and ‘we bring our brand into communities to enrich residents’ cultural life and pass on culture’.

Innovation. Innovation also helps SEs involve communities as they try to generate more social impact. They can innovatively design their business model to provide services for more community members, aiming to create more social impact. For instance, in case 1, the founder said:” We also tried other ways to collect clothes, such as door-to-door recycling and doing events at universities, as well as promoting through our WeChat public account.” To generate societal impact with community participation, SEs can create new products and services based on the needs of the local community. For example, Case 10 innovatively designs new products according to the characteristics of the communities they are located in: ‘We also organize a group of designers to develop some cultural and creative products according to the characteristics of each community, and after the products are developed, they are given to the embroiderers trained in their communities to embroider them.’ Therefore, SEs’ innovation in their business model and tailoring products to community needs reflects their transforming capabilities in getting communities involved in creating more societal impacts.

Avoid mission drift. In order to guarantee SEs’ sustainability and avoid mission drift, they also need to manage their hybridity as they connect communities for societal impact creation. Based on our analysis, SEs adopt different ways to maintain their hybridity, including for instance emphasizing the synergies between social and business goals, selecting partners with shared values, and training employees in the pursuit of a dual mission. For example, as the founder of case 2 illustrated: ‘We, as a social enterprise, have always been on the path of sustainable development that combines business with social benefits. How to achieve sustainability is something we are constantly exploring. In reality, when we engage in social enterprise, it’s not solely driven by profit motives. However, we still need to generate income to cover our team’s operational costs; we cannot operate without revenue. We aim to provide low-cost services that can sustain our team while also serving a broader audience.’ In case 14, the founder emphasized the importance of pursuing dual missions for sustainable development: ‘Embarking on the path of social entrepreneurship at an earlier stage proves advantageous for the long-term sustainability of the business, forming a positive feedback loop.’

5.4.2 Hybridity, dual logic management, and dynamic capabilities

Given the hybrid nature of SEs, we further focus on how the related strategies of dual logic management and hybridity are linked to these four dynamic capabilities. We present our findings in Table 5.1. The insights from our findings are further captured in a conceptual model (Figure. 5.2) that reveals the role of hybridity and related dual logic management strategies in affecting SEs' dynamic capabilities for involving communities in their societal impact creation.

Dual logic management and dynamic capabilities

Compartmentalization and integration are the main two strategies for managing dual logic among our sample cases. We find that SEs present different DCs to involve local communities in their societal impact creation based on these two different strategies of dual logic management. Specifically, according to our findings in Table 5.1, we find that SEs with integration strategies for their dual logic management need to present four dynamic capabilities to get communities involved in their societal impact creation. However, SEs with the compartmentalization strategy mainly depend on three dynamic capabilities: sensing, collaborative advantage, and continuous transformation. According to [Costanzo et al. \(2014\)](#), these two opposing strategies of dual logic management can result in different levels of conflicts and legitimacy issues. SEs with compartmentalization strategies have established both for-profit and non-profit legal forms when they interact with communities, and they can leverage their different organizational identities to avoid the legitimacy issue of SEs and reduce the conflicts in interests. Therefore, SEs with compartmentalization strategies do not use the dynamic capability of multiplicity management. By contrast, the integration of both social and commercial missions often causes a lack of understanding among communities and other stakeholders and also faces serious legitimacy issues in the Chinese context. Thus, SEs with

Table 5.1: The relations between dual logic management and dynamic capabilities

Dual logic management method	Sensing capabilities		Collaborative advantage		Multiplicity management		Continuous transforming		
	Affective attachment	Instrumental attachment	Social networking with communities	Social networking with diverse stakeholders.	Legitimacy building	External conflicting interests management	Community-oriented strategies	Innovation	Avoid mission drift
Integration	C3, C7, C10, C11	C1, C2, C4, C7, C8, C10, C11, C13, C14, C15	C1 C2 C3 C4 C7 C8 C11 C13 C14 C15	C1 C2 C3 C7 C8 C9 C10 C11 C13 C14 C15	C2 C3 C4 C7 C8 C10 C11 C13 C14 C15	C7 C10 C11	C1 C3 C4 C7 C8 C10 C11 C13 C14 C15	C1 C3 C4 C8 C11 C13 C14 C15	C2 C3 C4 C7 C8 C10 C11 C13 C14 C15
Compartmentalization	C5, C6, C9, C12	C5 C6 C9 C12	C5 C6 C9	C5 C6 C12			C5 C6 C12	C5 C6 C9	C5 C6 C12

integration strategy in managing dual missions often shows their capabilities of multiplicity management to involve local communities in their societal impact creation. The lack of recognition and legitimacy arising from the integration of both social and commercial missions also makes SEs face more challenges in acquiring resources (Di Domenico et al., 2010). Therefore, in our cases, we can also find that SEs employing an integration strategy are more likely to establish instrumental connections with communities when they sense opportunities from local communities.

Hybridity and dynamic capabilities

Apart from the different influences of dual-logic management strategies, hybridity may also play different roles in developing these DCs. Previous studies have recognized that hybridity leads to flexibility, provides multiple sources of legitimacy, and broadens access to resources (Dart, 2004b; Doherty et al., 2014; Pontikes, 2012). In our study, two dynamic capabilities, sensing opportunities from the local community and collaborative advantage, can also take advantage of hybridity. Specifically, hybridity allows SEs to selectively speak the same language when interacting with different stakeholders from either for-profit or non-profit sectors. For instance, SEs can leverage their social mission and align them with the social goals of the local community, particularly when local communities are also seeking external help to address local societal issues (i.e., inequality, poverty, and lack of health care). Additionally, the hybridity helps SEs build a collaborative advantage by accessing and building connections with diverse stakeholders, such as government agencies, firms, and nonprofit organizations. In our cases, we find that some for-profit businesses tend to actively collaborate with SEs to better achieve their corporate social responsibility, as SEs adopt a market-oriented approach to address social problems effectively.

While hybridity holds potential benefits in enhancing sensing abilities and fostering collaborative advantages, it often is perceived as a challenge when it comes to SEs' dynamic capabilities of multiplicity management. The mixed identities and competing logics in SEs make stakeholders feel confused about what "type" SEs belong to, which further causes difficulties for SEs to gain legitimacy (Desa & Basu, 2013; Lashitew et al., 2020; McDermott et al., 2018). In our cases, an example of this is evident in the collaborations between SEs and local communities: SEs with a for-profit legal form are usually perceived as being less credible and not qualified for undertaking public

procurement projects in the community. To overcome the legitimacy challenges caused by the hybrid nature of SEs, our cases showcase their dynamic capabilities in multiplicity management, adopting measures such as third-party certification and the establishment of multiple organizational forms. The hybrid nature also brings tensions and challenges to SEs because of different logics existed among communities, resource-holders, and enterprises (Lumpkin & Bacq, 2019). Specifically, Lumpkin & Bacq (2019) pointed out that members of the community are often driven by the logic of kinship and citizenry in the process of addressing local social problems; diverse resource holders provide support (i.e., resources and authority) to exert their influence and control in the wealth creation process; finally, entrepreneurial ventures and other initiatives are typically driven by the logic of business and entrepreneurship in creating and lasting societal change. However, SEs normally are embedded in both social and commercial logic in their operations (Pache & Santos, 2013b; Zhao & Lounsbury, 2016). Considering their different demands from communities and resource-holders, tensions and challenges are inevitable for SEs. Our cases further present their dynamic capabilities in multiplicity management for addressing such tensions, adopting measures such as compromising, negotiation, and leveraging personal guanxi.

Similarly, the hybrid nature of SEs also poses challenges to the continuously transforming capability, especially in avoiding mission drift. According to our findings, when local communities are involved in SEs' societal impact creation, local communities as key stakeholders have salient, yet different, claims on the performance of SEs. This gives rise to tensions stemming from the different emphasis placed on financial versus social objectives, which can increase the likelihood of mission drift occurring within SEs. To overcome the problem of mission drift, SEs employ trade-offs, such as deliberately sacrificing profits to maintain a balance between value creation and capture, as discussed by Santos (2012). However, in our study, we find SEs mainly try to build the optimal conditions where the generation of commercial revenue can be effectively linked to the creation of social values. They usually adopt three mechanisms, including admitting the synergies between social and business goals, selecting partners with shared values, and training employees about the dual mission of SEs.

Overall, our findings suggest that dynamic capabilities—sensing, collaborating, and continuous transformation—are crucial for involving local communities in SEs using

compartmentalization or integration strategies to navigate competing logics. In addition, effective multiplicity management is crucial for SEs employing integration strategies. Hybridity is more likely to benefit sensing and collaborating dynamic capacities but proves challenging in multiplicity management and continuous transformation. Figure 5.2 offers an overview of the relationship between hybridity, dual logic management, and DCs based on the above findings and discussions.

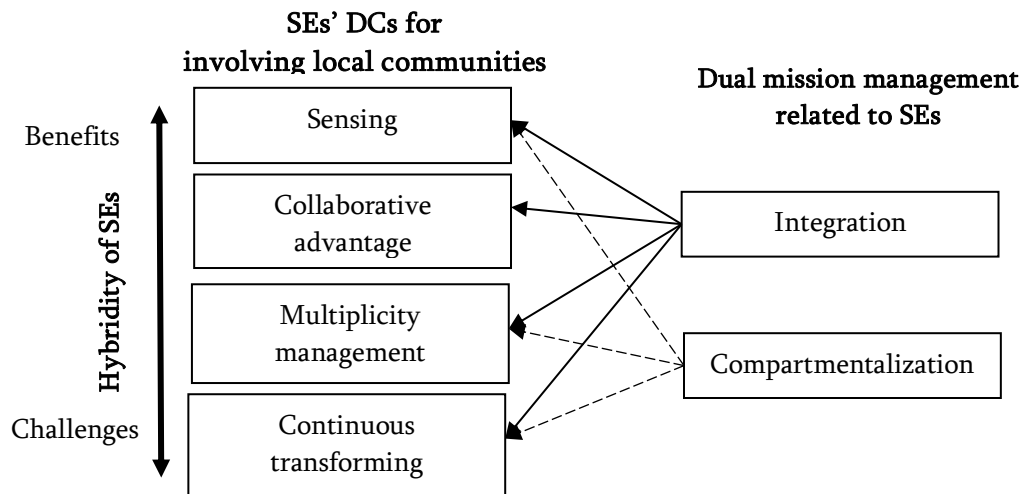


Figure 5-2: Theoretical framework about hybridity, dual logic management, and DCs

5.5 Concluding remarks

This study aims to understand how SEs shape and bring about societal change with the involvement of local communities. Through an inductive, qualitative case study, we highlight the crucial role of DCs and their microfoundations in helping SEs create societal impact with community involvement in an emerging economy. We identify a set of specific capabilities that SEs need to develop when they involve local communities in their societal impact creation, including sensing, collaborative advantage, multiplicity management, and continuous transformation. We then uncover the microfoundations for each of the specific capabilities. We finally discuss how the hybridity nature and dual logic management of SEs affect these DCs. We find that dynamic capabilities, namely sensing, collaborating, and continuous transformation, play a pivotal role in engaging local communities for SEs employing either compartmentalization or integration strategies to navigate competing social and commercial logics. Successful multiplicity management is particularly vital for SEs implementing integration strategies. Moreover, while hybridity tends to enhance

sensing and collaborating dynamic capacities, it presents challenges in the realms of multiplicity management and continuous transformation.

5.5.1 Practical Implication

Our findings provide practitioners with important insights. First, we suggest the critical role of DCs within SEs in engaging local communities for societal impact creation; therefore, founders and managers of SEs should pay special attention to deploying and leveraging our identified dynamic capabilities (i.e., sensing, collaborating, multiplicity management, and continuous transforming) when targeting communities for societal impact. Specifically, SEs can build strong affective and instrument attachments to communities. They can help SEs identify opportunities and resources in the local communities and further contribute to the involvement of local communities in SEs' value creation. The findings also suggest the role of collaborative advantage in solving complex social problems for creating societal impact with the involvement of local communities; thus, managers of SEs need to utilize, develop, and maintain their networks to not only facilitate their collaborative advantage but also leverage the advantage of such networking for integrative learning and knowledge transitioning. Considering the potential legitimacy and conflict issues faced by SEs, our findings further show the importance of the capability of multiplicity management when SEs aim to create societal impact in communities. SEs thus need to pay more attention to the potential challenges caused by their hybridity and develop well-suited strategies to manage different tensions and conflicts of interest among stakeholders. Our findings further suggest the importance of transforming capabilities for societal impact creation by SEs such as innovation and avoiding mission drift. This guides managers to pay attention to their innovation activities and scaling strategies. Finally, we suggest government and supporting agencies can provide resources and training programs to help SEs enhance their dynamic capabilities, fostering a more impactful engagement with local communities.

5.5.2 Limitation and future research direction

While our study makes important contributions to understanding social value creation by SEs with the involvement of local communities, we also acknowledge certain limitations. Firstly, our focus is specifically on SEs operating in one city in China. This empirical limitation suggests an avenue for future research, encouraging scholars to

investigate whether the social creation process by SEs with community involvement may vary across regions. This study can be extended to other contexts or countries and also be applied to other types of business such as environmental entrepreneurship and sustainable entrepreneurship. Secondly, this study focuses on uncovering the mechanism of social value creation by SEs in local communities, particularly from the perspective of social ventures. Given that the value creation of SEs involves multiple actors, including local communities, local governments, and nonprofit organizations, future research can provide a more comprehensive understanding of the value creation process by investigating the perspectives of different actors.

Furthermore, according to Bacq et al. (2022: p2), the community is defined as “an aggregation of individuals who share place, identity, fate, interest, and/or practice” and accordingly five types of community are identified: community of place, identity, fate, interest, and practice. Scholars have found different models of community participation in relation to generating societal impact with entrepreneurship, spanning from treating residents as mere beneficiaries to involving them as co-creators, active partners, and business owners (Bacq et al., 2022; Dahles et al., 2020). The different ways that communities participate in societal impact creation through entrepreneurship are also found to be dependent on the types of community (Bacq et al., 2022). However, in this study, we only focus on the community as a place, overlooking the other types of communities. We also neglect the role of communities can play as either passive or active participants. Therefore, in future studies, we suggest scholars can take the nature and different roles of communities into account to better understand how SEs can create societal impact with the involvement of communities.

Finally, while this study calls for more attention to the important role of DCs in involving local communities in SEs’ societal impact creation, a question that remains to be further investigated is understanding how DCs contribute to the different dimensions of societal value creation with community involvement. Prior studies have shown that value creation in local communities often includes three dimensions: economic, social, and communal values (Lumpkin & Bacq, 2019). However, in this study, we do not have a clear measurement of social value creation. Therefore, it would be promising for future studies to understand how dynamic capabilities may contribute to the varying performance of societal value creations on different dimensions.

Chapter 6 Conclusion and discussion of the thesis

6.1 Discussion of the main findings

The main objective of this thesis is to enhance, primarily based on institutional theory, the current understanding of the multilevel nature of SE. We do this by connecting national conditions and individual-level social entrepreneurial activity, and by exploring how SEs engage local communities to create social impact. The introduction of this thesis (Chapter 1) identifies the necessity of adopting a multilevel framework for comprehending SE and introduces three unexplored research questions emerging from existing SE literature. Chapter 2 adopts an institutional perspective to systematically review the current SE literature to understand how institutional theory has been employed in the context of SE, contributing to our knowledge of the multilevel nature of SE. In chapters 3 and 4, we focus on the macro-to-micro situational mechanisms in the context of SE, seeking to answer how national conditions and individual-level factors both independently and jointly predict individuals' SE activity. In Chapter 5, we pivot to the exploration of transformational mechanisms, answering what and how dynamic capabilities benefit SEs in involving local communities to create societal impact within the Chinese context. Figure 6.1 provides a schematic overview of the thesis and is a strongly condensed version of the overall framework presented in Chapter 1.

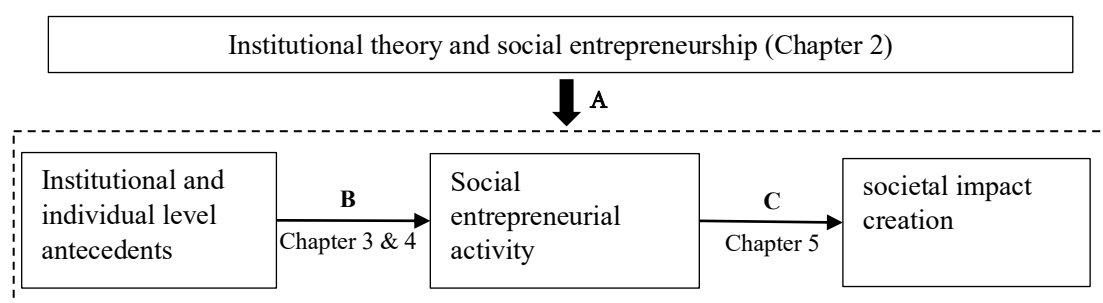


Figure 6-1: Schematic overview of this thesis

6.1.1 Institutional theory and social entrepreneurship (path A in Figure 6.1)

Chapter 2 (path A in Figure 6.1) presents a comprehensive systematic review of the SE domain, elucidating this phenomenon through the lens of institutional theory and further investigating the role of ethics herein. Institutional theory has emerged as a salient theoretical framework within the research domain of SE (Estrin et al., 2013;

Mair & Marti, 2006; Saebi et al., 2019; Stephan et al., 2015). The focal point of this review centers on the application and utility of institutional theory in the context of SE. This study delineates the existing landscape of institutional theory-based SE research, sheds light on its multilevel research underpinnings, and critically assesses relevant ethical issues. A collection of 131 SE studies, spanning the period from 2008 to 2022, serves as the empirical basis of our examination, all of which are grounded in institutional theory. The methodology entails a systematic review of these scholarly works complemented by a bibliometric analysis, facilitating a comprehensive and nuanced understanding of the integration of institutional theory in the corpus of SE research and revealing the ethical aspect of SE in this research stream.

Our review reveals three unique conversations between SE and institutions: institutional and societal change, institutional complexity and hybrid organizations, and the institutional context of SE. These conversations indicate a multilevel exploration of the SE phenomenon. Specifically, the conversation of institutional and societal change investigates institutional and societal change initiatives led by SEs under the condition of institutional void and undeveloped context. It seeks to answer how the micro-level actions of SEs can bring about macro-level outcomes with regard to creating changes in society and institutions. For example, Parthiban et al., (2020) investigated how institutional voids are filled by SEs in India. Second, scholars explore how institutional complexity manifests within and outside SEs and how SEs respond to institutional complexity, as well as how SEs establish legitimation (Weidner et al., 2019; Zhao & Lounsbury, 2016). This conversation of institutional complexity and hybrid organizations is usually established within or across levels of analysis, with a specific emphasis on the influence of institutional logic at different levels and the legitimacy issues within SEs. Finally, the conversation between institutional context and SE focuses on how the institutional environment can provide opportunities and obstacles to SE and how institutions may affect SEs' activities at different levels (Bhatt et al., 2019; Stephan et al., 2015). Scholars in this conversation often pursue top-down investigations concerning how macro-level institutions influence the micro-level activity of social entrepreneurs or SEs. In each conversation, most studies implicitly or explicitly assume social enterprises to be ethical considering their social mission, while limited studies have critically investigated their ethical issues (i.e., ethical challenges and dilemmas).

This chapter overall contributes to both SE and institutional theory literature by providing a comprehensive and up-to-date overview of institutional theory-based SE research and discussing the ethics of SE in this research topic. It addresses the call for increased attention to the role of institutional theory in SE research (Mair and Marti 2006; Saebi et al. 2019). The identified three conversations cover and answer a wide variety of research questions and themes of interest in the SE domain. However, the current application of institutional perspectives is still limited. Scholars struggle to deal with the complexity of the SE context and fail to consider the integration of other theories with institutional theory that could enhance SE research, as well as overlook the critical role of ethics in institutional analysis of SE research. We delve into each conversation, identifying new avenues for future research that emerge from within three distinct conversations. Expanding scope beyond the current integration of institutional theory into SE, we encourage scholars to transcend conventional institutional perspectives by incorporating other theories, such as social movement theory, categorization, and emotions, into the SE literature. We also encourage scholars to critically examine ethics in the institutional SE research and propose several opportunities of incorporating ethics in this research stream for future studies. Overall, our review recognizes SE as an ideal context for testing, enriching, and advancing ideas within institutional theory and enriches current discussions on the ethics of SE.

6.1.2 The Institutional and individual antecedents of SE (path B in Figure 6.1)

In Chapters 3 and 4, we employ various institutional perspectives and other theories to collectively comprehend individuals' involvement in SE. More specifically, Chapter 3 adopts the view of institutions as constraints and employs the discovery theory of opportunities to comprehend individuals' engagement in SE. Moving on to Chapter 4, we employ the legitimacy and organizational ecology perspectives to investigate individuals' SE behavior.

Specifically, the SE literature often discusses social entrepreneurs' personalities from a prosocial perspective, emphasizing traits like empathy and compassion (Bacq & Alt, 2018; Miller et al., 2012). Yet, there is a surprisingly limited understanding of how other 'classic' individual-level characteristics related to traditional entrepreneurial orientation can predict SE involvement (Bacq & Alt, 2018; Sahasranamam & Nandakumar, 2020). We extend the current understanding of individual factors

influencing SE intention by highlighting its entrepreneurial aspect in Chapter 3, by adopting the discovery view of entrepreneurial opportunities. We find that the conventional entrepreneurial trait, namely entrepreneurial alertness, plays a crucial positive role in predicting SE intention.

The development of SE also depends on the external environment in which it is embedded (Miller, 2012; Saebi et al., 2019; Stephan et al., 2015). We find a so far undocumented coexistent influence of “institutional void” and ‘institutional support’ contexts on social entrepreneurial activity. Prior studies have indicated that individuals are more likely to engage in SE when governments and/or commercial businesses are less active in providing social services (Anokhin et al., 2022; Estrin et al., 2013). The ‘void’ of government support, especially in satisfying basic human needs, coupled with market failure, can create entrepreneurial opportunities for social entrepreneurs (Dean & McMullen, 2007; Stephan et al., 2015). Aligned with this void perspective, we directly and quantitatively address basic human needs as a critical antecedent to SE in Chapter 3. We find that unfulfilled basic human needs, arising from government and/or market failures, encourage more individuals to become social entrepreneurs to fill these gaps or “voids”. Additionally, an institutional support effect also exists in the context of SE. Specifically, in Chapter 3, we find a pro-market institutional environment is essential for SE, aligning with previous studies on commercial entrepreneurship (Boudreaux et al., 2019; Dau & Cuervo-Cazurra, 2014). This is because social entrepreneurs also engage in market activities to effectively and sustainably address social problems. Finally, we build a better understanding of the variation within social entrepreneurial behavior (Dencker et al., 2021; Gartner, 1985) through blending the discovery theory of opportunities with the institutional approach. We find the positive effect of entrepreneurial alertness on SE entry is contingent on the national conditions of both institutional void and pro-market institutions. Overall, Chapter 3 makes contributions to the current understanding of the institutional and individual predictors of SE by shifting focus to social entrepreneurs’ entrepreneurial personality and exploring the coexistent effects of the institutional void from the social development side and the institutional support from pro-market conditions.

We further enrich current understanding of individuals’ social entrepreneurial activity by focusing on the critical role of legitimacy (Chapter 4). The legitimacy perspective, primarily centered on institutional pressure and adherence to stakeholder expectations

rather than market efficiency and effectiveness, constitutes a vital branch of institutional theory for understanding the emergence of SE (Bruton et al., 2010; Dart, 2004b). Three well-documented dimensions of legitimacy—pragmatic, moral, and cognitive—are recognized (Suchman, 1995). Until now, scholars have predominantly underscored the significance of pragmatic and moral legitimacy in comprehending SE (Dart, 2004b) and promoting individuals' entry into SE (Miller et al., 2012). The cognitive legitimacy of SE has received less attention even though cognitive legitimacy—the absence of questions or challenges regarding a new entity (Suchman, 1995; Tost, 2011)—is acknowledged as “the most subtle and the most powerful source of legitimacy (Suchman, 1995). Besides, previous research has illustrated the significance of cognitive legitimacy for new organizational forms or practices (Kuilman & Li, 2009; Xu et al., 2014). In Chapter 4, we thus focus on SE's cognitive legitimacy, enriching our knowledge about the critical role of cognitive legitimacy in SE activity.

Drawing from legitimacy theory and organizational ecology perspectives (Chapter 4), we find that SE can acquire cognitive legitimacy through “legitimacy spillovers” and the (perceived) density of SEs. Institutional and organizational ecology theorists propose that heightened recognition of one category enhances the legitimacy of similar organizational forms, a phenomenon known as ‘legitimacy spillover’ (Kuilman & Li, 2009; Suddaby et al., 2017). As an example of a hybrid organization (Battilana & Lee, 2014), SEs share similarities with established categories of commercial and nonprofit organizations. Evaluators can thus leverage the legitimacy of both business and nonprofit categories to interpret SE based on shared characteristics. Additionally, SE, being subject to decades of legitimation in many countries, can derive cognitive legitimacy from its own perceived prevalence among the population (Lewis et al., 2021). Furthermore, these two sources of legitimacy are not entirely complementary. While both contribute to the understanding of SE, additional sources of legitimacy become unnecessary once the practice of SE is widely comprehended (Taeuscher et al., 2021). Legitimacy spillover effects are particularly crucial as a new organizational form emerges (Xu et al., 2014). Empirically, our analysis supports that the legitimacy of both new business and nonprofit organizations (measured by a nation's density of new businesses and nonprofit organizations) can spill over to SE, facilitating individuals' engagement in SE. The perceived density of SEs is significantly associated with individuals' entries into SE, and the legitimacy spillover effects are more critical when

individuals perceive a lower density of SEs in a country.

Overall, Chapter 4 makes contributions to both SE and legitimacy spillover research. It enhances our comprehension of the cognitive legitimacy of SE by examining legitimacy spillover from both business and nonprofit categories, along with perceived SE prevalence. Additionally, it advances the literature on legitimacy spillover by identifying potential causal mechanisms of macro-level legitimacy spillover—where the density of one organizational form influences the density of another type of organization—within a multilevel design. Specifically, it uncovers that individuals' decisions in SE entry are influenced by the macro-level density of new businesses and nonprofits.

6.1.3 The outcome of social enterprises: societal impact creation (path C in Figure 6.1)

Scholars are increasingly directing their focus toward the interplay between SEs and local communities, aiming to generate societal impact (Bacq et al., 2022; Dubb, 2016). However, the existing literature rarely explores the capabilities employed by SEs to involve local communities in creating positive societal impact (Bacq et al., 2022; Dahles et al., 2020; Lumpkin & Bacq, 2019). Besides, existing SE literature overlooks the impact of the institutional environment, particularly in emerging countries, leading to misunderstandings and overlooking the contextualization of research findings (Bhatt et al., 2019).

In Chapter 5, we adopt a dynamic capabilities perspective (DCs) and provide a more holistic understanding of how DCs contribute to the involvement of local communities in SEs' societal impact creation process in the Chinese context. We undertake a qualitative, multiple-case study, and our grounded theory analysis reveals that DCs, crucial for involving the local community in SEs' societal impact creation, comprise four dimensions: (1) sensing opportunities; (2) collaborative advantage; (3) multiplicity management; and (4) continuous transforming. We also delve into the microfoundations of each dimension, highlighting aspects such as community attachment, networking, conflict-of-interest management, and innovation. Furthermore, acknowledging the hybrid nature inherent to SEs, we elucidate how these DCs, linked to local community involvement in SEs' societal impact creation, are influenced by SEs' hybridity and dual logic management. Our findings indicate that regardless of whether

SEs adopt compartmentalization or integration strategies to navigate competing logic, DCs such as sensing, collaborating, and continuous transformation play pivotal roles in engaging local communities in their societal impact creation. Notably, among these capabilities, multiplicity management assumes utmost significance for SEs implementing integration strategies.

Chapter 5 addresses recent calls for more attention to the societal impact created by SEs through the involvement of local communities (Bacq et al., 2022; Lumpkin & Bacq, 2019). It provides novel insights into the development and deployment of DCs by SEs to engage local communities in their creation of societal impact. It delves into the underlying microfoundations of these specific DCs and considers the hybrid nature of SEs (Battilana & Lee, 2014; Dacin et al., 2011), incorporating the influence of different strategies of dual logic management on DCs (Costanzo et al., 2014; Lee & Davies, 2021). The chapter also shifts the focus from the development of DCs in traditional commercial businesses to the realm of SE (Best et al., 2021; Vallaster et al., 2021), enriching our understanding of how SEs foster societal impact through community involvement, particularly in the context of China.

To sum up, the findings reported in Chapters 2-5 support SE as a multilevel phenomenon and underscore the relevance of our multilevel framework as shown in the introduction. We also found different institutional perspectives to contribute to understanding the multilevel nature of SE. Specifically, Chapter 2 depicts current understanding of institutions as constraints and/or enablers in affecting individuals' SE engagement. Based on findings and research gaps identified in Chapter 2, Chapter 3 enriches existing research on individuals' decision-making on SE engagement by examining the co-existence of effects induced by institutional void (i.e., unmet basic human needs) and support (i.e., pro-market institutions), which uncovers a macro-to-micro situational mechanism in the context of SE.

Additionally, Chapter 2 illustrates the importance of legitimacy in understanding SE, providing another avenue to understand individuals' SE activity. Thus, in Chapter 4, we adopt a multilevel framework to examine the sources of SE's cognitive legitimacy and their effects on individual SE engagement. Together, chapters 3 and 4 quantitatively uncover the macro-to-micro situational mechanisms in the context of SE through examining the influence of institutions as constraints or enablers and exploring

the effects of cognitive legitimacy in predicting individuals' SE entry, respectively. Furthermore, through our findings from Chapters 2 and 5, we further reveal the importance of legitimacy in affecting social enterprises' societal impact creation with local community involvement in the Chinese context.

Overall, the findings of this thesis underline that individuals' engagement in SE is influenced by a combination of micro-level characteristics and the external institutional context. As we appreciate these factors in our multilevel analysis policymakers can take advantage of our findings when issuing relevant policies that are ultimately aimed at affecting people's individual SE behavior. We further discuss such implications in the next section.

6.2 Practical implications

This thesis provides practical implications to practitioners and policymakers. SE has been recognized as an effective way to address a wide variety of societal problems, including confronting poverty (Mair & Marti, 2006; Saebi et al., 2019), empowering women (Datta & Gailey, 2012; Haugh & Talwar, 2016), fostering institutional change and social transformation (Colovic & Schruoffeneger, 2021; Nicholls, 2010a), and bringing about positive change in local communities (Aquino, 2022; Lumpkin & Bacq, 2019). As a result, a deeper understanding of the multilevel phenomenon of SE can help practitioners and policymakers better promote the development of SE for enacting positive social change.

The findings from Chapter 3 indicate that a country's unsatisfied basic human needs and supportive market institutions can encourage a greater number of individuals to participate in SE. Governments typically play a central and proactive role in delivering social welfare. Our study findings demonstrate that unmet basic human needs encourage more individuals to participate in SE, suggesting that SE can function as an alternative approach to addressing social problems. Especially in developing countries, authorities can encourage the development of SE to supplement the limitations of local governments in providing social welfare (Seelos & Mair, 2005; Zahra et al., 2008). For instance, the local authorities could formulate and implement targeted policies specifically designed to support social ventures. Policymakers might consider adopting various measures to enhance the legitimacy of SE. They could provide sociopolitical

legitimacy through the enactment of legislation and laws, as previous research indicates that government endorsements play a crucial role in establishing legitimacy for new organizations (Tost, 2011). In addition, we encourage policymakers to build a supportive market-based environment as our analysis indicates a supportive market environment benefits the development of SE. To establish a high-quality market environment, we suggest policymakers can promote economic freedom, protect property rights, and provide financial support or direct subsidies to SEs (Stenholm et al., 2013; Tran, 2019). Furthermore, we find the positive influence of macro-level factors on individuals' involvement in social entrepreneurship is amplified when individuals are alert to entrepreneurial opportunities in their countries. To put it differently, individuals who are alert to business opportunities in their country are more likely to engage in SE when there is a higher incidence of unmet basic human needs or supportive market institutions. We, therefore, suggest policymakers can also improve individuals' entrepreneurial alertness through the provision of entrepreneurial training or education, and build a supportive entrepreneurial environment by providing financial support and establishing a favorable entrepreneurial ecosystem for potential social entrepreneurs (Lanivich et al., 2022; Stam, 2015).

Chapter 4 finds the density of new businesses and nonprofit organizations in a country can have a positive impact on individuals' involvement in SE. We thus suggest policymakers should actively promote the development of new startups and provide support for nonprofit activities. Such initiatives not only contribute to the growth of startups and nonprofits but also act as a catalyst for attracting more individuals to engage in social entrepreneurship. Governmental support can take various forms, such as offering financial support and providing direct subsidies, as well as creating supportive regulatory institutional frameworks (Stenholm et al., 2013). In addition, our results suggest that individuals who perceive greater social recognition for SE in their country are less inclined to depend on legitimacy spillover effects when deciding to engage in SE. Thus, to promote the growth of SE, policymakers not only can build supportive institutions to increase the density of both business and nonprofit organizations but also can build the social recognition of SE by granting sociopolitical legitimacy and providing support to SE, as suggested above (Tost, 2011).

Finally, Chapter 5 focuses on the involvement of local communities in SEs' societal impact creation, which is paramount for practitioners and policymakers. It helps to

understand how SE interacts with communities and leverages local communities for the greater good. It suggests the founders and managers of SEs must particularly focus on how they can effectively deploy and leverage a set of DCs when they direct their efforts toward communities, aiming to create a positive societal impact with the involvement of local communities. The four identified dynamic capabilities provide a useful managerial tool for SEs to improve their current practices and determine if they lack specific practices that support them to get local communities involved in their social value creation. In addition, managers of SEs also need to consider the influence of the strategies of dual logic management on building DCs for local community involvement. Finally, our framework may be applicable in understanding involving other key stakeholders in the social value creation process by SEs such as local government agencies, for-profit firms, and nonprofit organizations (Lumpkin & Bacq, 2019).

Overall, the results of our multilevel studies on SE provide insights into identifying specific policy instruments that could be effective in stimulating social entrepreneurial activities and helping social enterprises better create positive societal change in local communities or regions.

6.3 Limitation and future research

We recognize that the studies have inherent limitations, and thus, we encourage scholars to further explore this dissertation by considering the suggested avenues for future research below. Most of these limitations are empirical, stemming from a lack of specific types of data, while other research suggestions arise from the constrained scope of this dissertation.

First, there are certain limitations related to the GEM dataset. The SE information was specifically captured by GEM through a dedicated survey in 2015. As a result, Chapter 3 and Chapter 4 adopt cross-sectional instead of longitudinal data to identify the causal mechanisms between national conditions and individuals' engagement in SE. It gives rise to the concerns of causality. To alleviate these concerns, we lag the country-level institutional data. We also conduct multilevel analysis to make our findings to be strong causal claims. However, we encourage scholars in SE to work on longitudinal data and use the panel data model to gain a better understanding of the longer-term causal mechanism between SE and national conditions (Bjørnskov & Foss, 2016). Scholars

would ideally examine the linkage between national context and individuals' involvement in SE at multilevel longitudinal analysis, that is, in a panel survey design (Shepherd, 2011). In addition, the measurement of our key variables at the individual level is based on binary responses and some are captured relying on perception, such as individuals' entrepreneurial alertness (one of the independent variables in Chapter 3) and the perceived density of social enterprises (one of the independent variables in Chapter 4). We measure SE as binary, which cannot capture the different types of social entrepreneurs that vary in finding opportunities and mobilizing required resources for pursuing these opportunities (Zahra et al., 2009). We thus suggest future research to employ more fine-grained and objective measurements for these concepts. Overall, the GEM data used in this dissertation provides information on individual-level choices in SE entry and is the only large-scale data source available on SE at the individual level across countries (Lepoutre et al., 2013; Sahasranamam et al., 2021).

Second, although we conduct multilevel studies in Chapter 3 and Chapter 4, we only take the individual and country levels into account. However, this two-level analytical approach also has limitations because the distance between macro and micro levels is often large enough to diminish the two-level model's explanatory effectiveness (Kim et al., 2016). To establish a stronger theory from multilevel research designs, it is important to integrate meso-level, a third and intermediate level serving as a bridge between the higher macro and lower micro levels, into institutional analyses of SE (Kim et al., 2016; Saebi et al., 2019). For example, in Chapter 3, the satisfaction of fundamental human needs (such as water, food, and safety) and the implementation of market-oriented policies or regulations can significantly differ among regions within the same nation. Consequently, individuals residing in various areas may perceive varying degrees of urgency regarding local social issues and the establishment of market-supporting institutions, potentially influencing their engagement in social entrepreneurial activities. Therefore, it is advisable to gather more nuanced data within each country to gain a better understanding of these geographic distinctions. In addition, we lack a focus on the analysis at both organizational- and team levels, which is also important for enhancing our understanding of SE (Saebi et al., 2019). Social entrepreneurial activity is not only affected by the national context but also by team- and organizational-level arrangements, themselves also influenced by the national environment (Saebi et al., 2019). Thus, it is promising to take individual-, team-,

organizational-, and institutional-level characteristics together for a better understanding of the SE phenomenon.

Third, in Chapter 5, we shift our attention to the meso-level of SEs by focusing on the dynamic capabilities that drive them to successfully involve local communities in societal impact creation. Although this study has identified the importance of involving local communities as key stakeholders for creating positive societal change in the context of SE, it neglects the different passive or active roles that communities can play (e.g., beneficiaries, resource providers, partners, Bacq et al., 2022; Dahles et al., 2020). In addition, this study solely focuses on the communities as places. According to Bacq et al., (2022), communities can be classified into five different types: community of place, identity, fate, interest, and practice. Thus, in future research, scholars can take the nature and diverse roles of communities into account to enhance the current understanding of how SEs can generate societal impact through community involvement.

Finally, we try to enhance the current understanding of the multilevel nature (Figure 1.1) of SE through four studies in this dissertation. However, this thesis mainly empirically tests the macro-to-micro situational mechanisms (Chapters 3 and 4) and action formation mechanisms on both microlevel and mesolevel (Chapters 3, 4, and 5), leaving micro-to-macro transformational mechanisms understudied. Especially, we lack an understanding of how the characteristics of SEs (e.g., business model, legal form, and venture objectives) are determined by the decisions or actions of entrepreneurs, which is highly related to the following outcomes and performance of these SEs (Saebi et al., 2019). In addition, in Chapter 5, we emphasize the importance of SEs in societal impact creation with the involvement of local communities. However, we do not answer whether and how SEs truly lead to social change in a particular community or region of a country through their interactions with local communities. Future studies can extend this study by unpacking the mechanisms through which SEs create positive societal change at the community level. For instance, scholars can leverage the civic wealth creation framework—“the generation of social, economic, and communal endowments that benefit local communities” (Lumpkin & Bacq, 2019: 384)—to uncover mechanisms of wealth creation by SEs at the community level.

Appendix A Appendix to Chapter 2

Table A.1: List of journals applied in this review and the number of articles per journal

Journal name	Total count
Journal of Business Ethics	15
Journal of Business Research	9
Entrepreneurship and Regional Development	7
Entrepreneurship Theory and Practice	7
Journal of Business Venturing	7
Business and Society	6
Technological Forecasting and Social Change	5
Journal of World Business	4
Nonprofit and Voluntary Sector Quarterly	4
Organization Science	4
Public Management Review	4
Small Business Economics	4
Industrial Marketing Management	3
Journal of Management Studies	3
Journal of Small Business Management	3
Management and Organization Review	3
Organization Studies	3
Academy of Management Perspectives	2
Academy of Management Review	2
Annals of Tourism Research	2
Asia Pacific Journal of Management	2
International Journal of Contemporary Hospitality Management	2
Journal of International Business Studies	2
Journal of International Management	2
Journal of Rural Studies	2
Journal of Social Policy	2
Journal of Supply Chain Management	2
Strategic Entrepreneurship Journal	2
Academy of Management Journal	1
Administrative Science Quarterly	1
Environment and Planning A	1
European Journal of Information Systems	1
European Management Review	1
Global Strategy Journal	1
Information Systems Frontiers	1
Information Systems Journal	1
International Business Review	1
International Journal of Human Resource Management	1
Journal of Management	1
Journal of Product Innovation Management	1
Journal of Strategic Information Systems	1
Public Administration	1

Public Administration Review	1
Research Policy	1
Technovation	1
Tourism Management	1
Total	131

Table A.2: Terms in each cluster

Cluster 1 (green)	Cluster 2 (red)	Cluster 3 (blue)
1. base of the pyramid	1. collaboration	1. commercial entrepreneurship
2. bottom	2. combination	2. configuration
3. bricolage	3. commercial logic	3. country
4. business model	4. compatibility	4. emergence
5. change	5. element	5. entrepreneurial activity
6. community	6. fair trade	6. formal institution
7. government	7. governance	7. global entrepreneurship monitor
8. impact sourcing	8. hybrid	8. government activism
9. innovation	9. hybrid organization	9. human capital
10. institutional challenge	10. hybrid organizing	10. influence
11. institutional change	11. hybridity	11. informal institution
12. institutional condition	12. identity	12. institution
13. institutional entrepreneurship	13. institutional complexity	13. institutional context
14. institutional void	14. institutional logic	14. likelihood
15. institutional work	15. legitimacy	15. multilevel analysis
16. new organizational form	16. multiple logic	16. nation
17. partner	17. negotiation	17. philanthropy
18. resource mobilization	18. nonprofit	18. social capital
19. social goal	19. organizational form	
20. social innovation	20. partnership	
21. top	21. social logic	
22. transformation	22. social welfare logic	
	23. tension	

Table A.3: Social entrepreneurship studies using institutional theory in this review

Number	Year	Author	Method	Conversations and Themes			Cited in this paper
				Institutional void and societal change I: change initiatives II: change mechanisms III: change creators	Institutional complexity and legitimacy I: field-level complexity II: inter-organizational level complexity III: intra-organizational level complexity IV: legitimacy	Institutional context I: constraints & opportunities II: impacts across levels	
1	2020	Adeleye et al.	Theoretical			I	√
2	2018	Agarwal et al.	Qualitative	I	IV		√
3	2020	Alon et al.	Theoretical		III		√
4	2016	Altinay et al.	Qualitative	I; II	II		√
5	2022	Anokhin et al.	Quantitative			II	×
6	2019	Apostolopoulos et al.	Qualitative	I; II			√
7	2022	Aquino	Qualitative	I; II			×
8	2016	Ault	Quantitative			II	√
9	2011	Bagnoli and Megali	Qualitative	I	IV		×
10	2015	Barth et al.	Qualitative	I	I		√
11	2019	Bhatt et al.	Qualitative	II		I	√
12	2020	Bolzani et al.	Qualitative		IV		√
13	2020	Brieger et al.	Quantitative			II	√
14	2021	Brieger et al.	Quantitative			II	√
15	2020	Bruneel et al.	Qualitative	III	III		√
16	2016	Calic and Mosakowski	Quantitative		IV		√
17	2019	Castellas et al.	Qualitative		III		√
18	2022	Chan et al.	Qualitative			II	×
19	2021	Chaudhuri et al.	Qualitative		IV		√
20	2022	Chen et al.	Qualitative		IV		×
21	2018	Cherrier et al.	Qualitative		I		√
22	2021	Chui et al.	Qualitative			II	×
23	2021	Colovic and Schruoffeneger	Qualitative	I; II			√
24	2011	Dacin et al.	Conceptual			I	√
25	2019	Davies et al.	Qualitative			I; II	√

26	2020	De Beule et al.	Quantitative	I		II	√
27	2020	De Cuyper et al.	Qualitative	II			√
28	2020	De Silva et al.	Qualitative	I; II			×
29	2019	Deng et al.	Quantitative			II	×
30	2020	Deng et al.	Quantitative			II	√
31	2012	Desa, G	Quantitative	II		II	√
32	2019	Di Lorenzo and Scarlata	Quantitative		II		√
33	2013	Dorado and Ventresca	Conceptual			II	×
34	2015	Engelke et al.	Qualitative			I	√
35	2016	Estrin et al.	Quantitative			II	√
36	2013	Estrin et al.	Quantitative			II	√
37	2018	Fitzgerald and Shepherd	Qualitative		III		√
38	2019	Gillett et al.	Qualitative		II		√
39	2022	Gillett and Tennent	Qualitative		III		×
40	2022	Gopakumar	Qualitative		III		×
41	2018	Grimes et al.	Quantitative			II	√
42	2012	Hall et al.	Qualitative	I		II	√
43	2017	Harms and Groen	Quantitative			II	√
44	2016	Haugh and Talwar	Qualitative	II		II	×
45	2022	Hechavarria et al.	Quantitative			II	×
46	2016	Hoogendoorn	Quantitative			II	√
47	2020	Hu et al.	Qualitative			II	×
48	2017	Huybrechts et al.	Qualitative	I	II		√
49	2008	Irani and Elliman	Qualitative	III			√
50	2018	Janssen et al.	Conceptual	II			√
51	2012	Katre and Salipante	Qualitative			II	√
52	2013	Kerlin	Qualitative			II	√
53	2021	Kerlin et al.	Mixed method		IV		√
54	2018	Khan et al.	Qualitative	III	III		√
55	2018	Kibler et al.	Quantitative		I; III		√
56	2016	Kimbu and Ngoasong	Qualitative	I			√
57	2021	Ko and Liu	Qualitative	III; II			√
58	2022	Kullak et al.	Qualitative	I			×
59	2022	Lall and Park	Quantitative		III		√
60	2019	Lang and Fink	Qualitative			II	√

61	2014	Lehner	Qualitative			II	×
62	2013	Lepoutre et al.	Quantitative			II	√
63	2014	Leung et al.	Qualitative	I; II			√
64	2021	Liston-Heyes and Liu	Quantitative		IV		×
65	2019	Litrico and Besharov	Qualitative		III		√
66	2018	Littlewood and Holt	Qualitative			I	√
67	2016	Liu et al.	Qualitative	III; II	I		√
68	2019	Longoni et al.	Qualitative		II		√
69	2009	Mair and Marti	Qualitative	I; II			√
70	2021	Mair and Rathert	Qualitative			II	×
71	2015	Mair et al.	Theoretical		III		√
72	2017	Manning et al.	Qualitative	I; III			√
73	2016	Mason and Doherty	Qualitative		III		√
74	2012	McCarthy	Qualitative	I			√
75	2018	McNamara et al.	Qualitative	I; II			√
76	2020	Mersland et al.	Quantitative		III	II	√
77	2022	Mikolajczak	Qualitative			II	×
78	2012	Miller et al.	Conceptual		IV		√
79	2019	Mitzinneck and Besharov	Qualitative		II		√
80	2012	Montgomery et al.	Qualitative	I; II			√
81	2020	Moses and Sharma	Mixed method		III		√
82	2016	Munoz and Kibler	Quantitative			II	√
83	2010	Nicholls	Conceptual		IV		√
84	2016	Nicholls and Huybrechts	Qualitative		II		√
85	2022	Nowak and Raffaellip	Qualitative			II	×
86	2019	Ometto et al.	Qualitative		III	II	√
87	2019	Onishi	Quantitative		III		√
88	2022	Ormiston	Qualitative			II	×
89	2013	Pache and Santos	Qualitative		I, IV		√
90	2020	Parthiban et al.	Qualitative	I; II			√
91	2018	Pathak and Muralidharan	Quantitative			II	×
92	2016	Pathak and Muralidharan	Quantitative			II	√
93	2021	Placek et al	Qualitative			II	×
94	2018	Prashantham et al.	Conceptual	I			×

95	2018	Pullman et al.	Conceptual		II		×
96	2016	Qureshi et al.	Qualitative	I; II			×
97	2021	Raghubanshi et al.	Qualitative	I; II			√
98	2017	Rao-Nicholson et al.	Qualitative	II	IV		√
99	2021	Rieger et al.	Quantitative			II	×
100	2013	Ruebottom	Qualitative	II	IV		√
101	2020	Sahasranamam and Nandakumar	Quantitative			II	√
102	2021	Sahasranamam et al.	Quantitative			II	√
103	2012	Sakarya et al.	Qualitative	I; II	II		√
104	2015	Sandeep and Ravishankar	Qualitative	I; III			√
105	2022	Sanzo-Perez and Alvarez-Gonzalez	Quantitative		I	II	√
106	2021	Savarese et al.	Conceptual		II; III		√
107	2021	Seet et al.	Qualitative		III		×
108	2022	Sharifi-Tehran	Mixed method		III		×
109	2019	Shepherd et al.	Conceptual		III		√
110	2021	Siwale et al.	Qualitative		IV		×
111	2019	Smith and Besharov	Qualitative		III		√
112	2015	Stephan et al.	Quantitative			II	√
113	2009	Sud et al.	Conceptual	II	IV		√
114	2015	Sun and Im	Quantitative	II		II	√
115	2014	Sunley and Pinch	Qualitative			I	√
116	2016	Terjesen et al.	Conceptual			II	×
117	2020	Torres and Augusto	Quantitative			II	√
118	2008	Townsend and Hart	Conceptual		IV		√
119	2011	Tracey et al.	Qualitative	I; II			√
120	2019	Valsecchi et al.	Qualitative	II	III		×
121	2018	Van et al.	Qualitative	III		II	×
122	2019	Venugopal and Viswanathan	Qualitative	I; II			√
123	2017	Vickers et al.	Qualitative	I	I; II		√
124	2016	Waldron et al.	Conceptual	I; II			√
125	2016	Wang et al.	Qualitative	III		I	√
126	2019	Weidner et al.	Quantitative		IV		√
127	2017	Wry and York	Conceptual		III		√
128	2018	Wry and Zhao	Quantitative		III	II	√

129	2020	Xing et al.	Qualitative		I		√
130	2022	Xu et al.	Quantitative			II	√
131	2016	Zhao and Lounsbury	Quantitative		I		√

Appendix B Appendix to Chapter 3

Table B.1: Variable descriptions

Variables	Descriptions	Data sources
<i>Dependent variables</i>		
Social entrepreneurship	Coded 1 if an individual answers that he/she is actively involved in social entrepreneurial activity, 0 otherwise. The questions for measuring this variable in the GEM survey are Q6A1: "Are you, alone or with others, currently trying to start or currently leading any kind of activity that has a social, environmental, or community objective?" and Q6A2: "Over the past twelve months have you done anything to help start this activity, organization or initiative?". We coded 1 if respondents answered "currently trying to start", "currently leading", or "trying to start and leading" for Q6A1 and "Yes" for Q6A2.	GEM APS (2015)
<i>Independent variables</i>		
Unmet basic human needs	Capturing the extent to which a country's most basic human needs (e.g., access to water) are not being met. We calculated this variable by deducting the unweighted average score of the four factors from 100: nutrition and basic medical care, water and sanitation, shelter, and personal safety.	Social Progress Index (2014)
Regulatory quality	The perceptions of the ability of the government to formulate and implement sound policies and regulations that can promote and permit the development of the private sector.	Worldwide Governance Index (2014)
Individual's entrepreneurial alertness	Coded 1 if individuals answer yes for there will be good opportunities to start a business in the next six months, 0 otherwise. The question for measuring this variable in the GEM survey is "In the next six months, will there be good opportunities for starting a business in the area where you live?".	GEM APS (2015)
<i>Individual-level controls</i>		
Gender	A dummy variable: 1= male; 0 = female.	GEM APS (2015)
Age	A categorized variable; It includes five categories: 18–24, 25–34, 35–44, 45–54, and 55–64, which are coded as 1–5, respectively	GEM APS (2015)
Education	A categorized variable; it is coded as pre-primary= 0, primary/first stage basic education =1, lower secondary/second stage basic education =2, upper secondary= 3, post-secondary, non-tertiary education = 4, the first stage of tertiary education= 5, and second stage of tertiary education =6.	GEM APS (2015)
Household income	It is a dummy variable, which equals 1 when a respondent indicated that he/she belonged to the middle- or higher-income group of the country, and 0 otherwise.	GEM APS (2015)
Know entrepreneur	A dummy variable: coded 1 if a respondent knows an entrepreneur, 0 otherwise. The question for measuring this variable in the GEM survey is "Do you know someone personally who started a business in the past 2 years?".	GEM APS (2015)

Start-up skills	A dummy variable: coded 1 if a respondent believes that he/she has the knowledge for starting a new business and 0 otherwise. The question for measuring this variable in the GEM survey is "Do you have the knowledge, skill, and experience required to start a new business?".	GEM APS (2015)
Fear of fail	A dummy variable: coded 1 if a respondent is afraid of failure and 0 otherwise. The question for measuring this variable in the GEM survey is "Would fear of failure would prevent them from starting a business?".	GEM APS (2015)
<i>Country-level controls</i>		
GDP growth	Real GDP growth rate.	World Bank, World Development Indicators (2014)
Unemployment	Unemployment, total (% of the total labour force).	World Bank, World Development Indicators (2014)
Government expenditure	Using the indicator of "government spending"; we transform it back to the simple ratio of government expenditure to GDP.	Heritage Foundation: index of economic freedom (2014)
<i>Robustness checks variables</i>		
GDP per capita	Gross domestic product per capita /1000 (constant 2017 US \$)	World Bank, World Development Indicators (2014)
Economic freedom	Unweighted average of five major indicators: the size of government, legal system and property rights, sound monetary policy, international trade, and regulation	Fraser Institute's Economic Freedom
Physiological needs	Capturing the extent to which a country's most basic human needs (e.g., access to water) are not being met. We calculated this variable by deducting the unweighted average score of the three factors from 100: nutrition and basic medical care, water and sanitation, and shelter.	Social Progress Index (2014)

Table B.2: *VIF test*

Variables	VIF	1/VIF
Unmet basic needs	4.81	0.33
Regulatory quality	2.84	0.47
Government spending	2.46	0.46
GDP growth	1.57	0.60
Unemployment	1.51	0.67
Education	1.19	0.84
Start-up skills	1.16	0.86
Know entrepreneurs	1.14	0.87
Entrepreneurial alertness	1.13	0.89
Income	1.11	0.90
Age	1.06	0.95
Fear of fail	1.04	0.96
Gender	1.02	0.98

Table B.3: Robustness results (remove GDP growth or add GDP per capita)

Variables	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
Gender	.106*** (.029)	.106*** (.029)	.102*** (.029)	.103*** (.029)	.106*** (.029)	.106*** (.029)	.102*** (.029)	.103*** (.029)
Age								
Ranges only (25-34)	-.049 (.046)	-.049 (.046)	-.046 (.047)	-.047 (.047)	-.049 (.046)	-.049 (.046)	-.046 (.047)	-.047 (.047)
Ranges only (35-44)	-.022 (.048)	-.021 (.048)	-.01 (.048)	-.012 (.048)	-.022 (.048)	-.022 (.048)	-.01 (.048)	-.012 (.048)
Ranges only (45-54)	.143*** (.049)	.145*** (.049)	.165*** (.049)	.162*** (.049)	.143*** (.049)	.144*** (.049)	.165*** (.049)	.161*** (.049)
Ranges only (55-64)	.093* (.053)	.095* (.053)	.122** (.053)	.119** (.053)	.093* (.053)	.094* (.053)	.122** (.053)	.119** (.053)
Education								
Primary education	.105 (.082)	.109 (.082)	.103 (.082)	.096 (.082)	.104 (.082)	.109 (.082)	.103 (.082)	.096 (.082)
Lower secondary education	.141* (.084)	.145* (.084)	.152* (.084)	.146* (.084)	.139* (.084)	.145* (.084)	.152* (.084)	.146* (.084)
Upper secondary education	.337*** (.081)	.337*** (.081)	.34*** (.081)	.334*** (.081)	.329*** (.081)	.336*** (.081)	.34*** (.081)	.334*** (.081)
Post-secondary, non-tertiary education	.561*** (.087)	.568*** (.087)	.576*** (.087)	.571*** (.088)	.559*** (.087)	.567*** (.087)	.575*** (.087)	.57*** (.088)
First stage of tertiary education	.887*** (.082)	.893*** (.082)	.893*** (.082)	.89*** (.083)	.885*** (.082)	.893*** (.082)	.892*** (.082)	.89*** (.083)
Second stage of tertiary education	1.189*** (.119)	1.193*** (.119)	1.205*** (.119)	1.203*** (.119)	1.188*** (.119)	1.193*** (.119)	1.205*** (.119)	1.203*** (.119)
Income	.087** (.034)	.088*** (.034)	.074** (.034)	.078** (.034)	.088** (.034)	.088*** (.034)	.074** (.034)	.078** (.034)
Know entrepreneurs	.743*** (.031)	.741*** (.031)	.677*** (.031)	.676*** (.031)	.742*** (.031)	.741*** (.031)	.677*** (.031)	.676*** (.031)
Start-up skills	.652*** (.034)	.652*** (.034)	.61*** (.035)	.608*** (.035)	.653*** (.034)	.652*** (.034)	.61*** (.035)	.609*** (.035)
Fear of fail	-.196*** (.032)	-.195*** (.032)	-.175*** (.032)	-.177*** (.032)	-.196*** (.032)	-.195*** (.032)	-.175*** (.032)	-.177*** (.032)
Unemployment	-.033 (.022)	-.027 (.019)	-.024 (.019)	-.025 (.019)	-.023 (.023)	-.021 (.02)	-.018 (.02)	-.019 (.02)
Government spending	.009 (.011)	.026* (.014)	.026* (.014)	.026* (.014)	.008 (.016)	.022 (.015)	.022 (.015)	.022 (.015)
Unmet basic needs		.052*** (.014)	.05*** (.014)	.044*** (.014)		.056*** (.016)	.053*** (.016)	.048*** (.016)
Regulatory quality		.694*** (.192)	.663*** (.193)	.597*** (.194)		.572** (.227)	.556** (.228)	.489** (.229)
Alertness			.375*** (.031)	.333*** (.033)			.375*** (.031)	.333*** (.033)
Alertness*Unmet basic needs				.01*** (.003)				.01*** (.003)
Alertness*Regulatory quality				.12** (.061)				.121** (.061)
GDP growth					.085 (.058)	.019 (.054)	.02 (.054)	.02 (.054)
GDP per capita					.006 (.009)	.012 (.014)	.01 (.014)	.011 (.014)
Constant	- 4.304*** (.395)	- 6.482*** (.73)	-6.59*** (.731)	- 6.393*** (.73)	- 4.788*** (.542)	- 6.788*** (.788)	-6.86*** (.79)	- 6.665*** (.789)
Variance of random intercept between countries	.603*** (.126)	.449*** (.095)	.45*** (.095)	.445*** (.094)	.573*** (.12)	.441*** (.093)	.444*** (.093)	.438*** (.092)
Observations	100110	100110	100110	100110	100110	100110	100110	100110

Standard errors are in parentheses.

*** $p < .01$, ** $p < .05$, * $p < .1$

Appendix C Appendix to Chapter 4

Table C.1: The number of observations by country

Country Name	Number of observations
Argentina	1,325
Australia	1,198
Chile	4,447
Colombia	3,217
Estonia	1,046
India	2,775
Kazakhstan	801
Malaysia	1,998
Mexico	2,597
Morocco	1,188
Netherlands	1,138
Peru	1,108
Philippines	1,614
Poland	1,040
Romania	1,398
Slovenia	1,010
South Africa	2,432
South Korea	1,268
Spain	12,014
Sweden	1,225
Thailand	2,763
Tunisia	1,279
Total	48,881

Table C.2: Multicollinearity tests

Variables	Robustness check				
	Main model	VIF (removing alertness to opportunity)	VIF (adding GDP growth as a control variable)	VIF (adding unemployment as a control variable)	VIF (an alternative measure for nonprofit activity: postmaterialism)
New business density	1.28	1.26	1.28	1.28	1.25
The density of nonprofit activity	1.21	1.19	1.21	1.34	
Individual's perception of SE	1.06	1.05	1.06	1.06	1.05
Gender	1.06	1.06	1.06	1.06	1.06
Age	1.05	1.05	1.06	1.05	1.05
Education	1.17	1.17	1.18	1.19	1.17
Work status	1.14	1.14	1.14	1.15	1.15
Household income	1.13	1.13	1.14	1.14	1.14
Individual's network	1.11	1.08	1.11	1.11	1.11
Individual's self-efficacy	1.14	1.12	1.15	1.14	1.14
Fear of fail	1.03	1.03	1.03	1.03	1.03
Alertness to opportunity	1.13		1.13	1.14	1.15
Log of GDP per capita	1.49	1.47	2.04	1.60	1.34
GDP growth			1.55		
Unemployment				1.36	
Postmaterialism					1.07

Table C.3: Robustness test for the alternative measurement of independent variable

Variables	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
Controls								
Gender	.057 (.039)	.057 (.039)	.058 (.039)	.06 (.039)	.061 (.039)	.061 (.039)	.058 (.039)	.058 (.039)
Age								
1.Ranges only (25-34)	-.171*** (.063)	-.172*** (.063)	-.172*** (.063)	-.167*** (.063)	-.167*** (.063)	-.169*** (.063)	-.169*** (.063)	-.171*** (.063)
2.Ranges only (35-44)	-.154** (.064)	-.154** (.064)	-.155** (.064)	-.152** (.064)	-.152** (.064)	-.155** (.064)	-.154** (.064)	-.157** (.064)
3.Ranges only (45-54)	.102 (.064)	.102 (.064)	.101 (.064)	.098 (.064)	.098 (.064)	.094 (.064)	.097 (.064)	.093 (.064)
4.Ranges only (55-64)	.137* (.07)	.137* (.07)	.137* (.07)	.131* (.07)	.131* (.07)	.125* (.07)	.129* (.07)	.123* (.07)
Education								
1.Educ. - primary/first stage	.025 (.141)	.027 (.141)	.023 (.141)	.029 (.141)	.028 (.141)	.021 (.141)	.024 (.141)	.015 (.141)
2.Educ. - lower secondary/second stage	.018 (.136)	.018 (.136)	.014 (.136)	.036 (.137)	.031 (.137)	.028 (.137)	.022 (.137)	.017 (.137)
3.Educ. - upper secondary	.12 (.128)	.121 (.128)	.118 (.128)	.136 (.128)	.135 (.128)	.129 (.128)	.126 (.128)	.119 (.128)
4.Educ. - post-secondary, non-tertiary	.234* (.134)	.236* (.134)	.233* (.134)	.26* (.134)	.261* (.134)	.254* (.134)	.251* (.134)	.242* (.134)
5.Educ. - first stage of tertiary	.395*** (.131)	.396*** (.131)	.395*** (.131)	.43*** (.131)	.43*** (.131)	.424*** (.131)	.421*** (.131)	.413*** (.131)
6.Educ. - second stage of tertiary	.684*** (.175)	.684*** (.175)	.69*** (.175)	.725*** (.175)	.73*** (.175)	.724*** (.175)	.731*** (.175)	.724*** (.175)
Work status	.477*** (.052)	.477*** (.052)	.477*** (.052)	.474*** (.052)	.475*** (.052)	.472*** (.052)	.475*** (.052)	.473*** (.052)
Household income	.086* (.045)	.085* (.045)	.086* (.045)	.096** (.045)	.094** (.045)	.089** (.045)	.095** (.045)	.089** (.045)
Have a peer startup entrepreneur in the network	.62*** (.04)	.621*** (.04)	.621*** (.04)	.617*** (.04)	.618*** (.04)	.618*** (.04)	.618*** (.04)	.617*** (.04)
Individual's self-efficacy	.459*** (.044)	.46*** (.044)	.459*** (.044)	.446*** (.044)	.447*** (.044)	.444*** (.044)	.448*** (.044)	.445*** (.044)
Fear of fail	-.062 (.04)	-.062 (.04)	-.061 (.04)	-.068* (.04)	-.066* (.04)	-.071* (.04)	-.066 (.04)	-.071* (.04)
Alertness to opportunity	.364*** (.04)	.364*** (.04)	.364*** (.04)	.336*** (.04)	.335*** (.04)	.332*** (.04)	.337*** (.04)	.333*** (.04)
Log of GDP per capita	-.215 (.194)	-.483** (.193)	-.184 (.18)	-.192 (.195)	-.42** (.181)	-.411** (.181)	-.43** (.18)	-.421** (.18)
Predictors at the country-level								
New business density		.081*** (.029)			.076*** (.027)	.086*** (.027)	.078*** (.027)	.089*** (.027)
Nonprofit activity density			.066** (.034)		.054* (.029)	.054* (.029)	.068** (.03)	.071** (.03)
Predictor at the individual level								
Perceived of SE density				.226*** (.041)	.226*** (.041)	.199*** (.042)	.285*** (.045)	.263*** (.046)
Cross-level interaction effects								
New business density X Perceived SE density						-.038*** (.01)		-.041*** (.01)
Nonprofit activity density X Perceived SE density							-.034*** (.012)	-.038*** (.012)
Constant	-1.89 (1.933)	.83 (1.926)	-2.236 (1.791)	-2.196 (1.937)	.086 (1.81)	.012 (1.811)	.172 (1.806)	.106 (1.806)

Variance of random intercept between countries	.332*** (.104)	.243*** (.076)	.281*** (.088)	.334*** (.104)	.208*** (.066)	.208*** (.066)	.207*** (.066)	.207*** (.066)
Number of countries	22	22	22	22	22	22	22	22
Observations	48906	48906	48906	48906	48906	48906	48906	48906
AIC	21254.04	21249.34	21252.48	21225.41	21219.40	21207.26	21212.90	21198.78
BIC	21429.99	21434.09	21437.23	21410.16	21421.74	21418.41	21424.04	21418.72

Standard errors are in parentheses

*** $p < .01$, ** $p < .05$, * $p < .1$

Note:

In this robustness test, we measure the independent variable of individuals' engagement in SE by solely using the research question: "In the past twelve months, have you taken any action to help initiate this activity, organization, or initiative?". It is coded 1 when an individual answers "trying to start", "currently leading" or "trying to start and leading" to this question.

Table C.4: Robustness test using two-year lagged country-level variables

Variables	Model 1	Model 2	Model 3
Gender	.046 (.046)	.049 (.046)	.047 (.046)
Age			
1.Ranges only (25-34)	-.211*** (.074)	-.207*** (.074)	-.211*** (.074)
2.Ranges only (35-44)	-.187** (.076)	-.184** (.076)	-.189** (.076)
3.Ranges only (45-54)	.112 (.076)	.109 (.076)	.104 (.076)
4.Ranges only (55-64)	.19** (.082)	.185** (.082)	.176** (.082)
Education			
1.Educ. - primary/first stage	.19 (.2)	.201 (.2)	.187 (.2)
2.Educ. - lower secondary/second stage	.174 (.199)	.194 (.199)	.18 (.199)
3.Educ. - upper secondary	.448** (.185)	.473** (.186)	.457** (.185)
4.Educ. - post-secondary, non-tertiary	.569*** (.191)	.607*** (.191)	.59*** (.191)
5.Educ. - first stage of tertiary	.794*** (.188)	.838*** (.188)	.822*** (.188)
6.Educ. - second stage of tertiary	1.219*** (.224)	1.273*** (.225)	1.265*** (.225)
Work status	.48*** (.062)	.479*** (.062)	.476*** (.062)
Household income	.143*** (.054)	.15*** (.054)	.145*** (.054)
Have a peer startup entrepreneur in the network	.691*** (.047)	.689*** (.047)	.688*** (.047)
Individual's self-efficacy	.537*** (.053)	.527*** (.053)	.524*** (.053)
Fear of fail	-.162*** (.048)	-.164*** (.048)	-.168*** (.048)
Alertness to opportunity	.357*** (.047)	.331*** (.047)	.327*** (.047)
Log of GDP per capita (Year: 2013)	.018 (.253)	-.21 (.251)	-.207 (.25)
New business density (Year: 2013)		.08** (.036)	.092** (.036)

Nonprofit activity density (World Value Survey: 2010-2014)		.062*	.077**
Perceived of SE density		(.037)	(.037)
		.204***	.256***
		(.048)	(.054)
New business density (Year: 2013) X Perceived SE density			-.043***
			(.013)
Nonprofit activity density X Perceived SE density			-.036**
			(.014)
Constant	-4.962**	-2.815	-2.847
	(2.495)	(2.489)	(2.478)
Variance of random intercept between countries	.471***	.327***	.324***
	(.154)	(.109)	(.108)
Number of countries	20	20	20
Observations	46475	46475	46475
AIC	16148.43	16129.61	16117.56
BIC	16323.37	16330.79	16336.22

Standard errors are in parentheses

*** p<.01, ** p<.05, * p<.1

Note:

In this robustness test, the control variable of the log of GDP per capita lagged for two years. The independent variable of business density also lagged for two years. The sample is different due to the data missing from some countries in 2013.

Appendix D Appendix to Chapter 5

Table D.1: The description of cases

Case No.	Sector	Legal form	Num of employee	Dual mission management	Key activities	Year of establishment	Title of interviewee	Length of interview	Accessed archival data
C1	Recycling	For-profit entity	10	Integration	Upcycles clothes and produces recycling bins	2016	Founder	40 minutes	Internal sources: marketing materials
C2	Culture	For-profit entity	10-20	Integration	Cultural dissemination and produces cultural and creative products	2018	Founder	50 minutes	Internal sources: marketing materials
C3	Real estate	For-profit entity	1000	Integration	Provides property service to communities	2001	Manager	1 hour and 35 minutes	Internal sources: firm profiles and marketing materials
C4	Traditional Chinese medicine	For-profit entity	80	Integration	Provides traditional Chinese medicine service to community residents	2018	Founder	2 hours and 5 minutes	Internal sources: firm profiles, marketing materials, and volunteering activities reports
C5	Recycling	For-profit entity	7	Compartmentalization	Produces garbage sorting bins	2016	Founder	1 hour and 30 minutes	Internal sources: firm profile and press releases

C6	Culture	For-profit entity	8	Compartmentalization	Cultural dissemination and production of cultural and creative products	2017	Manager	1 hour and 35 minutes	Internal sources: firm performance reports
C7	Wholesale and retail	For-profit entity	15-25	Integration	Sales of agricultural products and provides agricultural tourism services	2017	Founder	35 minutes	Internal sources: firm profile
C8	Restoration ecology	For-profit entity	60	Integration	Provides planning and design for national wetland parks and natural reserves, and provides popular science education and ecological restoration	2014	Founder/manager	1 hour and 20 minutes	Internal sources: firm profile and performance reports
C9	Tourism	For-profit entity	23	Compartmentalization	Provides accessible tourism, barrier-free planning, and promotes a barrier-free environment	2009	Manager	2 hours and 5 minutes	Internal sources: marketing materials
C10	Wholesale and retail	For-profit entity	17	Integration	Provides wholesale and retail of agricultural products, agricultural tourism, and household services	2015	Founder	2 hours	Internal sources: firm profiles

C11	Scientific Research and Technology Services	For-profit entity	4	Integration	Protects scattered pandas, develops panda cultural and creative products, addresses community development and ecological conservation in panda villages	2013	Founder	1 hour and 40 minutes	Internal sources: firm profiles, governance structure, performance reports, press releases, and public
C12	Home service	For-profit entity	60-70	Compartmentalization	Provides services for senior people	2011	Founder	1 hour and 40 minutes	Internal sources: firm profiles
C13	Food production and processing	For-profit entity	12	Integration	Produces and sells baked goods	2014	Manager	50 minutes	Internal sources: firm profiles and marketing materials
C14	Traditional Chinese medicine	For-profit entity	50-60	Integration	Provides traditional Chinese medicine treatment to community residents	2017	Founder/manager	1 hour and 20 minutes	Internal sources: firm profiles, marketing materials, and volunteering activities reports
C15	Scientific Research and Technology Services	For-profit entity	40	Integration	Provides recycling services and research on organic fertilizer, technology development of garbage sorting info system	2016	Founder	1 hour and 55 minutes	Internal sources: product profiles and performance reports

Interview Guide Including Example Questions

1. Overview of the background and development of the social enterprise

- Can you share your entrepreneurial story and describe the background when you started your company?
- What is the product of your company and how do you produce them? Have your companies conducted some innovation activity?
- What is the social mission and the aim of your company?
- What is the organizational structure of your company? How do they work together?
- How many employees/staff members does your company currently have?
- What is the main difference between your company and other peer companies?
- What is the funding source of your company?
- Who are the major beneficiaries or customers of your business?

2. Challenges regarding growth/scaling

- What are the difficulties you have encountered as a social enterprise?
- What are the major difficulties you have encountered during the development of your business?
- What are the major dilemmas for the company's future development?
- Have you thought about giving up during the entrepreneurial process?

3. Interactions with local communities

- Have you been contacted with the community and developed your business in the communities
- Why do you set up your business in the local communities?
- Is it difficult to operate within the local communities? How do you manage these difficulties?
- How does your company get into the community?
- Do any communities ask you to conduct your business in these local communities?
- How many communities have you entered?
- How does your company collaborate or partner with communities?
- What kind of activities your company has done within the communities?
- What kind of support you have received from the communities?
- Has your business made some changes to support community development governance? If so, what kind of changes your business have done?
- How does your company balance the social and commercial logic of operation when operating within local communities?

4. Performance and social impact on the community

- What is your opinion about creating social and business value when running your business?
- What is the social performance of your company? How many beneficiaries your company has helped?
- Is the company or store profitable now?

- What is the source of your company's income?
- What and how does your company create economic value and social impact for the local communities?
- After moving into the community, what kind of benefits does your company bring to this community?
- How does or will your business scale across communities?

5. Collaborations with different stakeholders

- Have your company collaborated with other institutions, such as companies, universities, other social enterprises, nonprofit organizations et al?
- How does your company build collaboration and/or work with these different organizations?
- What kind of government support you have received/do you want to get for your business?
- Have you conducted some government procurement projects? If so, what are they?
- What role do you think the government is playing in the development of social enterprises?
- Do you have any political connections?

6. Knowledge of social entrepreneurship

- When and how do you learn about the concept of social entrepreneurship or social enterprises?
- When did your company want to become a social enterprise?
- Why does your company apply for the social entrepreneurship certification?
- Are there any changes after getting social entrepreneurship certification?
- After getting certified as a social enterprise, what is the future development focus of your company?
- How do you think about the dual mission of social and economic value creation in social enterprises?
- Do employees recognize the concept of social entrepreneurship?

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Summary

The field of social entrepreneurship (SE) is rapidly growing and garnering attention from scholars, practitioners, and policymakers. SE involves identifying and exploiting opportunities to create social value through commercial, market-based activities, effectively combining market elements with societal purposes. It is increasingly recognized as an important approach to addressing societal challenges and problems that are not yet adequately tackled by existing governments, nonprofit organizations, or companies, which contributes to its rising popularity and fascination among a wide audience.

SE has been recognized as an inherently multilevel phenomenon (Saebi et al., 2019). However, much work has been devoted to scrutinizing SE at only one level of analysis (e.g., individual, organizational, or country level) instead of adopting an explicit multilevel approach. As a result, the explanation of SE and its effects remains only partially understood (Saebi et al., 2019). To yield a more comprehensive understanding of the multilevel nature of SE, I adopted a multilevel framework in this thesis to consider the various cross-level effects among macro- and microlevels on SE and its social impact. Therefore, the main research question in this PhD thesis is: *How do macrolevel conditions relate to microlevel antecedents in affecting SE and its outcomes?*

Within this dissertation, I primarily leveraged institutional theory as the theoretical foundation to answer this research question. The reason behind this is that institutional theory has been broadly used to understand the relationship between actors and their social environments and, importantly, how they influence each other. It is characterized by theoretical plurality, encompassing multiple perspectives to account for behavior both within and across levels of analysis, as well as the agentic behavior of actors in creating, maintaining, or changing institutions (Glynn & Navis, 2013). Thus, institutional theory provides a promising framework for understanding the multilevel nature of SE. Overall, in four studies reported in Chapters 2-5, I examined how institutional theory is applied in the SE domain, how macro- and microlevel antecedents jointly influence SE, and how social enterprises work with local communities to create social impact.

Chapter 2 contributes to both SE and institutional theory literature by providing a comprehensive and up-to-date overview of institutional theory-based SE research and discussing the ethics of SE within this research topic. It reveals three unique conversations between SE and institutions: institutional and societal change, institutional complexity and hybrid organizations, and the institutional context of SE. These three identified conversations cover and answer a wide variety of research questions and themes of interest in the SE domain. We delved into each conversation, identifying new avenues for future research. We also encouraged scholars to critically examine ethics in the institutional SE research and proposed several opportunities for incorporating ethics in this research stream for future studies. Overall, we recognized SE as an ideal context for testing and advancing ideas within institutional theory and promoted further discussions on the ethics of SE in future research.

In chapters 3 and 4, we focused on the macro-to-micro situational mechanisms in the context of SE, seeking to understand how national conditions and individual-level factors both independently and jointly predict individuals' SE activity. Chapter 3 adopts the view of institutions as constraints and employs discovery theory of opportunities to comprehend individuals' engagement in SE. Moving on to Chapter 4, we used the legitimacy and organizational ecology perspectives to investigate individuals' SE behavior. Overall, these two chapters advance knowledge of SE phenomena in an explicit multilevel setting.

Chapter 5 addresses recent calls for more attention to the societal impact created by SEs through the involvement of local communities (Bacq et al., 2022; Lumpkin & Bacq, 2019). In Chapter 5, we explored what specific dynamic capabilities are needed for social enterprises to involve local communities in creating societal impact within the Chinese context. This chapter shifts the focus from the development of dynamic capabilities in traditional commercial businesses to the realm of SE (Best et al., 2021; Vallaster et al., 2021), enriching our understanding of how SE fosters societal impact through community involvement, particularly in the context of China.

Overall, with the above research into SE and its effects, I hope to contribute to a society where SE plays a more significant role in generating lasting change in social, cultural, and environmental issues. By gaining a deeper understanding of the multilevel nature of SE, we can craft effective policies that support the development of SE in society.

Nederlandse samenvatting

Het vakgebied van sociale ondernemerschap (SE) groeit snel en trekt de aandacht van zowel academici, als ondernemers, ondersteunende organisaties en beleidsmakers. SE omvat het identificeren en benutten van kansen om sociale waarde te creëren door middel van commerciële, marktgerichte activiteiten, waarbij marktprincipes effectief worden gecombineerd met maatschappelijke doeleinden. Het wordt steeds meer erkend als een belangrijke benadering voor het aanpakken van maatschappelijke uitdagingen en problemen die nog niet adequaat worden aangepakt door bestaande overheden, non-profitorganisaties of bedrijven, wat bijdraagt aan de toenemende populariteit en fascinatie onder een breed publiek.

SE wordt erkend als een van nature multilevel fenomeen (Saebi et al., 2019). Veel werk is echter besteed aan het onderzoeken van SE op slechts één analyse level (bijv. individueel, organisatorisch of landelijk niveau) in plaats van een expliciete multilevel benadering te hanteren. Als gevolg hiervan blijft de verklaring van SE en de effecten ervan slechts gedeeltelijk begrepen (Saebi et al., 2019). Om een volledig begrip te krijgen van de meerlagige aard van SE, heb ik in deze dissertatie een multilevel raamwerk toegepast om de verschillende cross-level effecten tussen macro- en microlevels op SE en de maatschappelijke impact hiervan te overwegen. Daarom is de belangrijkste onderzoeksvraag in deze PhD-dissertatie: ***Hoe verhouden macrolevelcondities zich tot microlevel-antecedenten in het beïnvloeden van SE en de resultaten ervan?***

In deze dissertatie heb ik voornamelijk gebruikgemaakt van de institutionele theorie als theoretische basis om deze onderzoeksvraag te beantwoorden. De reden hiervoor is dat de institutionele theorie breed is toegepast om de relatie tussen actoren en hun sociale omgevingen te begrijpen en, belangrijker nog, hoe zij elkaar beïnvloeden. Deze theorie kenmerkt zich door theoretische pluraliteit, waarbij meerdere perspectieven worden omvat om gedrag zowel binnen als over analysetoepassingen heen te verklaren, evenals het ‘agentische’ gedrag van actoren bij het creëren, behouden of veranderen van instellingen (Glynn & Navis, 2013). Daarom biedt de institutionele theorie een geschikt kader voor het begrijpen van de multilevel aard van SE. Over het geheel genomen, in de vier studies gerapporteerd in Hoofdstukken 2-5, heb ik onderzocht hoe de

institutionele theorie wordt toegepast binnen het SE-domein, hoe macro- en microlevel antecedenten gezamenlijk SE beïnvloeden, en hoe sociale ondernemingen samenwerken met lokale gemeenschappen om maatschappelijke impact te creëren.

Hoofdstuk 2 draagt bij aan zowel de literatuur over sociale ondernemerschap (SE) als de institutionele theorie door een uitgebreid en actueel overzicht te geven van onderzoek naar SE op basis van institutionele theorie en de ethiek van SE binnen dit onderzoeksonderwerp te bespreken. Het onthult drie unieke gesprekken tussen SE en instituties: institutionele en maatschappelijke verandering, institutionele complexiteit en hybride organisaties, en de institutionele context van SE. Deze drie geïdentificeerde gesprekken dekken en beantwoorden een breed scala aan onderzoeksvragen en thema's van belang binnen het SE-domein. We hebben elk gesprek onderzocht en nieuwe mogelijkheden voor toekomstig onderzoek geïdentificeerd. Verder hebben we ook wetenschappers aangemoedigd om de ethiek in institutioneel SE-onderzoek kritisch te onderzoeken en verschillende mogelijkheden voorgesteld voor het opnemen van ethiek in deze onderzoekstroom voor toekomstige studies. Al met al hebben we SE erkend als een ideaal kader voor het testen en bevorderen van ideeën binnen de institutionele theorie en verdere discussies over de ethiek van SE in toekomstig onderzoek gepromoot.

In hoofdstukken 3 en 4 hebben we ons gericht op de macro-naar-micro situationele mechanismen in de context van SE, waarbij we probeerden te begrijpen hoe nationale omstandigheden en factoren op individueel niveau zowel onafhankelijk als gezamenlijk de SE-activiteit van individuen voorspellen. Hoofdstuk 3 hanteert het perspectief van instellingen als beperkingen en maakt gebruik van 'discovery' theorie om de betrokkenheid van individuen in SE te begrijpen. In hoofdstuk 4 hebben we de perspectieven van legitimiteit en organisatorische ecologie gebruikt om het SE-gedrag van individuen te onderzoeken. Al met al bevorderen deze twee hoofdstukken de kennis over SE-fenomenen in een expliciete multilevel setting.

Hoofdstuk 5 reageert op recente oproepen voor meer aandacht voor de maatschappelijke impact die door SE's wordt gecreëerd door de betrokkenheid van lokale gemeenschappen (Bacq et al., 2022; Lumpkin & Bacq, 2019). In hoofdstuk 5 hebben we onderzocht welke specifieke dynamische capaciteiten nodig zijn voor sociale ondernemingen om lokale gemeenschappen te betrekken bij het creëren van maatschappelijke impact binnen de Chinese context. Dit hoofdstuk verschuift de focus

van de ontwikkeling van dynamische capaciteiten in traditionele commerciële bedrijven naar het domein van SE (Best et al., 2021; Vallaster et al., 2021), en verrijkt ons begrip van hoe SE maatschappelijke impact bevordert door gemeenschap betrokkenheid, met name in de context van China.

Al met al, met het bovenstaande onderzoek naar SE-gedrag en de effecten ervan, hoop ik bij te dragen aan een samenleving waarin SE een belangrijkere rol speelt in het genereren van blijvende verandering op sociaal, cultureel en milieuvlak. Door een dieper begrip te krijgen van de multilevel aard van SE, kunnen we effectieve beleidsmaatregelen formuleren die de groei en ontwikkeling van SE in de samenleving ondersteunen.

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Curriculum Vitae

Xing Li was born on 24 March 1993 in Nanyang, China. She majored in Business Administration and obtained a bachelor's degree from Southwest University for Nationalities in 2015. She continued a master's program in Business Administration at the University of Electronic Science and Technology of China under the supervision of Assoc. Prof. Guofeng Wang. She got her master's degree in 2018. In the same year, she was awarded the Chinese Government Scholarship to pursue her PhD degree. She studied at the University of Bayreuth in Germany for nearly one year under the supervision of Prof. Dr. Ricarda Bouncken. In 2020, she started her PhD research at Utrecht University School of Economics. She was supervised by Prof. Dr. Niels Bosma and Dr. Friedemann Polzin. Her PhD research aims to explore the multilevel nature of social entrepreneurship from the perspective of institutional theory. She worked as a junior assistant professor for one year from 2022 to 2023 at Utrecht University School of Economics. Since June 2024, she has been working as a postdoc in the Department of Information and Computer Sciences at Utrecht University.

Xing has presented her works at top entrepreneurship and management conferences, such as the Academy of Management Annual Conference (2021-2024), The Annual Social Entrepreneurship Conference (2020, 2021, 2024), Interdisciplinary European Conference on Entrepreneurship Research (2020), University of Edinburgh Business School Paper Development Workshop (2022), University of Bath Paper Development Workshop (2024). She was a visiting researcher at the School of Management, University of Bath in 2024. Her PhD studies are targeted to top journals in the fields of management, entrepreneurship, and regional studies. One of her PhD studies has been published in *Small Business Economics*.