

---

# The Legitimacy of Social Enterprise

*Raymond Dart*

*Social enterprise has emerged as a businesslike contrast to the traditional nonprofit organization. This article develops an explanatory direction for social enterprise based on institutional perspectives rather than more traditional rational economic concepts. Through Suchman's typology of legitimacy (1995), the article argues that the origin and evolution of social enterprise is put into dramatically different focus, particularly through the concept of moral legitimacy. Moral legitimacy not only connects the overall emergence of social enterprise with neoconservative, pro-business, and promarket political and ideological values that have become central in many nations in the Organization for Economic Cooperation and Development but also explains the observation that social enterprise is being more frequently understood and practiced in more narrow commercial and revenue-generation terms.*

**H**OW CAN WE make sense of the emergence of social enterprise as a newly prominent form of organization in the nonprofit sector? Why has it emerged now? In what directions is it likely to evolve? What are the implications of this for practitioners?

This article focuses on the emergence and evolution of social enterprise and uses institutional theories of organization to help make sense of the role of sociopolitical contexts in its rapid emergence. It also maps implications for practitioners. (This article will focus on the segment of social enterprise that is most related to the nonprofit sector (compare Young, 2001).) Social enterprise differs from the traditional understanding of the nonprofit organization in terms of strategy, structure, norms, and values and represents a radical innovation in the nonprofit sector. Drawing on literature from the field of institutional theory (Di Maggio and Powell, 1983; Scott, 1992), I present a typology of multiple versions of legitimacy that connects the emergence of the social-enterprise form with wider societal, ideological, and political dynamics. This typology offers explanations for the emergence of nonprofit social enterprise as a newly legitimated institution and suggests that we can as readily frame social enterprise as a "faddish" response to changes in the

---

*Social enterprise is likely to continue its evolution away from forms that focus on broad frame-breaking and innovation to [a narrower focus] on market-based solutions and businesslike models*

---

sociopolitical environment as a “rational” adaptation that produces valued results (Abrahamson, 1996).

In addition, institutional theory analysis suggests that social enterprise is likely to continue its evolution away from forms that focus on broad frame-breaking and innovation to an operational definition more narrowly focused on market-based solutions and businesslike models because of the broader validity of promarket ideological notions in the wider social environment. For practitioners in the nonprofit sector, this approach proposes that if institutional pressures are a useful explanation for the emergence and evolution of social-enterprise thinking and practice, then a major role of practitioners becomes engaging any of the plural forms of strategic responses to institutional pressures (Oliver, 1991).

The use of institutional theory allows us to move away from rationalist and economics-based theorizing of social enterprise to a perspective that includes wider sociological understandings of the importance of sociopolitical context in the emergence of new organizational forms. Much theorizing of the nonprofit sector (Weisbrod, 1988; Salamon, 1995; Hansmann, 1987) focuses on rational and economic explanations of the sector. For example, nonprofit organizations are believed to exist because of market or governmental failure to provide services, or because clients are unable to accurately evaluate certain kinds of services and thus require organizational forms in which they can place trust. These theories resonate with commonly held public ideas about the purpose of nonprofit organizations. Similarly, social enterprise is normally explained as a rational and functional solution to public-sector funding and philanthropic resource constraints (Dees, Emerson, and Economy, 2001), for example; or it is said to represent a strategically better option for organizations to fulfill their prosocial mission (Dees, 2003; Emerson and Twersky, 1996). These rationalist explanations ignore or overshadow some of the sociological basis and cultural or political origins of the nonprofit sector (and of its recent innovation in social enterprise). These explanations lead us to search for narrow economic or strategic reasons for the existence and structure of these organizations when in fact they may have emerged in response to much more broad and complex contexts. A central contention of institutional theory is that there are fewer simple and narrowly rational reasons than such theorists propose. Institutional theory offers contrasting explanations for social enterprise that are more sociological and less instrumentally rational.

This article covers three broad areas. First, it briefly maps out the field of social enterprise most relevant to the nonprofit sector. Because this article develops explanations for the emergence of social enterprise through institutional change in the nonprofit sector, it will develop basic contrasts between the social-enterprise form and that described as the traditional nonprofit organizational form.

The second section of the article develops an institutional theory perspective that I will use to illuminate social enterprise. Institutional theory (IT) is a major force in organizational research today, yet researchers have not used it in social-enterprise analysis. Major works in IT (for example, germinal works by Selznick, 1949; Meyer and Rowan, 1977; Di Maggio and Powell, 1983; Scott, 1992; and Zucker, 1987) have been important in organization analysis because of their emphasis on nonchoice and nonrational bases for the explanation of organization structure and broader sector and societal structure. This article will focus on recent research on legitimacy and legitimation (Suchman, 1995; Aldrich and Fiol, 1994). This research emphasizes conformity to societal and stakeholder expectations rather than efficiency and effectiveness as principal organizational goals and as primary determinants of organizational success.

The third section of the article explores how the concept of legitimacy, and particularly Suchman's concept of moral legitimacy (1995), helps to clarify the emergence and trajectory of social enterprise; the article further suggests the implications for practitioners. The article concludes with a list of research issues that the legitimacy of social enterprise implies.

### Social Enterprise

Scholars have framed social enterprise and social entrepreneurship (Dees, 1998a, 1998b, 2003; Emerson and Twersky, 1996; Leadbeater, 1997) as a kind of encompassing set of strategic responses to many of the varieties of environmental turbulence and situational challenges that nonprofit organizations face today. In several settings, and particularly in the United Kingdom (Grenier, 2002; Shaw, Shaw, and Wilson, 2002) and the United States (Young, 2001; Dees, 1998b), scholars are reporting that social enterprise is being accorded a status of—if not quite a panacea—then at least a significantly important emergence in the societal management of key social needs.

What then is this emerging phenomenon? At this point there is no precise and consistent usage of the term *social enterprise* (compare discussions in Young, 2001; and Grenier, 2002). Definitions and descriptions range a great deal and are themselves worthy of protracted deliberation. Broadly, most descriptions of social enterprise build from a premise of frame-breaking and innovation in the social sector (Emerson and Twersky, 1996; Leadbeater, 1997; Grenier, 2002). Most are significantly influenced by business thinking and by a primary focus on results and outcomes for client groups and communities. Most would frame social-enterprise activities as jointly prosocially and financially motivated in a manner that Emerson and Twersky (1996) describe as “double bottom line.” The broad characterization of social enterprise is frequently elaborated. For example, Dees (1998a, p. 2) defines

---

*Social enterprise is being accorded a status of—if not quite a panacea—then at least a significantly important emergence in the societal management of key social needs*

---

social entrepreneurship in a manner echoing academic definitions of entrepreneurship as follows:

Social entrepreneurs play the role of change agents in the social sector, by:

- Adopting a mission to create and sustain social value (not just private value),
- Recognizing and relentlessly pursuing new opportunities to serve that mission,
- Engaging in a process of continuous innovation, adaptation, and learning,
- Acting boldly without being limited by resources currently in hand, and
- Exhibiting a heightened sense of accountability to the constituencies served and for the outcomes created.

This broad definition and its emphasis on social value creation is fairly generic and has no specific or necessary commercial character. It parallels recent discussions by Dees (2003) and by major international funders and catalysts of social enterprise such as Ashoka and the Schwab Foundation for Social Entrepreneurship that focus on innovation and impact, not income. However, others in the social-enterprise movement (and particularly those who self-identify as social entrepreneurs) commonly focus on a more narrow operational definition of social enterprise that is framed more specifically in business and revenue-generation terms (for example, Boschee, 2001; Emerson and Twersky, 1996). At this end of the spectrum, the term *social enterprise* is considered synonymous with organizations becoming more market driven, client driven, self-sufficient, commercial, or businesslike. In practice, activities referred to as social enterprise or social entrepreneurship most often include revenue-source diversification, fee-for-service program development (for example, Weisbrod, 1998), private sector partnerships, and social-purpose businesses (that is, mission-focused practices involving business practice, business revenues, or both).

For the purposes of this article, the range of social enterprise does not need to be defined precisely so much as contrasted with the more typical and familiar context of the nonprofit human service organization from which it has emerged. By *nonprofit organization* (another concept with a pliable definition), this article refers to those human service organizations that could be mapped relatively comfortably onto Lohmann's (1989, 1992) characterization of "the commons"—that is, organizations that are framed as voluntaristic, prosocial, civic, and so on. Funding for these organizations has typically and traditionally been a mixture of member fees, government funds, grants, and user fees (Di Maggio and Anheier, 1990). Most important, for the purposes of this article, nonprofit organizations have been framed as distinct

from business organizations—distinct in goals, values, motivators, clientele, types of clientele focus, and so on (for example, Van Til, 1988; Di Maggio and Anheier, 1990).

Social-enterprise and social-entrepreneurial organizations are different from traditional nonprofit organizations. Johnson (2001) notes that—despite the range of specific forms—they differ from traditional nonprofits in that they blur boundaries between nonprofit and for-profit and that they enact hybrid nonprofit and for-profit activities. The changes and transformations from conventionally understood nonprofit to social enterprise are stark: from distinct nonprofit to hybridized nonprofit-for-profit; from a prosocial mission bottom line to a double bottom line (Emerson and Twersky, 1996) of mission and money; from conventionally understood nonprofit services to the use of entrepreneurial and corporate planning and business design tools and concepts; and from a dependence on top-line donations, member fees, and government revenue to a frequently increased focus on bottom-line earned revenue and return on investment.

How can we explain these sharp changes in organizational structures, values, preferences, and goals? The remainder of the article will go beyond instrumental explanations of efficiency, effectiveness and rational utility (that is, explanations saying that social enterprise is simply a better way to get certain jobs done (Dees, 1998b; Emerson and Twersky, 1996; Brinckerhoff, 2000) to examine the roles that sociological and institutional processes may have in explanations of this important change.

### Legitimacy and Institutional Theory

Theories from sociology and organization theory offer interesting complementary explanations of phenomena such as social enterprise. This section will outline institutional theories of organization and in particular models of legitimacy to build an alternative framework on which to examine the emergence, evolution, and importance of social enterprise.

Institutional theories are built around the concept of legitimacy rather than efficiency or effectiveness as primary organizational goals. From an institutional perspective, legitimacy is even the means by which organizations obtain and maintain resources (Oliver, 1991) and is the goal behind an organization's widely observed conformance or isomorphism with the expectations of key stakeholders in the environment (Di Maggio and Powell, 1983; Meyer and Rowan, 1977; Tolbert and Zucker, 1983). In the institutional mind-set, managers follow environmental cues to make organizations conform to social expectations. This makes our organizations legitimate, and from this legitimacy flow benefits.

As a sociological theory of organizations, institutional theory is premised on the idea of organizations as systems open to their social

---

*The changes and transformations from conventionally understood nonprofit to social enterprise are stark*

---

---

*Legitimacy from the institutional perspective emphasizes much wider (that is, organizational sector-wide) dynamics that are beyond the purposive control of any single organization*

---

and cultural environments (Scott, 1992) and the norms, myths, and symbols found therein (Meyer and Rowan, 1977). From this perspective organizations reflect and embody important social ideas as much as they deliberately perform certain tasks. Can we understand social enterprise as an emerging organizational form because of the way it embodies marketplace values and the way it deploys symbols of business and commerce? Can we frame a range of practitioner responses to institutional challenges? We can build the bridge by examining the concept of legitimacy.

If organizations are characterized as legitimacy-seeking systems and if this process of legitimation—by which things are “infused with value beyond the technical requirements at hand,” as Selznick (1949, p. 17) writes—is characterized by conformity to models and rules in the institutional environment, then the centrality of the legitimacy construct to institutional theory is clear. Scott (1992) positions legitimacy in terms of its development from Weber’s studies of authority. Weber (1947) framed authority as legitimate power, that is, power that is normatively regulated by institutionalized rules of interpretations and behavior. In turn, “legitimacy is the property of a situation or behavior that is defined by a set of social norms as correct and appropriate” (Scott, 1992, p. 305). Legitimacy tells us the way we believe things should be, apart from any other rational or functional calculus.

Suchman (1995) extends the legitimacy concept a great deal. He defines *legitimacy* as “a generalized perception or assumption that the actions of an entity are socially desirable, proper or appropriate within some socially constructed system of norms, value, beliefs and definitions” (p. 574). Following from Oliver (1991) and Elsbach and Sutton (1992), he provides two important and distinct approaches to legitimacy: the strategic and the institutional. Suchman locates strategic approaches to legitimacy in Pfeffer’s work (for example, Pfeffer and Salancik, 1978) and notes that their framing of legitimacy is the most relevant to a managerial perspective because it “emphasizes the ways in which organizations instrumentally manipulate and deploy evocative symbols in order to garner societal support” (Suchman, 1995, p. 572). In contrast to legitimacy from the strategic perspective, legitimacy from the institutional perspective emphasizes much wider (that is, organizational sector-wide) dynamics that are beyond the purposive control of any single organization (“the iron cage” in Di Maggio and Powell, 1983).

Suchman (1995) elaborates in greater detail strategies to gain, maintain, and repair legitimacy of three different kinds. Pragmatic legitimacy is the most basic form of legitimacy, based on a kind of exchange calculation of the expected value of a focal organization’s activity to immediate stakeholder groups. Pragmatic legitimacy could be paraphrased as “if we get anything out of this, then we consider it legitimate.” Moral legitimacy refers to legitimacy that is normative and based on an evaluation of whether an activity of a focal organization

is the proper one (relative to external norms) rather than whether it specifically benefits those who are making the evaluation. The final kind of legitimacy, cognitive legitimacy, refers to legitimacy at the level of taken-for-grantedness rather than the level of evaluation. This “deep” conceptualization of legitimacy is typified by Zucker’s statement that “for things to be otherwise would be literally unthinkable” (1987, p. 25).

The following section will develop the relevance of this typology of legitimacy to the emergence and evolution of social enterprise. Overall, though, if we accept that legitimacy is a significant lens to interpret or explain organizational phenomena, then the characteristics of and distinctions between nonprofit and social-enterprise organizations can be illuminated with reference to social variables (for example, values, trends, ideologies) and changes in the social, political, and cultural environments. Environmental changes are, in institutional theory, dynamics for facilitating the emergence of a newly legitimated organizational form such as social enterprise.

### **Social Enterprise as Newly Legitimate Institution**

To explain social enterprise, institutional explanations look at the environments of these organizations and document changes in them that would account for changes in the way that society in general or nonprofit organization stakeholder groups in particular would accord legitimacy to specific organizational forms, languages, values, and practices. Changes in these would explain the emergence in prominence of new organizational forms. This section of the article uses Suchman’s typology of legitimacy (1995) to suggest explanations and implications for both the broad emergence of social enterprise and its growing emphasis on the more specific commercial, revenue-focused pole of its definition.

In what ways can we understand social enterprise as legitimated? Pragmatic legitimacy, the least abstract form of legitimacy that Suchman (1995) discusses, offers at least one important illumination of the emergence of social enterprise. This very tangible, exchange-based idea of legitimacy denotes an attribution of social acceptability by stakeholder groups if an activity provides them with anything of value. For example, government, foundation, or federated funders might find social-enterprise activities pragmatically legitimate because such activities could reduce social-purpose organizations’ need for these groups’ funding, or because such activities offer innovative solutions to social problems. Contrariwise, nonprofit organizations could find the social-enterprise form pragmatically legitimate to the extent that it provides access to new targeted public-sector and foundation funding in a variety of different political jurisdictions.

Does pragmatic legitimacy add explanatory value to our understanding of social enterprise? The examples provided here suggest

---

*Massarsky and  
Beinhacker found  
that across  
several enterprise  
categories,  
outcomes were  
decidedly mixed  
between ventures  
that created  
surpluses and  
those that lost  
money*

---

that this kind of explanation is quite similar to the rationalist and instrumental explanations of the value of social enterprise. What this construct does emphasize, however, is that the legitimation of social enterprise could as readily come from those who indirectly benefit from social-enterprise activities (such as a foundation funder) as those who directly benefit (such as clients). It also clarifies the possibility of social enterprise being driven by funding categories and priorities in a manner that emphasizes the nonprofit sector's well-documented dependence on funder resources (Salamon, 1995).

Because pragmatic legitimacy is contingent on real value production, Suchman (1995) considers it the "thinnest" and most variable form of legitimacy. Thus, if social-enterprise activities do not produce outcomes of value for stakeholder groups, then their pragmatic legitimacy could swing sharply into question. Does a social enterprise produce outcomes that make it pragmatically legitimate? To this point empirical evidence is scant, though the existence of funding programs for nonprofit organizations to develop social enterprises internationally (for example, the Ashoka and Schwab Foundations) and nationally in the United States, United Kingdom, Canada, New Zealand, and so on is well known. Specifically, several selected social-enterprise case studies illustrate positive outcomes (for example, Emerson and Twersky, 1996; Boschee, 2001; Shaw, Shaw, and Wilson, 2002), but the one significant survey focuses primarily on earned-revenue ventures. Massarsky and Beinhacker (2002) found that across several enterprise categories, outcomes were decidedly mixed between ventures that created surpluses and those that lost money. According to the logic of pragmatic legitimacy, the pattern of these results over time would influence institutional beliefs regarding the value and social standing of social enterprise.

Moral legitimacy offers value to explain both the emergence and the likely trajectory of social enterprise. Moral legitimacy refers to the normative domain of propriety rather than self-interest, and it is accorded when activities are undertaken as they should be, in reference to broader norms in the sociopolitical environment. Is social enterprise now understood as somehow more proper or appropriate as an organizing model than more conventional nonprofit organization because of environmental changes? If so, we can illuminate in part its emergence beyond simply the pragmatic value of its activities' outcomes and outputs.

Moral legitimacy is accorded with reference to sociopolitical values and value change. In recent years Organization for Economic Cooperation and Development (OECD) nations, and particularly the United Kingdom and the United States, have seen the decline of the welfare-state ideology (with the organizational forms that evolved in its context; see Salamon, 1995) and the emergence of a renewed and pervasive faith in market and business-based approaches and solutions. Major thinkers ranging from Henry Mintzberg (1996) to George Soros (1997) and John Kenneth Galbraith (1996) to Robert Kuttner

(1997) have critically discussed these calls to, for example, run government more like a business or to engage and address social needs such as education or social welfare through market mechanisms. As Zimmerman and Dart (1998, p. 16) note, "The language of the marketplace has put management at the centre of our organizations, corporate business at the centre of society and defined government and nonprofit organizations as nonproductive and burdensome." If business values, business models, and business language have become dominant and are the sociocultural environment's preferred modes of problem solving and preferred structures of organizing, then it follows that even social-sector organizations can be accorded legitimacy by adopting the language, goals, and structures of this ideologically ascendant form. Thus, moral legitimacy of social enterprise can be understood because of the consonance between social enterprise and the pro-business, ideology that has become dominant in the wider social environment.

The moral legitimacy perspective frames social enterprise not merely as something that earns revenues or achieves outcomes but as something that is a preferred model of organization. The manner in which moral legitimacy connects preferred models of organization with wider social and political ideologies also offers insights into the emergence of social enterprise most visibly in the United Kingdom and the United States, two political jurisdictions where the neoconservative anti-welfare state ideologies of the 1980s and 1990s took hold most strongly. In these countries government-dependent social welfare organizations are considered less legitimate than initiatives that followed a more businesslike model framed as entrepreneurial generating revenue. Business structures and market models have become organizing models *sine qua non* (Kuttner, 1997), and sociopolitical or moral legitimacy is accorded to social-enterprise initiatives that mimic them.

Moral legitimacy is a more potent form of organizational legitimacy than pragmatic legitimacy and offers several insights into the emergence of the social-enterprise organizational form. For an activity to be morally legitimate, it need not actually produce valued results; thus, morally legitimate social-enterprise activities remain relatively immune from performance-based criticism and delegitimation. From this perspective social enterprise is legitimate because of the references it makes to more pervasive political and ideological ideas about valid organizational models; it is as much "myth and ceremony" (Meyer and Rowan, 1977) as a manner of producing social outcomes. Given our contemporary social fascination with market-based solutions and mechanisms, social enterprise is likely to both retain and expand its moral legitimacy. This attribution of legitimacy is only contingent on the wider social ideological climate. If contemporary business concerns such as the Enron and WorldCom scandals were to precipitate structural change in our assumptions about the value of business and

---

*Given our contemporary social fascination with market-based solutions and mechanisms, social enterprise is likely to both retain and expand its moral legitimacy*

---

businesslike approaches to organizing, then the references that validate and buttress existing social-enterprise initiatives would melt away accordingly. (This means that legitimacy is not controllable directly from within the social-enterprise field; its moral legitimacy rises and falls according to the legitimacy of those practices and ideas to which it is pinned.)

Moral legitimacy not only offers explanations for the overall emergence of social enterprise, it also offers predictive insights into the likely trajectory of social-enterprise concepts and practices. To this point *social enterprise* has been a term whose meaning and usage spreads across a broad spectrum. However, the term is evolving a more specific connotation in practitioner settings, and moral legitimacy helps us to understand why. Recently, Dees (2003) noted that the Schwab Foundation for Social Entrepreneurship awards must have “confused many people. . . . Neither of them [recipients Habitat for Humanity and Teach for America] is known for its earned income strategies.” Among practitioners in particular, the term is becoming more narrowly reframed as market-focused or revenue-generating social-sector innovation. Almost all of the case examples of social enterprise (Emerson and Twersky, 1996; Dees, Emerson, and Economy, 2001; Boschee, 2001; Dees, 2003) describe it in ways that emphasize generating revenue. The drift of the social-enterprise phenomenon away from a broad frame of entrepreneurship and innovation (exemplified by Dees conceptually, though not by the examples he discusses) to a narrower frame of market-focused revenue-generating innovation can be more readily understood through the moral legitimacy concept than through traditional rational analysis approaches. After all, from a rational perspective, social-sector innovations should all be equal whether they receive government funds or earn income. Moral legitimacy instead looks to the social environment; and in the social environment, we have value accorded much more specifically and ideologically to organizing models with business, market, and revenue references. Kuttner (1997), for example, suggests that the social environment has evolved to the stage where we conceptualize almost everything in market and revenue terms. Thus, the evolution and specification of social enterprise in narrower commercial terms can be connected clearly to social values in the environment of social-sector organizations.

What are the managerial implications of moral legitimacy for practitioners? First of all, it highlights the degree to which organizational forms follow trends that are not necessarily functional in the narrow sense of the term. Second, it highlights the isomorphic pressures from the social environment and from key stakeholders (Di Maggio and Powell, 1983), to which managers and stakeholders often conform. However, the concept does not imply that organizations need to passively conform to social trend or expectations (Scott, 1992). Rather, we are reminded of the multiple forms of strategic responses to institutional pressures (Oliver, 1991), which include active resistance or defiance, manipulation, avoidance, compromise, and passive acquiescence.

The final variety of legitimacy that Suchman (1995, p. 585) proposed is more fundamental: “more subtle, more profound and more self-sustaining once established.” Cognitive legitimacy refers to the basic, preconscious, taken-for-granted assumptions about the nature and structure of social activities such as the organization. We know cognitive legitimacy is violated simply when a stimulus or situation doesn’t feel right. It is tempting to look to these most profound roots of legitimacy for organizational change such as the emergence of social enterprise, but at this stage it is likely theoretically excessive and unwarranted. If social enterprise represented some kind of literally unprecedented organizational activity, then we might plausibly look to macro contextual changes that have fundamentally shifted the underpinnings of how we understand organization. This might be a valid analytical project for the understanding of the institutional context of the emergence of network and virtual organizations, for example, because these organization types were literally unthinkable prior to developments in their technical environments. The concept of social enterprise is a recent addition in the social sector. Although some scholars discussed nonprofit commercial ventures in the early 1980s (Crimmins and Keil, 1983; Skloot, 1987), social enterprise and social entrepreneurship emerged only in the late 1990s (Emerson and Twersky, 1996; Leadbeater, 1997). Still, social enterprise has documented precedents more than one hundred years ago in Victorian England (Shaw, Shaw, and Wilson, 2002), and the idea of business as an instrument of social development is not so much new as renewed (compare Hall, 1992). Instead, as this section has attempted to show, it is more likely that the incidence and importance of social enterprise has increased due to less abstract and fundamental changes (perhaps even periodic swings) at the level of political ideology and culture.

This article illuminates the emergence of social enterprise in the nonprofit sector using theoretical perspectives other than those rational and economic models used conventionally. Institutional theory has been used, and particularly its central construct of legitimacy, to suggest reasons for the increased prevalence of social-purpose organizations’ commercial and quasi-commercial behavior. These sociological reasons—which institutional theory frames in terms of conformity to ideas and values in the wider social environments of focal organizations in order to be accorded the label of legitimate and socially acceptable—have been framed hierarchically as pragmatic, moral, and cognitive forms of legitimacy. Preliminary consideration of the social-enterprise phenomenon here has suggested that moral legitimacy is the species of legitimacy with most strong relevance to explanations of social enterprise. This variety of legitimacy frames organizations and organizational changes as conformist responses to wider changes in ideologies and values. As business becomes a more preeminent organizational model and as increasingly wide swaths of human society become conceptualized as markets, then the businesslike hybrid face of social enterprise is legitimate and in fact responsive to the times.

---

*Still, social  
enterprise has  
documented  
precedents more  
than one hundred  
years ago in  
Victorian  
England*

---

## Future Directions

This article provides a complementary framework to conventional, rational, and economic explanations of social enterprise and suggests theoretical possibilities to help frame future research directions for examining comparative or competing theories of social enterprise. The next step is for empirical work that might be able to sort out the competing and contrasting predictions. If social enterprise can be explained in terms of political ideology (that is, as morally legitimate) then cross-sectional and cross-national studies should be able to document the increased incidence of this kind of activity in neoconservative market-focused jurisdictions and in the jurisdictions they most influence. Similarly, if social enterprise can be explained in terms of political ideology, then we should also be able to document key normative “should” elements in social enterprise that occur and are valued significantly beyond their basic and documented functional value. If social enterprise can be explained in terms of the tangible outcomes of value it provides for key stakeholder groups (that is, pragmatically legitimate), then support for social enterprise should be correlated significantly with the value of social enterprise for the stakeholder group. Any of these three research suggestions require data that has not yet been collected and point to the more basic need for more studies on social enterprise.

RAYMOND DART is an assistant professor in the business administration program at Trent University, Peterborough, Canada.

## References

- Abrahamson, E. “Management Fashion.” *Academy of Management Review*, 1996, 21, 254–285.
- Aldrich, H., and Fiol, M. “Fools Rush In? The Institutional Context of Industry Creation.” *Academy of Management Review*, 1994, 19 (4), 645–670.
- Boschee, J. *The Social Enterprise Sourcebook*. Minneapolis: Northland Institute, 2001.
- Brinckerhoff, P. *Social Entrepreneurship: The Art of Mission-Based Venture Development*. New York: Wiley, 2000.
- Crimmins, J., and Keil, M. *Enterprise in the Nonprofit Sector*. Washington, D.C.: Partners for Livable Places, 1983.
- Dees, J. G. “The Meaning of ‘Social Entrepreneurship.’” Working paper, Stanford University—Graduate School of Business, Stanford, Calif., 1998a.
- Dees, J. G. “Enterprising Nonprofits.” *Harvard Business Review*, Jan.–Feb. 1998b, pp. 55–67.

- Dees, J. G. "Social Entrepreneurship Is About Innovation and Impact, Not Income." *SocialEdge Online*. [http://skoll.socialedge.org/?293@@.1ad86d9e]. 2003.
- Dees, J. G., Emerson, J., and Economy, P. *Enterprising Nonprofits: A Toolkit for Social Entrepreneurs*. New York: Wiley, 2001.
- Di Maggio, P., and Anheier, H. K. "The Sociology of Nonprofit Organizations and Sectors." *Annual Review of Sociology*, 1990, 16, 137–159.
- Di Maggio, P., and Powell, W. W., Jr. "The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields." *American Sociological Review*, 1983, 48, 147–160.
- Elsbach, K., and Sutton, R. "Acquiring Organizational Legitimacy Through Illegitimate Actions: A Marriage of Institutional and Impression Management Theories." *Academy of Management Journal*, 1992, 35 (4), 699–738.
- Emerson, J., and Twersky, F. (eds.). *New Social Entrepreneurs: The Success, Challenge, and Lessons of Non-profit Enterprise Creation*. San Francisco: Roberts Foundation, 1996.
- Galbraith, J. K. *The Good Society*. Boston: Houghton Mifflin, 1996.
- Grenier, P. "The Function of Social Entrepreneurship in the U.K." Paper presented at the International Society for Third Sector Research conference, Cape Town, South Africa, 2002.
- Hall, P. D. *Inventing the Nonprofit Sector*. Baltimore: Johns Hopkins University Press, 1992.
- Hansmann, H. "Economic Theories of Nonprofit Organization." In W. W. Powell Jr. (ed.), *The Nonprofit Sector: A Research Handbook*. New Haven, Conn.: Yale University Press, 1987.
- Johnson, S. *Social Enterprise Literature Review*. Edmonton, Alberta: Canadian Centre for Social Entrepreneurship, 2001.
- Kuttner, R. *Everything for Sale: The Virtues and Limits of Markets*. New York: Random House, 1997.
- Leadbeater, C. *The Rise of the Social Entrepreneur*. London: Demos, 1997.
- Lohmann, R. "'And Lettuce Is Nonanimal: Towards a Positive Economics of Voluntary Action.'" *Nonprofit and Voluntary Sector Quarterly*, 1989, 18 (4), 367–383.
- Lohmann, R. "The Commons: A Multidisciplinary Approach to Nonprofit Organization, Voluntary action, and Philanthropy." *Nonprofit and Voluntary Sector Quarterly*, 1992, 21 (3), 309–323.
- Massarsky, C., and Beinhacker, S. *Enterprising Nonprofits: Revenue Generation in the Nonprofit Sector*. New Haven, Conn.: Goldman Sachs Partnership on Nonprofit Ventures, Yale School of Management, 2002.
- Meyer, J., and Rowan, B. "Institutional Organizations: Formal Structure as Myth and Ceremony." *American Journal of Sociology*, 1977, 83, 340–363.
- Mintzberg, H. "Managing Government, Governing Management." *Harvard Business Review*, May–June 1996, pp. 75–83.

- Oliver, C. "Strategic Responses to Institutional Pressures." *Academy of Management Review*, 1991, 16, 145–179.
- Pfeffer, J., and Salancik, G. *The External Control of Organizations: A Resource Dependence Perspective*. New York: HarperCollins, 1978.
- Salamon, L. M. *Partners in Public Service: Government-Nonprofit Relations in the Modern Welfare State*. Baltimore: Johns Hopkins University Press, 1995.
- Scott, W. R. *Organizations: Rational, Natural, and Open Systems*. Upper Saddle River, N.J.: Prentice Hall, 1992.
- Selznick, P. *TVA and the Grass Roots*. Berkeley: University of California Press, 1949.
- Shaw, E., Shaw, J., and Wilson, M. *Unsung Entrepreneurs: Entrepreneurship for Social Gain*. Durham, England: University of Durham Business School, 2002.
- Skloot, E. "Enterprise and Commerce in Nonprofit Organizations." In W. W. Powell Jr. (ed.), *The Nonprofit Sector: A Research Handbook*. New Haven, Conn.: Yale University Press, 1987.
- Soros, G. "The Capitalist Threat." *Atlantic*, Feb. 1997, pp. 45–58.
- Suchman, M. "Managing Legitimacy: Strategic and Institutional Approaches." *Academy of Management Review*, 1995, 20 (3), 571–610.
- Tolbert, P. S., and Zucker, L. G. "Institutional Sources of Change in the Formal Structure of Organizations: The Diffusion of Civil Service Reform, 1880–1935." *Administrative Science Quarterly*, 1983, 28, 22–39.
- Van Til, J. *Mapping the Third Sector: Voluntarism in a Changing Social Economy*. New York: Foundation Center, 1988.
- Weber, M. *The Theory of Social and Economic Organizations*. New York: Free Press, 1947.
- Weisbrod, B. *The Nonprofit Economy*. Cambridge, Mass.: Harvard University Press, 1988.
- Weisbrod, B. (ed.). *To Profit or Not to Profit: The Commercial Transformation of the Nonprofit Sector*. Cambridge: Cambridge University Press, 1998.
- Young, D. R. "Social Enterprise in the United States: Alternate Identities and Forms." Paper presented at the convention of the European EMES Network, Trento, Italy, 2001.
- Zimmerman, B., and Dart, R. *Charities Doing Commercial Ventures: Societal and Organizational Implications*. Toronto: Canadian Policy Research Network and the Trillium Foundation, 1998.
- Zucker, L. G. "Institutional Theories of Organization." *Annual Review of Sociology*, 1987, 13, 443–464.

Copyright of Nonprofit Management & Leadership is the property of John Wiley & Sons Inc. and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.