



9th EMES International Research
Conference on Social Enterprise

EMES events

Act Locally, change globally: Social enterprises and
cooperatives for more resilient economies and societies.

Frankfurt University of Applied Sciences
Frankfurt am Main - Germany
11-14 September 2023

ESCP-9EMES-09

Innovative Offerings and Isomorphic Pressures

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Innovative offerings and isomorphic pressures

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Summary: Focusing on social procurements from social enterprises as public providers, this paper aims to explore the relationship between social innovation and legitimacy. Institutional theory and insights from empirical accounts reveals the institutional tensions of operating in the public sector (PS). Focally, the paradox of institutional rigidity and innovative processes are brought to light.

Keywords: Social Enterprise; Public Sector; Innovation; Legitimacy; Hybridity

1. Introduction

PSs though primarily accountable for public welfare do not hold a monopoly on the delivery of public services nor do they hold all the tools necessary to address the vastness and complexity of social problems (Daglio et al. 2015; European Commission 2019). Increasingly, cross-sector collaboration is promoted as an effective solution to these problems as well as for improving welfare (Edvik & Björk 2016; Røhnebæk 2021; Torfing 2019). Consequently, public procurements from social enterprises (SEs) have been identified as a promising route to social innovation and alleviation (European Commission et al. 2020).

SEs are innovative, hybrid organisations who engage in commercial activities to address unmet social needs (Austin et al. 2006; Nicholls 2006a). The primacy of social mission and their hybrid, innovative characteristics mark their value as potential PS suppliers. SE hybridity draws on the creative adoption and combination of multiple organisational forms, logics, and practices making them an ideal type of hybrid (Battilana & Lee 2014; Pullman et al. 2018). Through these hybrid compositions and practices, SEs blur institutional and organisational boundaries and as a result, are able to generate innovative solutions to social problems (Jay 2012; Longoni et al. 2019). However, prescribing to multiple logics results in institutional complexity within SEs requiring constant management and renders them vulnerable to mission drift (Battilana & Lee 2014). Moreover, operating and set in a public institutional environment, SEs face several challenges for legitimacy understood as “...*the perceived appropriateness of an organization to a social system in terms of rules, norms, and definitions*” (Battilana & Lee 2014; Greenwood et al. 2017: 32). The first challenge emanates at the abstracted level of isomorphism and converges on the impacts of isomorphic pressures. The second,

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centres on the compounded institutional complexity of the organisation. Its complexity and management affect its correspondence to institutional orders, both internally and externally. Taken further, conflicting goals and practices can lead to internal tensions and identity issues meanwhile failing to fully embody institutionalised, organisational forms and practices denies them external organisational legitimacy. Conformity and acting in organisationally legitimate ways could have adverse impacts on the hybrid and innovative quality of SE, therewith, their unique abilities in social alleviation (Ruebottom 2010; Vickers 2017).

Framed within neo-IT, this study explores the congruence and tensions between SE innovation and organisational legitimacy. In so doing, it draws on key theoretical concepts e.g., isomorphism, logics, and legitimacy. A multiple case study comprised of three Norwegian SEs offering public services is used to explore:

How does organisational legitimacy bear upon the distinctive innovation of SE as a public provider?

Empirical analysis reveals the plurality of logics and pervasive isomorphic influences on SE innovation. The study contributes to the fields of organizational studies and social entrepreneurship. Further, an important contribution is made to public administration offering an evidence-based study of innovative procurement practices.

The paper will first set out the study's background and theoretical frame before briefly laying out the methodology describing the SEs used to explore the core topic. The study is in its nascency and so, the Findings and Discussion sections are restricted.

2. Theoretical Frame and Background

This section first elaborates on the conditions SE will operate within (social procurement). Then, it conceptualises SE and discusses its key characteristics and debates from the field. At which point, the theory and core concepts are discussed and serve to frame the study. Primarily, neo-IT frames the exploration into legitimacy and innovation, and literature on institutional logics and hybridity will further support this endeavour.

2.1. Public Evolutions and Solutions

Recent historical transitions of government have seen them shift from a monolithic bureaucracy, stripped bare following neoliberal discourse and expansion (NPM), and

through to a network-based mode of governance (NPG) (Harvey, 2005; Massey & Johnston-Miller 2016; Mulgan 2006a). NPG is characterised by collaborative, multi-actor, hybridising assemblages, and horizontal governance (Barraket et al. 2016). Whilst PSs are mainly responsible for public welfare and therewith, the legitimate use of taxpayer money; they lack the funding and resources necessary for singly and proficiently tackling complex social problems and sustaining provision (Barraket et al. 2016; Daglio et al. 2015; Edvik & Björk 2016). Increasingly then, government; formerly the primary welfare provider, has shifted to the role of enabler for more capable providers (Barraket et al. 2016; Mulgan 2006a; Rønning et al. 2022). In addition, a diversity of solutions has been sought and therein, revisions to practice, e.g., strategic procurement and partnerships, as well as fascination with ideas such as social innovation and entrepreneurship. These are increasingly and normatively treated as a panacea to all ills, despite their problematics (Andersen et al. 2016a; Bryson et al. 2006; Nicholls 2006a; Sinclair and Baglioni 2014; Ziegler 2017).

Firstly, in response to broader constraints and challenges, states are looking to maximise capabilities as well as public value-adding solutions. Public procurement has principally focused on acquiring (economic) value-for-money which has consequently denied the multi-dimensional value-adding potential of procurement (Caranta 2022; O'Brien and Martin-Ortega 2019). However, reflective of and constituted in the NPG landscape, social procurement is re-emerging as an approach for maximising public spending (Barraket et al. 2016). Social procurement is *“the acquisition of a range of assets and services, with the aim of intentionally creating social outcomes (both directly and indirectly)”* (Furieux and Barraket 2014: 269). In this way, social procurement clearly moves beyond the earlier reductionist approach to procurement in explicitly valuing ‘the social’. Though figures vary, governmental purchasing accounts for 12% GDP within OECD countries (OECD, 2020), and more specifically, Norway with its ‘Nordic Model’¹ has an annual spending of around 600 billion NOK (*Offentlige Anskaffelser* n.d.; Sætre 2022). Illustratively, public buyers wield significant purchasing power, and the strategic use of procurement can therefore assist in achieving socio-economic and environmental policy goals, including supporting innovation, and promoting sustainable development (Mulgan, 2006a; OECD 2017, 2020). Indeed, social procurement is distinguished for advancing social policy, stimulating social innovation and value creation, as well as opening markets to the third sector (including SE) (Barraket et al. 2016; Furieux and Barraket 2014: 269;

¹ The Nordic model characterised by large public sectors, all embracing and universal welfare systems, and high levels of socio-economic equality (Enjolras and Strømsnes, 2018).

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McCrudden 2004). Of note, it is an approach that places emphasis on engagement with nonstate actors (Barraket, 2020; Barraket et al. 2016). The policy attention and endorsement of cross-sectoral collaborations are accorded because in normative terms, they generate effective, cost-saving, and innovative means of achieving socio-economic policy outcomes and solutions to wicked problems (Andrews and Entwistle 2010; Barraket et al. 2016; Edvik and Björk 2016; Massey and Johnston-Miller 2016; OECD, 2019; Torfing 2019; Vickers et al. 2017). This is presumed on the basis that it capitalises on the strengths and capabilities of each partner (Andrews and Entwistle 2010; Torfing 2019). Moreover, a key facet driving these inter-organisational partnerships is founded upon uncritical, normative positivity whereby social innovation results as a key process and outcome (Røhnebak 2021; Torfing 2019; Wegrich 2019).

Social innovation, a contested concept, is taken here to refer to *“innovative activities and services that are motivated by the goal of meeting a social need and that are predominantly diffused through organizations whose primary purpose are social”* (Mulgan 2006b: 146). For the most part, debate around social innovation revolves around the scale of impact, whether societally transformative, processual, or focussed upon the end-product (Moulaert et al. 2005; Phillips Jr. et al. 2008; Vanderhoven et al. 2020). Importantly, social innovations are aimed at distributing social and/or financial value to society as a whole (Phillips Jr. et al., 2008). Indeed, in a period of austerity, it has been endorsed as a solution to socio-economic problems (Daglio et al. 2015; Massey and Johnston-Miller 2016; Sinclair and Baglioni 2014). Ziegler (2014) presents social innovation as a collaborative concept which is inherently a social process requiring actor interaction at all stages. In this collaborative frame, three major uses are distinguished: taxonomical, transformative, and transitional-sceptical (ibid). The taxonomical use is based on the generic innovation concept where new or neglected subdomains of innovation are specified e.g., business or public sector innovation (ibid). The transformative use alludes to societal, structural change for the better, reflecting the common good and visions of the social (ibid). Alternatively, falling under the transitional-sceptical use of SI, questions remain as to whether social innovation drives and the devolution of public provision to third parties a continuation of the neoliberal retraction of the state and its responsibilities i.e., a discourse hype, or reflections of good governance (Massey and Johnston-Miller 2016; Sinclair and Baglioni 2014; Steiner et al. 2023; Ziegler 2014). Nevertheless, policy and practice discourses surrounding social innovation and value creation have grown rapidly with cross-sectoral collaboration as a

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core approach (Andersen et al. 2016b; Barraket et al. 2016, 2020; Daglio et al. 2015; Edvik and Björk 2016; Powell et al. 2019).

Cross-sectoral collaborations have given rise to a growing presence of TSOs in public provision (Barraket et al. 2016). TSOs are viewed as possessing a number of attractive virtues, focally, voicing and representing the needs of underrepresented and disadvantaged groups (Andrews and Entwistle 2010; Weisbrod 2004). Likewise, SE shares many of the same virtues through affiliations with the third sector, and increasingly used in provision and as a policy solution to various social problems (Defourny and Nyssens 2010; Teasdale 2012; Teasdale et al. 2013; Vickers et al. 2017). Concurrently, Mulgan (2006a) argues a key contribution of social entrepreneurship is in social value creation i.e., the production of outputs and outcomes, as well as more intangible values in rebuilding social capital. As social purpose hybrids, SEs can generate innovative solutions to social problems and are indeed renowned for their innovative qualities. Subsequently, SEs are perceived as being more responsive and innovative than other third sector organisations (TSOs²) in welfare provision and can generate more effective contributions than governments alone (Mulgan 2006a; Nicholls 2006a; Powell et al. 2019; Sætre 2022). Therefore, the involvement of SEs in social procurement can have significant impact in generating social innovation, creating social value, and achieving social policy goals (Barraket et al. 2016; Furneaux and Barraket 2014; McCrudden 2004).

Multi-actor collaborative arrangements are becoming increasingly common for addressing intractable social challenges. Crucially, the governmental roles of coordinator and enabler hold appeal because it provides a sense of control and oversight in the application and performance of these endeavours (Edvik and Björk 2016; Rønning et al. 2022). It grants PSs control in steering and regulating procurement processes, for instance, in the specification of contractual and evaluative criteria (Andrews and Entwistle 2015; Barraket et al. 2016; Edvik and Björk 2016; Mulgan 2006a; O'Brien and Martin-Ortega 2019; Rønning et al. 2022). At a cognitive level, it signals proper management, efficiency and regulation in regards to the sound application of public tax money (Edvik and Björk 2016). Therewith, it conveys legitimacy in fitting with the norms and values of the bureaucratic tradition (Edvik and Björk 2016: 202; Suchman 1995). In

² SEs are oftentimes incorporated into the third sector frame (Eikenberry & Kluver, 2004; Milbourne, 2009), and is written as such in this paper.

this way, these organisational collaborations appear normatively attractive; where TSOs are transformed into instruments for policy objectives and used to address the social challenges at top of current political agendas (Edvik and Björk 2016).

2.2. Social Enterprise

Nicholls (2006a) argues that social entrepreneurship is a distinct field of organizational activity which is mapped across three key dimensions: sociality, market orientation, and innovation (p.99). Social ventures move dynamically between these core dimensions to maximise impact (Nicholls 2006). Under the umbrella of social entrepreneurship, SE pursue a dual mission of addressing a social need and financial viability through business ventures (Alter 2006; Smith et al. 2013). Primarily, it focuses on the social mission but attains it via innovative and entrepreneurial means (Dees 2011; Doherty et al. 2014; Nicholls 2006a). In this way, innovation is a hallmark of social entrepreneurship (Austin et al. 2006; Dees 2011; Enjolras et al. 2021; Nicholls 2006a). The innovation, like the venture itself, is a socially embedded phenomenon that too, influences and is influenced by the environment reflecting dynamism and uncertainty (Nicholls, 2006b: 104). This fluidity and boundary-blurring is often key to their strategic advantage (Nicholls 2006b: 111). Centrally, SE combines two institutional orders: social-welfare and commercial, therewith, illustrating its inherent institutional complexity³ (Longoni et al. 2019). Longoni et al. (2019) describe how tensions surface at two levels; firstly, within the organisation through misaligned prescriptions in its functioning; and secondly, misaligned logics between actors within the focal organisation and its stakeholders. Subsequently, SEs are obliged to manage the tensions of competing institutional demands which develop as a result of diverging goals, norms, values and identities (Battilana and Lee 2014; Longoni et al. 2019; Pache and Santos 2013). SEs, are therefore, associated with ambiguity, tension, and contradiction (European Commission 2019; Galera and Borzaga 2009; Nicholls 2006a; Smith et al. 2013). In addition, they challenge the status quo regarding value creation; organisational form, design, and practice and, institutional boundaries and logic combinations (Edvik and Björk 2016; Enjolras et al. 2021; Nicholls 2006b). Arguably then, SEs are an ideal type of hybrid⁴ (Battilana and Lee 2014; Jay 2012), which allows them to innovate, change, and deliver greater social and/or environmental impact (Nicholls 2006b; Vickers et al. 2017). For such reason, interest is growing into

³ Institutional complexity refers to the presence of multiple and possibly conflicting institutional logics in the focal organization (Pullman et al., 2018).

⁴ Organisational hybridity generally refers to the paradoxical combination of two or more institutional logics (Jacobsen, 2021; Kannothe et al., 2018).

their perceived ability to generate innovative solutions to persistent social problems (Powell et al. 2019; Vickers et al. 2017). Some are engaged in arenas of health and welfare tackling issues of inequality, exclusion, social care, or rurality (Best and Myers 2019; Steiner et al. 2023; Steiner and Teasdale 2019; Vickers et al. 2017). Others, address challenges associated with work integration, e.g., of disadvantaged and/or unemployed groups (Battilana et al. 2015; Garrow and Hasenfeld 2012; Smith et al. 2013). Concerning the study's research context, the SE phenomenon in Norway stands at an immature stage lacking legal and institutional frameworks (European Commission 2019). Interest is increasing and research initiated by public entities has begun concerning social innovation and social entrepreneurship (ibid). Of the 295 enterprises identified in Norway, they operate in diverse arenas but focally, have municipality-level public entities as their main client in the delivery of welfare services (ibid). Further still, given the current low level of ecosystem development, SEs are only just entering a phase of institutionalisation, or in a 'pre-paradigmatic field' (European Commission 2019; Nicholls 2010). Consequentially, they lack organisational legitimacy and research into their operations, especially in a public frame, is largely unknown. For this reason, this study aims to investigate this gap centring on the legitimacy challenges SEs experience in relation to the benefits i.e., the innovation, that they deliver.

Highlighted in the preceding section, states can use public money to address social challenges by enabling more proficient actors and/or working with them through funding and social procurements (Edvik and Björk 2016; OECD 2017, 2020). Notably, SEs have drawn the attention of states because they leverage market resources for the public good, oftentimes in innovative ways (Enjolras et al. 2021; Nicholls 2006a). This strategic approach of cross-sectoral collaboration can generate new solutions to shortcomings in welfare provision earning it a degree of normative legitimacy (Edvik and Björk 2016). However, owing to legitimated, public institutional structures, programs and procurements come with clear conditions, specifying the evaluative criteria, designated resourcing, and a predetermined timeframe (Edvik and Björk 2016). This gives the impression of control and efficiency for government agents, yet in contrast, casts pressure on the organizations receiving funding to respond in a legitimate way in line with bureaucratic, rationalistic principles (Edvik and Björk 2016: 202). Therefore, the bureaucratic and legitimate means by which PSs operate, i.e., highly controlled, regulated and risk averse, conflict with the understanding of innovation processes, which are often associated with high degrees of uncertainty, risk taking and failure (Edvik and Björk 2016; Mulgan 2006a). In this way, the core principles and functioning of social entrepreneurship operates contra to that of the PS and institutional order. Public markets

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need to create space for social entrepreneurship to innovate; thus, requiring flexible contracts and time for learning curves to take effect (Mulgan, 2006a: 81). What is more, time is recognised as essential for establishing productive and innovative relations between partners; substantiating trustworthiness (Maurer 2010 cited in, Edvik and Björk 2016). However, without historical references, legitimacy is a key factor in enabling constructive partnerships (Edvik and Björk 2016; Suchman 1995). Research into this contradiction can illuminate how this paradox of tight state control and the riskiness of SE plays out in practice.

2.3. ***Neo-Institutional Theory***

Neo-IT is useful for investigating the tensions of innovating in the PS and competing institutional pressures emerging from the environment (Smith et al. 2013; Vickers et al 2017). Focally, it can provide insight into how SEs manage tensions and embed competing logics to gain legitimacy in their broader societal contexts (Dart 2004; Smith et al. 2013: 418).

2.3.1. ***Legitimacy***

Legitimacy is a fundamental need for organisations to be seen as meaningful, predictable, and trustworthy, and ultimately, for their own sustainability (Sparviero 2019; Yang and Wu 2016). This is especially true for SEs embedded in 'plural' environments (Yang and Wu 2016). The plurality of logics and hybridity of SE mean that legitimacy therefore surfaces as a contentious concept (ibid). Prescribing to a logic affords the SE partial legitimacy as it identifies with that given order, and yet concurrently, it also serves as a hinderance (Doherty et al. 2014). Multiple definitions of organizational legitimacy exist but here it refers to "*...the perceived appropriateness of an organization to a social system in terms of rules, norms, and definitions*" (Greenwood et al. 2017: 32). Suchman (1995) expounds on the various forms it can take, the first "*rests on the self-interested calculations of an organization's most immediate audiences*" (pragmatic legitimacy) (1995: 578). Pragmatic legitimacy, the least abstract of Suchman's (1995) legitimacies, presents a tangible, exchange based notion of legitimacy (Dart 2004). This suggests that an activity is accredited some social acceptability if it provides value to stakeholders. Therefore, in relation to SE, they can be perceived as pragmatically legitimate because they offer innovative solutions to social problems (Dart 2004).

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Cognitive legitimacy refers to *“the basic, preconscious, taken-for-granted assumptions about the nature and structure of social activities such as the organization”* (Dart, 2004: 42). In the context of welfare provision, the involvement of external actors in the renewal processes of public services, often in the name of social innovation, affords a degree of cognitive legitimacy from a government perspective (Edvik and Björk 2016: 200). Therefore, by collaborating or partnering with others, SE strengthens their legitimacy. Additionally, social entrepreneurship is often understood according to its entrepreneurial dimension rather than social, e.g., most businesspeople understand the business world without obfuscating it with a social agenda (Young, 2006). This can offer the advantage of granting some legitimacy from the entrepreneurial dimension. The last is moral legitimacy which refers to the normative domain of propriety; ‘the right thing to do’, rather than self-interest (Dart, 2004: 40; Suchman 1995). Dart (2004) claims moral legitimacy best explains the emergence and likely trajectory of SE as it reflects a prosocial logic in reference to broader norms in the socio-political environment and socially constructed value system (Dart 2004; Suchman 1995: 579). Thus, the business-like hybrid face of SE is consonant with contemporary social fascination with market-based solutions and mechanisms (Dart, 2004: 419). As a result, the SE’s dual mission can use this source of legitimacy as leverage (Dart 2004).

Insofar, this section has detailed how SE gains legitimacy. In contrast, the partial prescription to multiple, oftentimes conflicting logics, denies SE full legitimacy and lends itself to being sites of contradiction, contestation, and conflict (Doherty et al. 2014: 425). Battilana and Lee (2014) note that SEs must appeal to multiple audiences for developing and maintaining legitimacy. Challenges for legitimacy then, are derived from the external environment. In the main, legitimacy is granted based on institutionalised convention demonstrating a primary challenge to SEs because they do not fit single, established forms (Battilana and Lee 2014). Resultantly, SE appear risky, and so, they may face additional challenges for acquiring resources and financial capital when resources are often awarded on this basis (Battilana and Lee 2014). Next, their hybrid nature violates established categories of commercial and social fields. This can result in hostile responses from institutionalised forms who are threatened by SE encroachment on established order (Battilana and Lee 2014). Therefore, SE hybridity can enable innovative problem solving, yet in contrast, institutional complexity can impede these efforts (Jay 2012).

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In consequence to the complexity and tensions SE face, strategies have formed which enable them to attend to the pressures and demands. Decoupling as a strategy acts as a safeguarding mechanism which minimises legitimacy threats (Pache and Santos, 2013). It involves creating and maintaining the separation of prescriptive structures (adopted policy) from operational structures (actual behaviour) (Pache and Santos 2013). Alternatively, selectively coupling logics may offer a strategic route for reconciling competing logics. Importantly however, the functioning of this strategy works within the constraints imposed by the need for legitimacy (Pache and Santos 2013). Compromise is further identified as a viable option of which crafts acceptable balances to conflicting institutional demands (Pache and Santos 2013).

2.3.2. Isomorphic Forces and Institutional Logics

Meyer and Rowan (1977) and DiMaggio and Powell (1983) represent formative pillars for work on institutionalisation and organisational rationalisation. DiMaggio and Powell (1983) investigated homogeneity within organisational fields as understood through isomorphic forces. Institutional isomorphism is “*an inexorable push towards homogenization*” of which there are two types: competitive and institutional (DiMaggio and Powell 1983: 148). The first is an economic fit founded on competition within an organizational field, and the second, a social fit, based on power and legitimacy (ibid). Thus, legitimacy within organisational fields looms as a central concept in the theory. DiMaggio and Powell (1983) first identify *coercive isomorphism* stemming from political influence and legitimacy problems. This mechanism for change within an organisation appears as formal and informal pressures from the other organisations which they depend upon and societal expectations. The second, *mimetic isomorphism*, warrants imitation as a response to uncertainty. In modelling from others, this force is useful for organisations to address uncertainty in the environment, goal ambiguity and poorly understood organisational technology. The third, is *normative isomorphism*, which is associated with professionalisation. The interest here rests on the collective struggle in establishing a cognitive base and legitimation. Importantly, these iso-forces are not necessarily empirically distinct, nor do they automatically lead to increased efficiency (DiMaggio and Powell 1983). The absence of well-defined normative logics governing social entrepreneurs mean that they can be immune to isomorphic forces that affect under-developed fields (Nicholls 2010). However, this may only be a short-term, strategic advantage as over time, it may impact the overall legitimacy as a field of action (ibid). Instead, reflexive isomorphism could be considered characteristic of social

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entrepreneurship and a legitimating strategy allowing them to engage in processes aligning with field level and internal logics (ibid).

The development of the institutional logics perspective built from the preceding works, markedly from Friedland and Alford's (1991) system of institutional orders. Thornton et al. (2012) detail six categories of institutional orders which each has their own "*unique organizing principles, practices, and symbols that influence individual and organizational behavior*"⁵ (2012: 2). These logics can then act as "*a metatheoretical framework for analysing the interrelationships among institutions, individuals, and organizations in social systems*" (Thornton et al. 2012: 2). As a metatheoretical framework, it serves as a valuable tool for exploring the internal organisation, processes and strategies employed by SEs in achieving their social missions and navigating their inter-sectoral relationships. Research into the innovation brought about by hybrids (SEs) and PSs substantiate its compatibility. In some instances, the research focuses on the interplay and combination of logics by innovating hybrids (Vickers et al. 2017). Others, such as Røhnebæk (2021) uses the institutional logics perspective to better understand the management of tensions and conflict in collaborative innovation between a non-profit and PS. Demonstrably, the institutional logics perspective is compatible with investigating SE legitimacy and innovation in a PS context.

3. Methodology

This section details the methods and processes that will be used to investigate the forthcoming research.

To explore the research question: "*How does organisational legitimacy bear upon the distinctive innovation of SE as a public provider?*", this study adopts a qualitative, empirical approach. It is a multiple case study design assisted by observations, semi-structured interviews, and document analysis. Insofar, early empirical work has begun whereby, potential SEs have been identified firstly, through an internet search. Over time, the potential cases were selected using exclusory criteria:

- Mission-driven (centring the social criteria and excluding for-profits/CSR-based)
- Earned income (excluding pure charity forms)
- Those that operate in Norway (geographical necessity)

⁵ i.e., institutional logics

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- Those that have an active relationship with public authorities (research-focus)

Incidentally, the search for possible cases elicited discourse associated with conceptual challenges (Defourny and Nyssens 2021; Nicholls 2006; Teasdale 2012). In multiple incidents, organisations were hesitant or averse to SE identification and/or unclear of the meaning of SE. Consequently, dialogue and clarity were sought, as well as a shared consensus regarding identification. From this, three Norwegian SEs who offer different public services at the municipality level have been chosen for study.

3.1. Case Descriptions

The first (SE1), could be considered a hybrid, PS spin-off or a PS SE (Defourny et al. 2021). It provides training and job support to people with reduced working capacity and complex assistance needs e.g., drug problems, mental or physical health issues, or low skills. Split into several units, its operations tackle different aspects of getting people into work. In this way, its central social mission is that of work integration, yet through this goal, it further addresses the social problem of social exclusion. Exclusively, it has a PS client base: the municipality in which it is situated and the Norwegian Labour and Welfare Administration (NAV). The second too (SE2), is situated within the frame of the labour market as a work integration SE (WISE), but rather than a spin-off, it operates as a private entity. It relates to the PS on a contractual basis with the municipality and other public organs as clients. It identifies itself as a consulting enterprise offering technical drawing and animation services. Expressly, all employees have the conditions of Asperger Syndrome or ASF. In this way, its social goal and primary social value creation is through providing employment to marginalised groups. The third (SE3) differs from the former enterprises as an entrepreneurial non-profit (Defourny and Nyssens, 2021). In its social mission, it offers communal living to handicapped adults focusing on quality-of-life enhancement; beyond that which the state can provide. For this reason, it is a steady supplier of public services regularly contracted by the municipality for the social service they provide.

Investigation into these three SEs will unearth their innovative forms, identities, practices, and logics. Therein, further exploration will examine how they experience institutional tensions and legitimacy pressures whilst in this role. The next section presents the projected findings and explores the ways in which the theoretical frame will give meaning to these results.

4. Projected Findings and Discussion (TBC)

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First stage data-gathering and analysis has offered early insights into where innovation occurs within the three cases and the presence of plural logics and isomorphic pressures. Importantly, matters surrounding legitimacy have emerged from the empirical findings providing indications of the complexity of the concept in this context. The following section presents and expands on the initial observations and deductions alongside hypotheses derived from the theoretical frame.

4.1. SE1: Summary & Findings

SE1, a PS spin-off, addresses labour market issues through training and job support within its geographic locality. Specifically, these services are targeted at those with reduced working capacity and complex needs. In this way, it maintains a work integration mission through which social welfare is enhanced. In light of internal organisational divisions, each unit faces differing tasks and problems of work integration. Nevertheless, despite differing foci and challenges, reflections from first round interviews would suggest that collectively held issues emanated from external constraints and pressures.

Institutional Pressures and Legitimacy: As a consequence to its organisational composition and integration with the PS, state logic is found to be central and persistent. Social-welfare logics also surface as core by virtue of SE1's mission. Interestingly, its composition also influences the presence and prominence of market logics. Its interconnectedness to the PS grants it greater economic security than independent, private ventures. For the most part, financial insecurities relate to constraints on activities rather than survival of the enterprise. Therefore, the tensions between social mission and economic mission are dissimilar to that of private/commercial SEs.

SE1 is more readily accepted into the institutional field because it corresponds with organisational norms and beliefs and fits into the wider organisational landscape (Greenwood et al. 2017; Suchman 1995). Legitimacy struggles are not immediately evident when the key institutional referent, to whom it partially originates, is the PS. Moreover, with its institutional origins and interconnectedness to the PS, one can observe how features such as time, trust, predictability, and partnership are key to legitimacy (Edvik and Björk 2016; Sparviero 2019; Yang and Wu 2016). As such, it is intuitively afforded a degree of legitimacy. Given the Norwegian context and implication thereof, the institutional embeddedness of this SE provides it normative appropriateness

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to the social system. This is important given the pre-paradigmatic phase SE emerges in Norway. Furthermore, implications of its institutional embeddedness and therewith, its legitimacy, mean that SE1 is endowed with security in its existence which is a well-known challenge for SEs in general (Kibler et al. 2018; Yang and Wu 2016). Even so, related to the subject of legitimacy, the interviews revealed that showcasing was important *"It's like we have to tell them that we are needed"*, in addition to quality maintenance *"we have a lot of experience, the people who work here have been here for many years and are seeking new information all the time and to be on top of whatever it is they're serving"*. Overall, SE1 has essentially achieved brand level status as quality assurance on their services and competences: *"We have a high standard, and people know we are really into what we serve, both the participants and companies.... the companies know that if we are part of the package then they know they will get a person who is reachable/contactable for example."* What can be inferred from this, is that at the organisational and pragmatic level SE1 has performed successfully granting it legitimacy.

Innovation: The organisational composition of SE1 draws together two established theoretical premises. The first, is of SE's inherent innovative characteristic (Nicholls, 2006a), and the second, is of the PS's perceived lack of innovation and bureaucratic red tape (Torfing 2019). At large, SE1 operates according with institutionally legitimate norms, beliefs, and practices. Perceptibly, as an embedded appendage of the PS and with deference to its logics mean that isomorphic structures are strongly in place. This means that it does not experience the same degree of conflict in its missions or mode of operations because it principally carries out the wills of its institutional referent. In consequence, there is less space for manoeuvring, agenda-setting, and creativity. In part, this could explain the lower levels of innovation. Nonetheless, SE1 must still manage institutional complexity alongside pressures from the external environment. Together, they generate distinctive spaces of innovation.

Primarily, the impact of budgetary constraints affects the enterprise's entire operations. Firstly, as SE1 is a PS spin-off, its client base are public organisations which in turn determines its financial circumstances. NAV and the municipality buy 'places' each year as dependent upon the national and municipal budgets and unemployment rates. Correspondingly, the size and capacity of SE operations reflects these adjustments, thus demonstrating the constraining boundaries in which SE1 operates. Second and consequentially, the budgetary constraints imposed on SE1 sets limitations on the kinds of training equipment and provisions they procure, and further, in the financial viability of some of their activities. For example, in previous years SE1 was able to hold several

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workshops which offered to develop a variety of technical skills, however, over time it became progressively clear that these particular endeavours were no longer feasible. Next, the kinds of services offered by SE1 reflect external requirements and contractual deliverables of NAV and the municipality. For instance, offering drop-in services for individuals struggling with addiction or else, finding work for adults with severe lifelong disabilities. Broadly, these conditions fundamentally set the stage for where, and to an extent, why, innovation occurs. Of significance, the financial constraints mean SE1 employees “*need to be good at seeking new opportunities and projects*” requiring that they are ‘resourceful’ and ‘creative’. Further their ‘competence’ needs to come to the fore in their operations, training and workshops reflecting the wider environment, whether that is lower national unemployment rates or international crises, e.g., they are seeking financial support for beginning a project designed for refugees.

We therefore find SE1 closely operates within the larger (public) organisational confines, and so, the institutional pushes both demarcate and govern its operations but also produce small pockets for innovation, for the most, in ad-hoc, bricolage forms where the SE adapts to shifting socio-economic and political objectives and agendas (Levi-Strauss 1966; Fuglsang and Sørensen 2011; Zahra et al. 2009).

4.2. **SE2: Summary & Findings**

SE2, a WISE, provides employment to autistic adults and offers its services to both public and private clients. Composed almost exclusively of those with ASF and Asperger’s Syndrome, SE2 employs and therefore integrates, a heavily marginalised demographic. In this way, it addresses a pervasive labour market exclusion problem. By organisational design, SE2 generates its most explicit innovation through its workforce and consequently, faces unique legitimacy challenges.

Institutional Pressures and Legitimacy: The most prominent logics presented in SE2 combine the classic social-welfare and market logics famously merged by SEs. The PS (state) logic is also added to the mix of organising principles contributing to the institutional complexity. The organising principles, and the already-present pressures to attend to demands from contrasting logics means that the isomorphic forces create a significant complexity that must be managed by SE2. It faces challenges in balancing logics and managing tensions between conflicting logics when it adheres to market and social logics equally. For instance, when the SE was first formed, it was heavily driven by its social mission employing individuals who lacked the skill to produce the quality of

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work necessary for the SE to survive financially: "...we learned the hard way to be able to survive as a social entrepreneur...we need highly skilled people...". Resultantly, these early endeavours were unprofitable and required a revision of hiring criteria and processes. Moreover, the early focus and prioritisation on the social mission, was further illustrated in the need to restructure the organisation by reducing the size of management and employing a salesperson. The demonstrable prominence of social logic thus came at the cost of commercial viability which subsequently required a fundamental rebalancing of the social-welfare and commercial logics.

Among its commercial activities, SE2 recurrently secures public clients. Institutional pressures and balancing institutional logics remain a central task. Foremost, in meeting client deadlines and completion of works but also having to balance the needs of employees. Here, the logics of social-welfare and commercial/corporate/ professional logics are in direct conflict. In this event, the SE tries to assuage both parties. To the employees, management attempt to support and encourage them to produce quality work in a punctual fashion. At the same time, they have to remind clients to the nature of the employees' conditions and special requirements.

Notably, SE2 faces legitimacy challenges in ways the other two SEs do not. Firstly, it defies normative beliefs, norms and practices associated with the professional and commercial worlds through its employment of autistic adults- not as an addition to its workforce, but as its entirety. Moreover, it suffers from a lack of understanding and legitimacy "*It's taken time for people to understand that we are a business and not a charity for anyone with Asperger's. Of course, it's hard, we can't help everyone because to survive as a company, we need highly trained people*". In this way, it faces institutional conflicts from transgressing boundaries and additional pressures to demonstrate its capability to meet social needs and meet professional standards. Comparably, it faces challenges in the commercial sphere because of their unconventional employment practices. Therefore, they are forced to proactively demonstrate their competence and quality of services to assimilate into commercial institutional orders. Significantly however, identification and acceptance into the commercial sphere is more readily granted. Interviews revealed that many customers returned following their first experience praising the quality of work delivered by SE2. In this way, they demonstrate their proficiency in prescribing and enacting commercial and market logics. This could also allude to Young's (2006) assertion that the entrepreneurial dimension of social entrepreneurship is more easily understood than the social. SE2 demonstrates how the

dual mission and logics' prescription can cause conflicting legitimacy issues. On the one hand, it was rejected for its failure in not fully prescribing to the social logic and legitimate 'charity form'. On the other, it was granted a degree of moral legitimacy by buyers because of its prescription to social logics which was seen as a 'unique selling point' to the services they provided. Their early attempts in operating as a business with a varied, if not, unskilled labour force may well have been an innovative approach, however, it was quickly proven to be unsustainable and an illegitimate⁶ means of operation.

Innovation: In its closer association to commercial operations SE2 embraces the creative and entrepreneurial drivers that are commonly linked to the business world. As such, the foundational mission is to create employment for autistic adults and to create a successful business. Therefore, their innovation first and foremost derives from their workforce. It represents a distinctly disruptive approach contra to propriety and legitimate organisational norms. From which point, it has proceeded to generate additional, innovative projects which further its social mission and then market them to public entities. For example, the development of an online platform offering a comprehensive assessment of autistic needs and education on autism to schools, municipalities, and NAV. SE2 are shown to address market failure (the exclusion of autistic people from employment) and exploiting that opportunity for social value creation where they capitalise on the strengths of this group. In addition, they are incredibly resourceful looking for funding opportunities and bolstering their operations "*we are very good at getting everything that we possibly can from NAV and arguing for this company because we need to stay alive*". In this way, their resourcefulness and entrepreneurial endeavours sustain the organisation and then used to stimulate their social innovations which are further introduced to the broader social system with intent of reform (Zahra et al. 2009). Importantly, their identification with the innovation concept evokes the transformative use described by Ziegler (2014) in seeking societal and structural change. Moreover, their approach firstly, to meeting the needs of an identified underserved, vulnerable group and second, to their visionary aims in expanding the scale of their impact to other contexts aligns with a social constructionist 'type' of SE (Zahra et al. 2009). Collaborative ventures are said to offer benefits of building, growing, and maintaining the organisation; however, it can also constrain or alter their missions, i.e., mission drift (Zahra et al. 2009). SE2 demonstrate awareness of this premise through appeals for greater connection and support; both institutional and economic, yet at the same time, are hesitant to becoming

⁶ In Greenwood's (2017) sense of appropriateness to a system

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too entangled for fear of losing freedoms “...*you have to apply, and you have to be accepted...but if we do, obviously we are or will lose the freedom we have to do whatever we want to.*” In this way, aligning with institutional norms and practices are conceived as infringements on innovative spaces which, at this time, the SE is unwilling to acquiesce to. In specifically a public frame, it can also be related to the red tape of the PS and characteristics of tight control, high regulation and risk aversion (Edvik and Björk 2016; Torfing 2019).

4.3. **SE3: Summary & Findings**

SE3 is part of an international foundation and as such, it is one of multiple residential communities providing assisted living. The geographic location of each residency has significant impact on its organisational structure e.g., financial arrangements vary from dependence on grants, fundraising and donations, state support, to earned income. For this reason, residencies are to an extent dissimilar from one another despite sharing the same fundamental ethos.

Institutional Pressures and Legitimacy: SE3 combines various revenues e.g., residency fees, grants from the state budget, small incomes from the onsite micro-trades and money from the municipality for the care of residents. Despite the ranged incomes, they are not treated as profit and all revenues are channelled back into the residency and its social mission. In this way, SE3 is more firmly situated within the legitimised institutional category of non-profit / charity (NP SE). As a NP SE, it does not face the same challenges as SEs who are characterised as commercial social-businesses (Defourny et al. 2021), and who can consequently struggle with organisational identification in either social terms or market forms. Thus, in one sense, SE3 is afforded legitimacy within the ‘charity’ organisational field for strongly prescribing to its institutionalised logics. As such, they project at least partial appropriateness to established institutional referents (Pache and Santos 2013). However, SE3 recognise they fail to fully prescribe to institutional forms which has tangible consequences, e.g., they were denied financial support in a time of crisis for being neither private nor publicly owned.

Innovation: Its ethos and mode of service operations present a visibly innovative and disruptive alternative to conventional behaviours and practice. In this way, they could be considered social constructionists and aspiring social engineers with their

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revolutionary, ideological vision and transformative approach to innovation (Zahra et al. 2009; Ziegler 2014). SE3 follow an unorthodox philosophy which the communities live and work by: *"we think our idea, our vision, is a good thing so just getting the message out to tell the world how you could do the work or how you could live your life in a different way"*. Therein, they offer a distinctly unique approach to the services they offer the public. To counter the legitimacy issue this can trigger and appeal to external audiences (Battilana and Lee 2014), SE3 continuously tries to promote and display their operations, e.g., videos and multimedia or else, dialogue and engagement with political entities, *"that's also very important to use to have good awareness, the promotion...and we have to be politically visible"*. Thus, gaining them visibility, recognition, and legitimation. Evidently, SE3, associated with the charity institutional sphere, is driven by the social-welfare logic, and then compounded by the state logics which sustains its operations.

5. Conclusion and Contributions

Insofar, analysis of the empirical work is limited. Nonetheless, the neo-IT lens has begun developing theoretic structures which will permit exploration into how legitimacy and institutional pressures generated from the PS bears upon the innovative capacity of SEs acting as public suppliers.

The study's findings show indications of how legitimacy and innovation interact in this area of social procurement. SE1, a PS spin-off, is integrated into the logics and institutional norms of the state. Bound by these structures, they are afforded legitimacy and security. However, owing to the structural constraints, we find that the actors engaged in the social services are pushed to act creatively in maximising their potential social impact but ultimately, they lack the political and economic freedoms to enact their own will. SE2 maintains a closer resemblance to a 'typical' SE acting on market and social logics (Defourny et al. 2021; Nicholls 2010). We see that acting independently and opportunistically, SE2 are able to innovate in the transformative sense (Ziegler 2014). At the same time, this comes at a cost where they are constantly managing conflicting logics and striving to project appropriateness to various stakeholder groups. SE3 aligns closer to the 'charity' form with social logics as central and a heavy dependence on state funding. Nonetheless, to ensure state funding and a regular contract, SE3 lean heavily on projecting their social logics and appropriateness to garner legitimacy associated with the charitable field. In so doing, they are able to sustain their social cause which is ideological and innovative in nature.

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At this stage, these insights support Mulgan's (2006a) position that space is needed in public markets for social entrepreneurship to innovate. SE1 struggle to maximise their impact due to institutional constraints, while SE2 demonstrate aversion to closer integration for fear of the institutional binding, limiting their innovative capacity. SE3 also offer social value-adding services which the state itself cannot provide demonstrating the advantage of creating space for SEs. This will require flexible contracts and time which will be essential for establishing productive and innovative relations between partners (Edvik and Björk 2016). Therewith, SEs can develop trustworthiness and predictability (Sparviero 2019; Yang and Wu 2016). Returning to the Norwegian context, despite a strong welfare model, the conditions are changing and demands for innovation rising (European Commission 2019). In this environment SE could play an influential role (European Commission 2019). The institutional and legal framework is yet to recognise them, and therewith, an opportunity to create conditions conducive to the innovative capacity. This study's insights can form groundwork for optimising this goal.

Institutional theory has garnered criticism for failing to explain agentic behaviour and institutional change preferring to look for sources of action exogenous to the actor (Thornton et al. 2012; Wooten and Hoffman 2017). In contrast, the bedrock of entrepreneurship research has focused on the entrepreneur and their 'heroic' personal traits largely neglecting institutional factors (David et al. 2017). Only recently has an institutional approach to entrepreneurship taken shape (David et al. 2017). This paper's contributions address the incongruity between fields: of unaccounted for agency and institutional structures respectively. Foremost, it links legitimacy, a core concept of institutional theory to innovation, the hallmark of social entrepreneurship (Nicholls 2006b). Approached through social entrepreneurship, this paper further contributes to the wave of renewed attention into neo-institutional theory (Alvesson and Spicer 2019; Dart 2004). Doherty et al. (2014) also note research is advancing institutional theory, yet theory development is needed into social innovation which this paper addresses. Lastly, research into innovation connected to the PS is growing (Vickers et al. 2017), and so, this study offers a fresh approach centring on social procurement, thus making it of relevance to Public Administration.

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