Questioning legitimacy of social enterprises through Gramscian and Bourdieusian perspectives: the case of the British social enterprises

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Abstract

Drawing on data from six social enterprises in the UK, we demonstrate that social enterprises negotiate their legitimacy borrowing from the state, the corporation and the service logics. The paper illustrates the existential crises of legitimacy as experienced in the social enterprise sector. The utility of a principled ethical approach is discussed as a way forward. The paper also outlines challenges that social enterprises face when adopting an ethical approach. We mobilise theoretical tools of Gramsci and Bourdieu in order to render visible the often implicit and unquestioned structures of hegemonic power that shape the habitus of legitimacy in social enterprises.

Keywords: social enterprise, legitimacy, Gramsci, Bourdieu, hegemony

Introduction

Social enterprises (SE) are experiencing a fundamental challenge in terms of their role, function, process, aims and contribution. Drawing on a field study, this paper accounts for the role of hegemonic power structures in shaping and rendering silent the dominant forms of legitimacy that social enterprises experience in the UK. As such, the paper aims to explicate dominant structures of power and legitimacy by utilising the Gramscian notion of hegemony and illustrate how such structures are often unquestioningly translated into social enterprise practices by applying Bourdieusian notion of habitus and capitals. We make an original contribution by responding to challenges identified in prior research, in terms of the legitimacy of social enterprise. This paper examines discourses of leaders/managers of social enterprises in order to reveal the role of hegemonic power structures impacting on social enterprise practices. This approach is unique as current literature on legitimacy of social enterprises adopts a macro-perspective, often failing to account for the subjective experience of individual actors. Our reframing of the crises of legitimacy offers new multi-level theoretical pathways as well as possibilities for new forms of thoughtful policy intervention. In particular, the paper posits a critique of national and sectoral calls for social enterprises to fill the void left from withdrawal of the state sector from key public service fields.

The paper starts with a literature review through which we first problematise the notion of social enterprises. Second, we explain the fundamental significance of principled approaches and ethical considerations in framing reason d'etre of social enterprises and social entrepreneurship. Third, we demonstrate the significance of incorporating the experience of entrepreneurs in framing the legitimacy of social enterprises. As such we reflect on notions of leadership and different forms of capital as stipulated by Bourdieu. The next section turns to the Gramscian notion of hegemonic power in conceptualising legitimacy in social enterprises. We then combine Gramscian and Bourdieusian perspectives in order to frame legitimacy in relation to leadership in social enterprises, which forms the overall thread of the debate included in the literature review. Each section of the literature review poses a question to be addressed in ensuing parts of the paper.

After explaining the case study method utilized in this research, we present the findings of the case studies across key themes outlined in the literature review. First, we analyse the ethical stance of social enterprises. Second, the case studies are thematically reviewed in

terms of hegemonic power and capitals at disposal of leaders of social enterprises. Third, we illustrate how leaders in social enterprises negotiate their ethical principles in the context of hegemonic power structures. The paper ends with a discussion and conclusion section.

Literature review

Problematisation of the social enterprise

The increased scholarly attention on social entrepreneurship and social enterprise has led to the proliferation of research on the process and characteristics of different organisational forms and models of social enterprise. Social enterprises often emerge as a business expression of a social movement addressing a social and/or environmental need (Leadbeater, 2007). They are often considered as filling a void previously (partly) met by government and third sector organisations by implementing entrepreneurial initiatives with a focus on social value creation (Austin et al., 2006; Ormiston and Seymour, 2011). The dual nature of social enterprises has encouraged interdisciplinary perspectives that transcend boundaries of the individual domains of entrepreneurship, sociology and social movements, and non-profit management (Mair and Marti, 2004; Perrini, 2006; Dacin, Dacin and Matear, 2010). Due to the underlying tensions between 'social' and 'business', any approaches to sustainability and growth of social enterprises are inherently linked to addressing the issue of ethical imperatives of the enterprise and the entrepreneurial activity (Chell, 2007). At the root of the rise in the discourse on social enterprise is a belief that capitalist systems have become increasingly *unethical* (Banks, 2006, p 456). At the same time, institutional mechanisms within state administration, neo-liberal economics and third sector policy initiatives have emerged to support social enterprises, e.g. *Social Enterprise Mark* and *Social Enterprise Coalition* (SEC) (Bland, 2010). Such institutional mechanisms may be performing a critical function of reducing uncertainties and establishing conditions that enable the actions of SE actors (Urbano, Toriano and Ribeiro Soriano, 2010). Yet, the extent to which such institutional frameworks are providing the cognitive and ethical legitimacies required by a social enterprise, which would be essential for new organisations to overcome their initial vulnerability, is questionable (Bruton et al, 2010).

Departing from a Gramscian (1971) concept of 'historical bloc', which is defined as the unity between structure and superstructure, the beneficiaries of a given economic structure are supported by a superstructure comprised of a coercive and discursive hegemonic element. According to Gramsci, institutional structures and frames do not simply emerge; but they are created, maintained and organized by a 'historical bloc' with economic, political, coercive and discursive resources (Whelan, 2013). As we will demonstrate later in the paper, these institutional frameworks serve to create and perpetuate the legitimacy issues faced by social enterprises. Therefore, a key question is whether social enterprise leaders perceive the institutional framework of capitalism to be oppressive, having a preeminent influence on their social enterprise practice and whether they experience a tension between fulfilling ethical and business requirements. As argued by Venkataraman (2002, p. 46), ethics and entrepreneurship represent two sides of 'the coin of value creation and sharing'- ethics being 'the systematic categorization of morals, the socialised moral norms that reflect the social systems in which morals are embedded' (Anderson and Smith, 2007, p. 480). As social enterprise leaders or managers often act as 'change agents', ethical frameworks with which they develop, sustain and scale up their organizations become fundamentally important. Such ethical frameworks can help social enterprises reconcile social action and enterprise logics, and also achieve social change.

Social enterprises and social entrepreneurship: ethical considerations

Social enterprises emerge in heterogeneous contexts. Geography, political economy as well as historical and social context have a role to play in the field-formation of social entrepreneurship. Social enterprise in the UK focuses mostly on the move from grant dependency (Tracey, Philips, Haugh, 2005) whilst trends in continental Europe focus on the ownership and governance models of cooperative forms (Borzaga and Solari, 2001), and trends in the US, concentrate on social innovation (Baron, 2005; Zahra, Gedajlovic, Neubaum and Shulman 2009).

Within the contemporary global economic and business climate, various socio-political responses to crises have been redefining the field within which entrepreneurial activity takes place. In this paper, following Gramscian approach, we identify the field of social entrepreneurship as a 'historical block', which has a dualistic sense of tangible organizations and strategic alliances among dominant actors, as well as the alignment of economic and ideological forces underpinning it. In this evolving field, there has been a

legitimation of the link between society and business, as well as the ways in which global political agendas have been influencing businesses both in terms of their strategic orientation as well as their operational workings. The UK Coalition Government's discourse of 'Big Society', Obama's Social Innovation Fund, the EU's integration of social innovation into policy (Hubert, 2012; Shaw and de Bruin, 2013) exemplify the recent political and economic agendas of social entrepreneurship. The influence of wider instruments such as the Global Compact or the GRI/G4 index are also examples of such trends, together with the influence of institutions such as the World Economic Forum and the WTO which help shape new operational fields of economic development (Mueller, 2002). These developments can be seen as a part of a more general trend to establish the 'human face of capitalism' (Brittan, 1996), within which sustainability and accountability become imperatives of social as well as economic importance (Shaw and de Bruin, 2013).

Within this new global reality, Meier (2012) argues that a field of domination by neo-liberal politics is exercised via *hegemony* and *coercion*, in the typical fashion of a Gramscian analysis (1971). This field of domination provides institutional legitimation and support for social enterprises in terms of action and discourse. Hervieux, Gedajlovic and Turcotte (2010) identified that academics, policy-makers and institutions concur in legitimizing the composite nature of social entrepreneurship through an institutional focus on both (a) *social aspects* (mission, value, empowerment, initiation of social change), and (b) *commercial aspects* (innovation, socioeconomic organization, commercial and business sustainability). However, Hervieux et al. (2010) also note that the extent to which, micro-discourses of social entrepreneurs are influenced by those institutional legitimation discourses is still under-researched. Institutional legitimacy for social enterprises requires embeddedness in a system of institutionalised norms and action scripts (Suchman, 1995). This raises issues of developing distinct institutional logics by social enterprises. In order to achieve social value, social enterprises strive to tackle underlying social problems by recognising and seeking to alter the social system that has created and sustained the problem (Bloom and Dees, 2008; Patel and Mehta, 2011). This could be done through a normative (communitarian/beneficiaries-focused) approach or a utilitarian (economic rationality-focused) one (Moss, Short, Payne and Lumpkin, 2011). Despite differences in definitions and approaches to value creation, all SEs share a common focus on the creation of social value, rather than personal and shareholder wealth. Such a focus is mirrored in their mission statements (Defourny and Nyssens 2010), resource mobilization

strategies and the measurement of performance (Austin, Stevenson and Wei-Skillern, 2006) and hybrid models of for-profit and not-for-profit activities (Perrini, Vurro and Costanzo, 2010). The key question that emanates from this discussion is that how ethical frameworks of social enterprises are shaped given the dualistic nature of underlying economic and ideological forces. This question brings forth importance of leadership and capitals upon which leaders draw in framing their social enterprise decisions and actions, which is explored in the next section.

Social entrepreneurship leadership and capitals

Given the importance of making social impact, social entrepreneurs are mission-driven individuals and the sustainability of the enterprise is contingent upon their persistent ideological and visionary approach. As Dees (2001: p.3) states social mission-related impact, not wealth creation, is the central criterion for social entrepreneurs. In the pursuit of their social mission, social entrepreneurs are conceptualised as a 'special breed of leaders' (Dees, 1998), who enact change at community levels which are supposed to be distant or removed from power structures (Alvord, Brown and Letts 2004). In this regard, the capability to achieve buy-in at the field level is critical to the success of social entrepreneurship and is consistent with the principles of grassroots leadership. Undoubtedly, the kind of actions that social entrepreneurs are engaged with requires essential leadership skills. The leadership styles can be characterised as visionary, transformational leadership (Burns, 2003; Bass, 1990) with an egalitarian and participatory flavour. Such leadership styles will have to accommodate and reconcile conflicting demands: the creation of social value and the economic sustainability of the enterprise. In this regard, leadership skills such as accepting, differentiating and integrating competing demands are identified as critical to the management of dualities in social entrepreneurship (Smith et al., 2012). Additionally, the juxtaposition of such tensions can be a source of organizational success (Cameron, 1986) and the integration of opposing forces can encourage novel, creative solutions that ultimately enable long-term organizational sustainability (Smith, et al, 2011).

It is argued that leaders of social enterprises very often embody the characteristics of a servant, steward, change agent, citizen and visionary (Maak and Stoetter, 2012; Germak and Robinson, 2014). A servant leader serves his or her constituencies helping them grow to become leaders in their own right. Steward leaders are aware of the fact that they are

entrusted with upholding core values and resources, and that their success as leaders will depend on their achievements in enriching their organisations. A visionary leader has an ambitious and desirable vision that very often has to be brought to life in complex development contexts. Social entrepreneurs also engage in transformational leadership, showing passion, inspiring others and building relationships (London, 2008). They seek resources from like-minded individuals and groups, developing and coordinating support structures when necessary (London, 2008). In the process, they develop skills that are vital for successful advocacy, such as communications, transformational and transactional leadership, teambuilding and openness to new ideas and continuous learning (London, 2008).

An extended model of the theoretical framework of bricolage in entrepreneurship studies (Di Domenico, Haugh and Tracey 2010) to the specific arena of social entrepreneurship identifies the key constructs of "*making do, a refusal to be constrained by limitations, and improvisation*" as the characteristics that epitomize the process of creating social enterprises, alongside constructs such as social value creation, stakeholder participation, and persuasion. The agency of social entrepreneurs is a key to resource acquisition and construction. Using resources at hand and recombining them for new social purposes is fundamental to creating social value in resource-poor environments and achieving financial sustainability. The dynamic use and exchange of resources by social enterprise bricoleurs, within their environments, reflects recognition of institutional pressures (Douglas, 1986) in which social entrepreneurs move beyond the constraints of institutional rules and structures to fashion their own bundle of resources and repertoire of strategies and activities. The social enterprise leader plays a pivotal role in ensuring the initial legitimacy of the social enterprise and the subsequent transformation of capitals in order for the social enterprise to develop beyond the initial stages whilst maintaining its social integrity and purpose. Legitimacy is "often a critical ingredient for new venture success" (Starr and MacMillan, 1990, p. 83) and organizations deemed legitimate are eventually able to attract the resources that they need (Stinchcombe, 1965). This is even more crucial in the specific case of the social bricoleur, who operates in contexts characterised by resource constraints. Packalen (2007) has emphasised that a company's legitimacy originates in large part from the past accomplishments and achievements of its founding team's industry status, entrepreneurially relevant demographic features and social capital that determine a company's initial level of cognitive legitimacy. In the specific case of

social enterprises, the firm's legitimacy and its capacity to attract resources will initially depend on the leader-founder's social capital and unconventional strategies to build human capital as well as ethical capital. In fact, the human capital is but one of the capitals, which are influenced by ethics within social enterprises, and ethical capital is crucial as it incorporates the moral agency in social enterprises (Bull, Ridley-Duff, Foster and Seanor, 2010). Thus, the question is how ethical leadership and moral agency of social entrepreneurs can be understood by establishing the link to pertaining capitals that they develop in the process of gaining and sustaining legitimacy of the enterprise.

Insights from Antonio Gramsci and the issue of legitimacy for social enterprises

In terms of UK government policy, social enterprises have been hailed as the new way forward for solving societal issues and the government has invested significant resources into social enterprise infrastructure (Teasdale, Lyon and Baldock, 2013). This is evidenced in new laws being passed and white papers that specifically promote the use of SE, the *Public Services (Social Value) Act 2012; Health and Social Care Act 2012; The Localism Act 2011; Open Public Services White Paper (2011).* This may be a genuine attempt to introduce new initiatives that are more efficient, customer-focused and innovative by allowing public sector workers to set up social enterprises or mutuals, bringing their previous experience and knowledge to bear. Alternatively, it may be a platform for private business to gain legitimate access to new markets. This wide appropriation of social enterprise could then become a mechanism to sustain the political economic status quo by perpetuating oppressive institutional structures of capitalism, whilst turning social enterprise towards a re-engineering mechanism, possibly rendering them to be subdued by the forces of institutions. The increased appropriation of social enterprise in meeting societies' interests can be observed in the very comprehensive institutional support structure that has been developed in the UK (Nicholls, 2010). This trend has directly been supported by the government since 1997, as a policy of the New Labour (Teasdale, 2011), and has continued with the coalition government supporting SE through the new office of civil society. One relevant example is 'The Big Society' discourse encouraging innovative forms of public service provision by social enterprises, co-operatives and the voluntary sector. Although this can be viewed as a positive development in terms of institutionalizing social enterprise activity, one major critique of this approach has been that the social enterprise model has been promoted in order to deliver some of the public services in the

context of public spending cuts and austerity measures. Instead of equipping the existing public sector organisations with knowledge and tools to work with social enterprises, social enterprise models have been used as a tool to legitimize the retrenchment of social service delivery by the state and the reduction of public spending in social, educational and health care services (Shaw and de Bruin, 2013).

In this politicized context, what might happen to social enterprise today could begin to look uncannily like what has happened to previous waves of change, which were eventually subdued by the forces of institutions (Reid and Griffith, 2006). The focus of the dilemma is, on the one hand, the extent to which the causal powers of an institution can encourage a social enterprise to conform to a set of norms and behaviour conducive to their policy; and on the other hand, whether the continual debate on social enterprise definitions and remits represents a reflection of a more deeply rooted ethical framework. Organisations often attempt to seek an advantage in labeling themselves as a social enterprise because it might be seen as a source of legitimacy (Dart, 2004), whilst, in reality, a number of such organisations are often just departments or subsections of local authorities and other large social service organisations (Dart et al., 2010). At present this discourse is reflected in the current literature through a grand narrative that employs vehicles of policy and operational issues, including extensive examination of how a social enterprise should be defined (Teasdale, 2011; Hervieux et al, 2010). Less attention, however, has been paid to whether and how a social enterprise maintains the logic of two opposing fields, *social action* and *business* in order to achieve social change and become part of a 'counter hegemony', whilst at the same time gaining and maintaining legitimacy.

The concept of *hegemony* has been developed by Antonio Gramsci during the period of his imprisonment in the 1920s (Williams, 1976). Gramsci was an Italian Marxist, who opposed the idea of economic determinism by putting emphasis on the political significance of a cultural superstructure in dialectical tension with socio-economic material forces (Levy and Scully, 2007). His concept of hegemony, which is defined as the contingent stability of a social structure that protects privileged position of a dominant alliance (Gramsci, 1971) is key to us in problematizing legitimacy of social enterprise. Gramsci's endeavours addressed the relationship of societies with knowledge and in particular the mechanisms by which a fundamental class, or alliance of dominant groups, is able to establish leadership without needing to resort to more coercive forms of

domination (Boggs, 1984; Levy and Newell, 2002; Kebede, 2005). His premise is that culture is dominated by the powerful, and that appropriation of knowledge in one's own interest allows for such dominance to persist by constraining alternative type of cultural, political, ideological forms and practices (Gramsci, 1985). In order to maintain order and control, the fundamental class cannot simply employ a physical force or institutional force. Instead, consent and stable relations with the people that are dominated are achieved through social and economic structures that continually advantage dominant groups (Levy and Newell, 2002). In Gramsci's (1971; 1985) conceptualization, the coercive element is provided by the state in the form and enforcement of legal institutions, and the discursive element by civil society through the construction and diffusion of narratives that depict the current economic structure as benefitting the whole of society. Equally, Gramsci (1971) recognizes that predominant beneficiaries of a given economic structure can make economic compromises that buy off those subordinate powers who may seek to resist, and/or overthrow, the economic structure they benefit from. This brings us to the notion of counter-hegemony.

Counter-hegemony highlights that the classes, which are being coerced by hegemonic structures, will be creating their own collective mechanisms, in order to counter-act the effects of hegemony. These classes, as a collective agent, transcend hegemonic socio-economic and political systems through resistance building, organizational capacity development and strategic deployment (Levy and Scully, 2007). Gramsci's notion of hegemony reflects a notion of alignment and consensual stability in which even dominant ideologies and alliances remain fragmented (Laclau and Mouffe, 1985). It is eventually this fragmentation, Levy and Egan (2003) maintain, which allows for the institutional leakages that create the space for entrepreneurial action. However, from a Gramscian perspective, leaders of such actions, who are concerned with sustaining and scaling up their activities over time, perpetuate some of the inequalities in the system and serve the existing cultural, political and economic discourses in order to maintain existing order. Aligning Gramsci's theory with contemporary thought, Meier (2012: 8) identifies a change of orientation from 'class' to 'field' as one of the main ways in which a new hegemony is being built on the basis of a compromise between 'social groups….future generations….and the needs of the environment'. An example of that is given by Baur and Palazzo (2011), who have identified NGOs as the forthcoming partners of corporations in ways, which are structural and procedural.

Bridging Gramsci and Bourdieu

Bourdieu's concepts are increasingly used in the field of entrepreneurship as a theoretical tool to transcend the structure- agency dichotomy. Building on Ozbilgin (2006) and Ozbilgin and Tatli (2005), Karatas-Ozkan and Chell (2010) applied Bourdieu's theory onto *dispositions, capital and position* at the micro-individual level, *habitus* at the meso-relational level and *field* at the macro-societal level. Combining theoretical perspectives of Gramsci's theory with those of Bourdieu is not new. Glassman (2011) provided such a conceptual bridge in studying the collapse of hegemonic structures in Thailand. Glassman (2011: 35) argued that dynamics of hegemony resemble Bourdieu's habitus in their capacity to accommodate rather than to resist social structures in a way, which replicates and perpetuates dominant discourses and actions in an antithetical framework. Such antithetical dynamics also create the bridging space in terms of the willingness of social enterprises to gain legitimacy through practices, which are both financially sustainable and institutionally acceptable in their field of operation.

Both Gramsci and Bourdieu focused on class and the establishment of elites. Gramsci identified the concept of the organic intellectual as a product of the class system mapped upon an educational system, which reproduces the former (Kachur, 2002). Bourdieu, on the other hand, elaborated on the notion of cultural capital, which is primarily (re)created by elites (Ostrower, 1998). For Bourdieu, the employment of individualistic instrumentality assists actors to reinforce a position and enhance their status (Banks, 2006). This concept could potentially conflate moral agency with socially entrepreneurial behavior, motives and choices constituting an oxymoron as a tendency of hegemonic articulations to recreate interests that they claim to represent (Laclau and Mouffe, 2001). In that sense, the pursuit of legitimacy of social enterprises within an established institutional context could potentially be detrimental to their original ethical disposition. Burawoy (2012), another scholar who identified parallels between Gramsci and Bourdieu, argued for the role of conscious choice and rationality in establishing hegemony and power in terms of means of production. Gramsci, according to Burawoy (2012), believed that coercion and hegemony were re-enforced on workers who were conscious about their role in the reproduction of capitalism. Bourdieu, on the other, highlighted the alignment of habitus and field on the basis of beliefs that allow the perpetuation of the status quo. However, for Bourdieu, the links between the individual action and social order are often deeply embedded and

invisible. This might be one of the reasons why as contemporary economic and social structures are being re-created as an effect of the on-going global crisis conditions, the expression of hegemony and counter-hegemony become more challenging to pinpoint. Throwing light on the interplay between the field and agentic strategies has a potential to highlight challenges in establishing a relationship between agent's (social entrepreneur) moral disposition and the extent to which the action and the outcome of enterprising with a social mission could be part of a counter-hegemony framework.

Summary: Linking literature with the conceptual framework

As we have discussed, there is a growing literature on problematization of social enterprise with the emphasis on ethical and ideological underpinnings of social enterprise formation. The dual nature of social enterprises has brought about the debate as to how social enterprise leaders manage the tension between ethical and business requirements and how they reconcile often competing institutional logics, given the prevalence of oppressive hegemonic institutional structures of capitalism. Dynamics of hegemony, as conceptualised by Gramsci, raise questions as to the nature of leadership required for gaining and sustaining the legitimacy of social enterprise activity. We bridge the Gramscian notion of hegemony with Bourdieuan concepts of habitus and capitals in order to explore how social enterprise leaders resist and/or comply with institutional structures and seek to change them in order to gain legitimacy through empowering social practices that are acceptable in their social enterprise domain.

Methods

Case study method is chosen in order to explore the questions we pose in this paper because case studies allow us to demonstrate breadth and depth of social phenomena investigated. Case study is a well-established research strategy in entrepreneurship research and organisation studies in general (Punch, 1998; Easterby-Smith et al., 2012). There are different approaches to case study design. Stake (1995, 2000) views the case study as being closer to grounded research that is embedded in the interpretivist research paradigm, focusing on social constructionism, phenomenology or critical theory. Stake (2000, p. 436) suggests that a case is a 'specific, unique, bounded system' and that research should focus on developing as full an understanding of that case as possible. He suggests three types of case study (Stake, 2000, p. 437-438). The first type is 'intrinsic case study' where the case 'is of interest…in all its particularity and ordinariness' and no

attempt is made to generalise beyond the single case or even to build theories. The second type is 'instrumental case study' in which a case is examined mainly to provide insight to an issue. The third one is 'collective case study' where a number of cases are studied in order to investigate some general phenomenon.

We have applied the instrumental case study approach in this paper and we have explored six cases of social enterprises in relation to their ethical frameworks, leadership issues and organizational characteristics pertaining to use of capitals in establishing and sustaining the enterprise. The case organisations demonstrate a range of social enterprise activity and industries including publishing and related services, IT, local community regeneration, social support services via training and conferences, temporary relief services and housing services, These social enterprises were included in the study due to their particular emphasis on change efforts to gain organisational legitimacy in response to a shifting ideological and socio-political environment.

The methods that we used include semi-structured interviews and documentary analysis. There were several data collection points. Data for cases one and two were collected in 2005-6; data for cases three to six were collected in the period of 2010-2012. Socio-political context has changed over the periods. Social enterprise movement had gained credibility and political and economic acknowledgement and support by the Labour Government of the time in the period of 2005-2006. As explained above, the context for the latter cases represents a more resource-constrained environment with social enterprises being used as a political vehicle to leverage shrinking welfare state provision. We carried out ten interviews in six social enterprises. The interviews were carried out with the social entrepreneurs or social enterprise managers. The interviews were tape-recorded and field notes were also used; then the material was analysed by drawing out key themes and revisiting research questions drawn in the study. This was an iterative process, which entailed several interactions of both inductive and deductive nature. This approach is described as a milder version of grounded theory (Strauss and Corbin, 1998; Patton, 2002), and emphasises an approach that is being more grounded in data rather than stemming per se from a tightly knit theoretical framework or literature review. The recurring patterns or contrasting themes within and across the selected cases were also informed by the conceptual frameworks and pertinent literature presented earlier.

Research findings

The key themes we explore in this section have emerged from the data and were identified during the iterative process of data analysis process. These themes correspond to key questions we have raised in the literature and theory sections: (a) ethical basis of social enterprise and leadership; (b) utilisation and transformation of capitals in gaining legitimacy and counter-hegemonic tensions and (c) surrounding issues of legitimacy. In what follows we discuss these three key themes in relation to the three questions we posed in the literature review section.

(a) *Ethical basis of social enterprise and leadership*

The literature suggests that the ethical base of social enterprises is crucial for their survival. The vision and values of social enterprises are an indication of their ethical commitments and entrepreneurial leaders have a crucial role to play in establishing legitimacy through ethical orientation. The question we posed is: How are ethical frameworks of social enterprises and the role of leadership shaped given the dualistic nature of underlying economic and ideological forces? All of the social enterprises studied exhibited a particular value-driven character both in the way in which they form their strategies, as well as in the way in which they run their day-to-day business. Sometimes the value-driven nature of the enterprise was based on a concrete philosophical/ethical standpoint and its practical application to business operations and structures, whilst on other occasions, this was an overarching sensitisation to social responsibility, and the care for underprivileged communities as a main social aim. In all cases, the social entrepreneur as a leadership figure came strongly through the discourse of the social entrepreneurs/managers. His/her vision, inspiration, creation of a repertoire of language and concepts within the organisation, was coupled with practical engagement in business activity, decision-making, recruiting, as well as in actively seeking grounds for new ideas and business opportunities as well as ways to trade-off temporary loses whenever those occurred. In SE1, the value orientation was emphasised as follows: '....*every person who is engaged in anything is very much shaped by their underlying world view, how they actually see the world; when people have a crisis is when they are still struggling to see 'why I am doing this', what is the plan?'*

In a number of the cases analysed, the leadership style could be characterised as transformational (Burns, 1978; Bass, 1985), fulfilled by a visionary social entrepreneur in

collaboration with his/her partner, who also acts as the right hand person – the 'co-preneur' exhibiting a more proactive and practical approach in management (Chell, 2005). Communicating the initial vision via the appropriate channels is important in preventing the organisation from de-focusing from its ethical/moral or philosophical base. Such a mechanism, for example, is utilised in the case of SE 2, where one of the roles for the Board of Trustees was to check, on a regular basis, that the organisation still reflected its initial founding values and that all its decisions involved and manifested them.

In the case of SE 3, the main trajectory for the development of the social enterprise has been 'organic growth' which characterised its shifting of structural form, prior to becoming a social enterprise which brought *'a bit more freedom to develop businesses and business opportunities, (as) social enterprise is about good quality and social equality, as well as business opportunity; part of the ethos was to make money and provided it was ethical and within the values which is always the framework work within, we would consider those opportunities, because we were going to reinvest the money back into the charitable arm'*.

The changing landscape of opportunities within which some social enterprises could obtain funding due to sectoral prioritisation, has been highlighted, by some of the interviewees, as a potential threat to an initially powerful vision, which could, in some cases, become diluted. As the leader of SE 5 remarked: '*I have been to conferences and organisations that used to be called charities, now appear at the front of the lecture theatre and describe themselves as social enterprises, but actually what they are doing is the same as what they did two years ago and they now have grant funding....I think it is very much a buzz word at the moment, and it does not help social enterprises become so popular....it is a disservice really because there is too many, (and) there's a lot of misconceptions in the wider community'.*

Although the current economic and business climate dictate that a capacity for strategy-making is key to success, the concept of 'strategic fit' appears to be of primary importance for social enterprises, particularly with regards to the vision and scope of their alignment with the community segment that they have set themselves to serve. SE 6, for example, chose to remain true to a defined vision, which is '*to use enterprise to generate wealth for the community; reduce deprivation in the area, and bring the three wards that make up the area, out of the 119 most deprived wards in the (region)'*. Nonetheless, due to the changes

in the political and economic environment in which the social enterprise operates and the consequent changes to business opportunities, SE 6 saw the need to shift its focus in terms of business opportunity identification three times since its inception. The capacity to retain a vision remains important in order to attain a combination of, on the one hand, strategic flexibility and on the other, focus. As the social entrepreneur of SE 4 remarks:

> '*like everyone our business is seriously affected at the moment. The margins are down, people are cutting jobs, looking to cut overheads. Nobody's got any time, you know, they are all trying to survive and not looking to see what they can do. Fortunately, we're in that position that we have got good workload, I do have some time and I can see there is a benefit.....a lot of people are short sighted and always look at the negatives. I am naturally an entrepreneur and think there's got to be something good in this and I see lots of positives'.*

(b) ***Transformation of capitals in gaining legitimacy versus counter-hegemonic tensions***

The second question we posed in presenting the review of the literature is: How can ethical leadership and moral agency of social entrepreneurs be understood by establishing the link to pertaining capitals that they develop in the process of gaining and sustaining legitimacy of the enterprise? Key issues which are usually found in literatures on social enterprise regarding their dual nature also arose in the cases studied. Regardless of the point of departure (e.g. social enterprise created out of charity; supported by a Foundation; association, or stand-alone mission-based social enterprise), all social enterprises studied seemed to be aware of the necessity to maintain a dynamic perspective in reaching a horizon of sustainability, whilst at the same time, being pragmatic in terms of bearing the costs and risks of a continuous expansion and diversification, without compromising their social orientation. Of the social enterprises analysed, only one referred to the notion of maturity: *'(it)has been going on for 22 years....we work for local authorities, education and health are the three main sectors.....the culture is very much………a family company, there's a family feel and that's what I have tried to maintain even though we've grown bigger'* (SE 4). In the majority of the cases, the social enterprises were on a path of growth, establishment or diversification, with only one in a downward trajectory:

> '*getting a commercial culture was our biggest challenge.....we've done a lot of marketing of SE 5....but it is marketing, not sales. And so everyone's heard about*

this and everyone thinks that we did a great job, but our sales were terrible....and my colleagues were telling me there was a big benefit....and it was good for our image. And it was, it is good for our image, but (we made) loss....for us it has never been that obvious how you would invest any money in order to move up to the next step' (SE 5).

Upon reflection on the literature regarding the dual role of social enterprises, there did not appear to be any fundamentally inherent contradiction as to the necessity to provide for the sustainability of the social enterprises studied. Instead, the researched social enterprises exhibited leadership with solid skills, as some of them were run by ex-business people, or people who were engaged in parallel 'mainstream business' activities, and as such, they had implemented and knew how to work with 'traditional' business structures such as audits, board reporting, functional divisions allocation etc. One such example includes the social entrepreneur of SE 1, who explains:

'We have created a brand identity so people say well, this is an asset. SE 1 is five years old at the end of this month, and we have faced what is called overtrading, that is growing too fast for your capital base, and we could see that coming. We are very tight on financial control, we are good at it, it is all back of envelope stuff, but we can see where it is all going and we can predict it, that actually we are going to have a cash flow crisis in the summer. A charity would traditionally appeal for funds, but what we did, we said, let's look at the assets we have and think whether we have taken anyone of it as far as it could go, so that we would be able to cash it in so we offered the brand with the content, website, logo, reputation and all its asset value to three different publishers ....and we sold it as a brand'.

Nonetheless, social capital seemed to be of equal importance to the social enterprises studied, particularly in terms of ensuring support by a vibrant network of stakeholders in the community, which facilitated the objectives of the social enterprises. The presence of social capital, at the same time, placed additional demands on social entrepreneur in terms of management of their enterprise in a participatory manner by placing special attention to stakeholders such as workers, volunteers, investors and customers. The social entrepreneur/leader of SE 2 explained as follows: *'Our stakeholders are our supporters, our trustees, our staff and our customers.......we have built and continue to be*

building a wider network of relationships, a social capital that is built around people we meet in conferences, share ideas and encourage each other to put out ideas into projects'.

Such stakeholder networks are critical to the activities of the social enterprises, particularly in terms of business growth. In the case of SE 2, this involves referrals, which can subsequently generate business activity within various governmental sectors. Consequently, SE 2 appeared to be accountable to its stakeholders, and various 'control mechanisms' such as feedback about processes and outcomes were put in place. SE 2 employs the philosophy and practice of reflective practitioners for its members considering influence they may have at local, national and international levels:

> *'certainly we could construct a sort of interlocking circles sort of diagram in terms of network. A network is what I did look at of course in terms of myself on national and international levels and to a certain extent other project managers as well..... So I and other members of the team are relating on a national and international level and trying to influence events, influence the developments'.*

SE 6, on the other hand, identified a central role for the social capital in terms of its operations:

> '*when it comes to the role of leadership in the community it is tougher (than for the business leadership)...You have no resources, are using volunteers, trying to encourage participation in the community, whilst the vision is about commitment to long term community development. This is counter to modern culture of fast outcomes and immediate returns. The lesson learnt over the years is to build relationships and remain integral to the vision. This has translated into respect from different groups and individuals......in the business side it is different, but I would point to the common denominator of building those long term relationships'.*

Given this complex web of relationships with numerous stakeholders, social entrepreneurs and social enterprise managers often face many management challenges, therefore their capacity to learn is characterised by an experiential and relational model that can transform the enterprise and the community around it. An example of this is provided by the social entrepreneur of SE 2:

> *'we like to think that we work as reflective practitioners so that we learn from all our experiences and that learning is both about what goes well and perhaps what*

needs to be learnt from and done differently next time feeds back into the way the way you do the work next time. In that way I think we are trying to be accountable to all the stakeholders'.

Developing an enterprise requires channelling resources in the most effective ways by putting structures and systems in place. Defining the organisational form and assigning roles to people becomes, in effect, a part of this process. Ensuing challenges include recruiting, sustaining and developing a team of people, who would share the same vision and values with the founders and who would take the organisation through the next stages of its development. SE 1 responds to this challenge by creating a document of staff roles that links job positions to degrees of adherence to statement of faith, in alignment with its core philosophy and vision. Similarly, for SE 6, people-orientation has been crucial, despite the challenges that it carries, particularly in terms of necessary resources and processes that need to be dedicated to this goal: '*it has (been required) to motivate a board and ensure new personnel and interests are catered for and encouraged. This has been extremely difficult, as resources have been scarce. Within this process of empowerment there is always the danger that the dominant ideas are forced through'.* Our cases show that the transformation of capitals, particularly from social capital to economic capital is not always easy, as social enterprises risk a kind of continuous reinforcement of moral positions and ideologies.

(c) Issues of legitimacy and their concurrence with established institutional frameworks and strategies

The literature notes that in order to be successful social enterprises need to attain legitimacy within the existing institutional setting. The institutional setting may be, on the one hand, a source of legitimacy and yet, on the other hand, a source of dilemma under capitalism as social enterprises are tasked with both ethical and business goals. So, the question is whether social enterprise leaders perceive the institutional framework of capitalism to be oppressive and whether they experience a tension between fulfilling ethical and business requirements. All of the social enterprises studied appear to accept overtly or covertly the relationship between a wider multiple bottom line framework and their orientation. In terms of the imprint of such a framework, the social, financial, environmental components are present, with most prevalence given to the balance between the social and financial aspects. The social aspects are divided between 'internal'

and 'external' components, and the internal component is in the people orientation, the employees and management or governance structure of the social enterprise. The external components pertain primarily to the community aspects, and the accountability that the social enterprise exhibits in terms of benefit creation, re-investment of profits, or social base within which employment is to be attained. External component of social accountability was evident in SE 6: '*the challenges faced by SE 6 have been about the balance between establishing a sustainable business that would benefit the community whilst developing the platform for the community involvement and ultimate radical change needed'*. On the other hand, SE 2's policies exhibit the internal component of social accountability (workplace):

> '*So we have a wide range of skills, professional skills and (we are)all very much committed to and involved.......(the employees) take a real interest in the governance and it's been very supportive of me to know that they are there, they are involved. For instance in the making of policies they carve up between them the responsibility for ensuring that we have policies that relate to all the essential areas like equal opportunities and diversity, like health and safety, child protection policy, a whole range of other policies. They take individual responsibility for those'*.

It was clear in our interview that SE 1 exhibits commitment to a multiple bottom line:

> '*.....there are four types of capital, i.e. a) financial capital, that is money, cash and other representations of cash, b) social capital; people are physical, spiritual and emotional beings. Then, there is c) environmental capital, the world's resources and the relationship between them, and d) manufactured capital, i.e. the fruits of people's labours, which I would subdivide into hard and soft; so there is hard manufactured capital, the things that people have made, actual solid things they have created and the soft like expertise, intellectual property. I believe that all of that we are given stewardship of and we are working in a way appropriately using this capital and developing this capital'*.

For SE 3, on the other hand, an important systemic enabler was governmental support via schemes such as the Social Enterprise Mark, and other concrete policies for serving underprivileged populations by supporting employment for local youth. This umbrella strategy and support allowed SE 3 to have variety and successful diversification in a portfolio of activities, whilst remaining focused in its initial vision: '*the key difference is what*

your objectives are in terms of being focused on social outcomes and secondly how your run the operation as well because that's got to be critical in terms of the values of the operation....we have an umbrella organisation nationally, the Social Enterprise coalition....and....we are getting a clearer leadership under that particularly now with a move towards a national social enterprise mark'. As highlighted by the research participant, support by a scheme such as the Social Enteprise Mark may provide a significant form of symbolic capital, which facilitates the legitimation of the social enterprise and its aims, within an acknowledged systemic framework.

Finally, SE 4's strategic and operational reality explicitly highlights this link, by the presence of a Corporate Social Responsibility (CSR) manager in the parallel commercially-oriented business, which has given support to the social enterprise:

> '*In conjunction with my CSR manager...his suggestion has been that we form a social enterprise. ...to train a certain amount of people....for me I think we miss an opportunity (if we just pay lip service to that, as other companies do).....if we embrace that and encourage that we could do things that our customers want, buy we (also) doing good for the community, we are employing local labour....I take people and I give them opportunities'.*

Based on the discourse of the social entrepreneurs and the managers of the social enterprises interviewed, it is evident that Hervieux et al.'s (2010) argument of the prevalence of the social enterprise-related discourse, as this is developed by academics, policy-makers and institutions, is valid; and such discourses were shared by the social entrepreneurs studied. Our data highlighted Hervieux et al.'s (2010) stress on the legitimization of the composite nature of social entrepreneurship through an institutional focus on (a) social aspects (mission, value, empowerment, social change), and (b) commercial aspects (innovation, socioeconomic organization, commercial and business ways obtain sustainability).

Discussion and conclusions

Our study sought to gain a better understanding of ethical frameworks underpinning social enterprises, the latter being organisations that are tasked with reconciling competing institutional logics of social action and entrepreneurship. Our departure point was to problematize the existence of dominant hegemonic powers and alliances that impose a set

of legitimatisation criteria upon social enterprises. We explored whether social enterprises can be re-conceptualised as counter-hegemonic forces that can achieve meaningful social action. We have specifically focused on how social enterprises seek their legitimation in the field where they operate through re-creation of a *habitus,* which does not oppose to the logic of traditional economic structures; yet, at the same time, it does not internalise these institutionalised economics logics at the expense of social mission.

The social enterprises that took part in the research were found to espouse strong sets of values, which differentiate them from more conventional forms of enterprises, still, however, seeking their legitimacy via institutional structures, for example in terms of different expressions of market opportunity, or expressions of Corporate Social Responsibility. From this perspective there is a re-creation of an elite class for social enterprises, which would follow established paths of legitimation, particularly in terms of acquiring and developing management and business skills and relational networks (Di Domenico, Haugh and Tracey, 2010) which they are able to form and draw upon when needed. It is, however, their focus on social-driven values and social action, which eventually provides a distinct ethical framework within which these social enterprises operate.

Revisiting Alter's (2006) typology, six social enterprises that were studied are either mission-centric or mission-related, with enterprise activities either embedded within the organisation's operations and social programs being either central to their mission (SE 3, SE 4, SE 5), or central in terms of creating social value for programs and for generating economic value to subsidise the organisation's social programs and other operating expenses (SE 1, SE2, SE 6). All six SEs exhibited a vision for sustaining and scaling up their activities whilst at the same time pursuing the attainment of social goals. This reflects the general trend in the development of social enterprises, as highlighted in the conceptual discussion earlier in the paper, particularly in the context of the UK. In this regard, the leaders of our SEs do not oppose the hegemonic institutional structures, yet they seem to comply with them. This aligns with Hervieux et al.'s (2010) arguments about the dominance of managerial discourses in social enterprises, which are highly institutionalized, and thus, legitimized.

As change agents, our social entrepreneurs act as transformational leaders (Burns, 2003; Bass, 1990) to accommodate and reconcile dual demands, such as the creation of social value and the economic sustainability of the enterprise. The transformational leaders of the SEs studied here strategically re-position their organisations in terms of their mission and stakeholders, and then re-deploy social, human and ethical capital in order to further develop the social enterprises. All of these processes are underlined by a continuous dual tension between the social mission and commercial and strategic focus.

Thus, we argue that the counter-hegemonic agency of social enterprises entails, first of all, alignment with core values and strategic praxis created by the social enterprise. This raises practical challenges particularly inherent to the recruitment, development and retention of people, who share the same values and vision as the social entrepreneur/founder. Transformational and value-driven leadership is prevalent, as it spans the field of multiple stakeholders and aligns with the nature of the social enterprises, and their predominantly participatory forms of management. Stakeholder participation in the management of SEs, when done effectively, ensures that SEs are both embedded in and remain accountable to the field communities that they serve (Pearce, 2003).

Furthermore, our findings suggest that social entrepreneurs and enterprise teams believe that they need to develop certain skills and competences, in particular, financial expertise skills to raise and manage financial capital and networking skills, which will help them raise social and economic capital (Starr and MacMillan, 1990; Peterson, 1995), as well as leadership and management skills that are essential for the constant pursuit and retention of the vision and values of the social enterprise in their everyday work as well as in their own developmental trajectory. Particularly, social entrepreneurs/leaders possess tacit knowledge represented by industry-specific experience and social capital on which they draw upon for gaining legitimacy during the critical stages of development and growth of social enterprises. Thus, the development of team-work, interpersonal skills, social consciousness in addition to the business techniques and insights are required for social entrepreneurship (Kent and Anderson, 2003). This requires engaged academic scholarship and practice in the sense that our academic conceptualisation and reporting of these issues should be grounded in the reality of the daily life of social enterprises. This wider participatory engagement with external stakeholders (i.e. academic researchers) might subsequently contribute to enacting subtle counter-hegemony forces that shape

change in the social, economic and political arenas where SEs' action is situated. Academic research would feedback into national policies, i.e. educational curriculum development. So for instance, entrepreneurship education should be inclusive of the multiple facets of social entrepreneurship to ensure that future leaders are equipped with the relevant knowledge to address the challenges of social enterprises, which operate in constrained contexts dominated by power structures. In this way, social entrepreneurship is seen as central to entrepreneurship curriculum development rather than something distinctive or less *legitimate* (Tracey and Phillips, 2007).

Moving beyond the risk of adopting a predominantly single logic, the paper proposes that a context-driven focus on social change so that social action can begin to create a discourse on an ethical framework for social enterprises and the actors involved. This can be achieved in the following ways:

a) By focusing on *ethical capital*, an ethically-based vision and accompanying set of values (Dart, 2004): this would mean, in general, operating ethically and walking the talk, whilst at the same time, maintaining congruence with the founding values of the social enterprise and the challenges of business sustainability. Although the social enterprises that were interviewed exhibited a sound understanding of the potential dichotomies between the social and business aspects, they were all very conscious in their outlook and subsequent applied practices, in looking for ethical practices to develop business, either by identifying business opportunity, applying for grants or diversifying operations and focus. The social enterprises, which we studied, appeared to be balancing aspects of legitimation, between the 'ethical' and the 'economic' fields, without providing a 'counter-hegemonic' response to given hegemonic structures.

b) The main organisational level influence on sustainable development and growth of social enterprises appears to be the development of internal and external social and human capital (Mair and Marti, 2004), internally by empowerment and training of employees, as well as through the creation (of) and diffusing a common set of values, language, concepts and practices; and externally, by building and maintaining a flexible network of stakeholders who can act upon demand, contribute towards the development of the social enterprise, as well as playing a

role towards its governance and further business growth. Those aspects again support the attempts for legitimation, which the social enterprises engage with, within given hegemonic structures.

c) Social entrepreneurs and social enterprise managers, who involved in the research, were well informed and aware of organisational and developmental practices that underpinned the growth and development of their organisations (Harding, 2004). The main challenge appeared to be the continuous growth in a manner that is congruent with their values, remit and mission in the current socio-economic and political conditions. In this perspective, it could be argued that the social enterprises that were studied do not necessarily differ from commercial enterprises within the current climate. Yet, for at least two of the interviewed social enterprises, the current climate presented more opportunities and challenges than real threats, as the increasing reliance on intermediate services with a social character appeared to be a positive repercussion of the changing economic and political scene. New intermediate areas such as childcare, social housing, the provision of maintenance, cleaning, recycling, temporary relief, as well as open source IT development have all been cited as areas of potential future growth for social enterprises.

d) Legitimacy and institutional forces (alignment of habitus and field) is another area that needs to be highlighted in reaching a better understanding of ethical frameworks for social enterprises (Bull et al, 2010). Combining Gramsci's concept of hegemony with Bourdieu's concept of capital bridges the gap between the macro-structural and meso and micro-agentic aspects of such ethical frameworks. As suggested above, developing an ethical capital to serve the purpose of social advancement without compromising on the balance between social and economic dimensions is a way forward to re-create social enterprise habitus that can fulfil an ethical and sustainable mission.

These findings form the core of our theoretical contribution. Our qualitative methodology enabled us to unpack the problematizing of social enterprise's legitimisation through a social constructionism approach that helped us to examine the multi-levelled nature of the phenomenon. Nevertheless, our methodological approach is not without limitations. As noted before, data were collected at different points in time, to the effect that some of the

cases (SE 1 and SE 2) might not reflect the most contemporary political and economic climate and discourse surrounding social enterprise. Our data are cross-sectional whereby future research might also consider the use of longitudinal case studies to explore the role of leaders as social agents by having regard to different spatial and temporal dimensions of the context of their actions. Also, cross-comparative studies that are conducted across different institutional contexts might be particularly useful in examining common and/or different patterns in the legitimization process of social enterprises. In this regard, the consideration of the macro-cultural and political dimensions might help explicate whether different hegemonic structures have different impact on the legitimization process of SEs. On the other hand, at the micro-level, issues of identification process during the development of SEs might vary across different institutional contexts and impact differently on the role played by leaders in the pursuit of their SEs' legitimization. From a theoretical perspective, the above findings elucidated issues of theorisation of social enterprise *in context*. In addition, the approach that we have taken enhances the repertoire of engagement with theory in the relatively under-theorised field of social enterprise (Weerawardena and Mort, 2006). Findings of the present research could also contribute towards a more nuanced understanding of potential considerations applicable to accountability reporting as well as stakeholder management both for practitioners as well as policy-makers in the field of SE.

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