International Doctorate in Entrepreneurship and Management (iDEM)

Doctoral Thesis

Legitimation Strategies of Social Enterprises in the Dynamic Ecosystem of Developing Countries: An Institutional Approach

Author: Alina Spanuth

alina.spanuth@autonoma.cat

Supervisor: David Urbano

david.urbano@uab.cat

Department of Business and Centre for Entrepreneurship and Social Innovation Research

School of Economics and Business

Universitat Autònoma de Barcelona, Spain

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List of Abbreviations

EE	Entrepreneurial Ecosystem
IF	Impact factor
INGO	International Non-governmental Organization
IWW	Informal Waste Worker
NGO	Non-governmental Organization
NPO	Non-profit Organization
SDG	Sustainable Development Goals
SE	Social Entrepreneurship
SEE	Social Entrepreneurial Ecosystem
SLR	Systematic Literature Review
SME	Small and Medium sized Enterprise
WoS	Web of Science

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Abstract

Social Entrepreneurship has been recognized by academia and practitioners as having the potential to contribute to solving societal grand challenges. Particularly in developing countries, social entrepreneurship can lead to the provision of fundamental necessities and contribute to inclusive growth. Nevertheless, the newness of the hybrid business model still creates barriers to organizational legitimacy.

The main objective of this dissertation is to analyze the legitimation strategies of social enterprises by utilizing the theoretical framework of institutional theory and the entrepreneurial ecosystem framework in a developing country context. Specifically, this study (1) explores the current state of research on social enterprise legitimacy (O1), (2) conceptualizes what a social entrepreneurial ecosystem is, how it differs from the commercial entrepreneurial ecosystem model, and explores how social entrepreneurial ecosystems form and transform (O2), and (3) explores the process of how social enterprises achieve legitimacy for themselves and how they facilitate the process of legitimation for marginalized actors within their society (O3).

The methodology used is qualitative applying established methodological procedures for grounded theory development. The primary data collection is based on a three-month-long field trip to Nepal, where interviews, participants, and direct observations were conducted. Combined with historical documentary material, this ethnographically informed data builds the basis for this research and results in several case studies that create novel theoretical and practical insights. Process methodology is used and results in chronological accounts that inform the developed analytical process models

The main findings of this dissertation reveal the processes involved in building legitimacy and how informal and formal institutions can either accelerate or impede this process. These findings contribute to legitimacy theory by elucidating legitimization as an ongoing process that progresses through stages during continuous iterations of strategic activities. Additionally, the conceptualization of the social entrepreneurial ecosystem presents potential for future research. For practitioners, these findings offer guidance for creating frameworks and strategies to build legitimacy for themselves and the communities they aim to serve. For policymakers, the findings can inform the creation of support structures to promote social development.

Keywords: social entrepreneurship, social entrepreneurial ecosystem, legitimacy, institutional theory, developing country, marginalized groups

1. Introduction

Social entrepreneurship (SE) has received increasing attention in the past decades due to its potential to solve grand societal challenges of present times such as access to education, societal inequality, health and hygiene provision, climate change, and many more (George et al. 2016). SE aims to create positive social impact and social change through innovative activities and market-based skills (Austin, Stevenson, and Wei-Skillern 2006). Due to its potential to recognize and create opportunities for solving social problems through innovative practices, SE has been identified as a way to address the UN Sustainable Development Goals (SDG) by academics, policymakers, and practitioners (Vujaninović, Lipenkova, and Orlando 2018).

SE can take many forms, it can be a non-profit venture using business expertise and tools, it can be a for-profit business that has a social mission at the core of its operations and strategy, and it can also be a governmental organization pursuing to create positive social value and social change. Thus, SE is a contested concept (Choi and Majumdar 2014), without a single clear definition, but with the commonality of the underlying drive to create social value rather than personal or shareholder wealth (Austin et al. 2006). For the purpose of our study, we define SE as for-profit ventures, that can be financially sustainable but have a social mission at its core aimed at creating social change that guides its business purpose (Alvord, Brown, and Letts 2004).

Some of the most popular examples of social enterprises are the Aravind Eye Hospital in India, which offers cataract surgeries at very small costs for those who can otherwise not afford it, Sekem in Egypt, which was instrumental in reducing pesticides in cotton fields, and the Grameen Bank in Bangladesh, which brings financial inclusion to rural female communities by offering micro-credits (Bacq and Eddleston 2018; Battilana and Lee 2014; Mair and Martí 2006). These and many more successful social enterprises indicate the potential that SE has for supporting marginalized, rural, and disadvantaged communities globally (Santos 2012). A potential that was discovered as an alternative or at least a compliment to development aid as a traditional approach to alleviating poverty, which has received much critic over the past decades. SE empowers local communities and gives back agency to address and solve local problems through homegrown innovative initiatives (Santos 2012). Due to its practical significance, it is highly relevant to study SE and advance empirical and theoretical understanding to support SE development and growth.

1.1 Problem Statement and Research Gap

Although SE has gained popularity among academicians and practitioners alike, social enterprises often still lack legitimacy (Kerlin et al., 2021; Lehner and Nicholls, 2014; Nicholls, 2010). Legitimacy, defined as "*a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions*" (Suchman 1995: 574), is usually achieved by either aligning with institutional structures, practices, and behavior (Fisher et al. 2016) or through achieving institutional change to create new institutional conditions (Jones and Massa 2013). The liability of novelty (Gümüsay and Smets, 2020) and the underlying duality of the concept (Battilana and Lee, 2014) are some of the reasons for the limited legitimacy. SE comprises ideas of both non-profit and for-profit organizational models, which is considered paradoxical from the traditional perspective (Smith, Gonin, and Besharov 2013). However, legitimacy is considered necessary for ventures to acquire critical resources (Aldrich and Fiol, 1994; Lounsbury and Glynn, 2001; Zimmerman and Zeitz, 2002). Thus, it is relevant to understand how the legitimacy of social enterprises can be achieved.

Based on existing literature, which has explored strategies that social enterprises use to acquire legitimacy (Spanuth and Urbano 2024), we have an understanding of how legitimacy can be achieved. For instance, studies have examined how organizations that address social issues can gain legitimacy by employing persuasive stories and rhetoric to manipulate public perceptions, values, and norms (Aldrich and Fiol, 1994; Golant and Sillince, 2007; He and Baruch, 2009; Lounsbury and Glynn, 2001). Furthermore, other strategies such as impression management (Ashforth and Gibbs, 1990), strategic collaborations, stakeholder engagement, or discursive government processes (Huybrechts and Nicholls 2013; Liu, Zhang, and Jing 2016; Smith and Woods 2014) have been used as tools for legitimacy acquisition. While we know which strategies can lead to legitimacy, what has widely been missing from the discussion is a process perspective on legitimacy. Much of the literature is written on legitimacy as a property, viewing legitimacy as a resource or asset, fewer investigations have examined legitimacy from a process perspective (Cannon, 2020; Suddaby, Bitektine, and Haack, 2017). The legitimacy-as-process perspective considers multi-actor, multi-level phenomena often led by groups of individuals or organizations seeking to create social change. This process lens adds important insights, as legitimacy building is a process that takes time, as we know from sociology that the manifestation of social structures as new realities is a lengthy process and relies on various interactions over time (Alvord, Brown, and Letts, 2004; Berger and Luckmann, 1967).

When studying SE and its legitimacy, it is of utmost importance to consider the context in which SE is embedded, for two main reasons. First, legitimacy, as mentioned above, is dependent on the societally constructed system of values and beliefs, which is manifested in culture. Culture is an informal institution that creates the "*rules of the game*" for human interactions (North 1990: 5). Not surprisingly, legitimacy is strongly embedded in institutional theory (DiMaggio and Powell 1983) and as culture is context-dependent, institutional contexts need to be considered when studying legitimacy. Secondly, SE is very much embedded in local contexts due to its nature of providing solutions to social problems, which are very locally relevant. Due to different institutional structures, social problems also vary by region. Therefore, when studying SE and its solutions, one must analyze the context in which they are embedded and their implications for this context (Lashitew, Bals, and van Tulder 2020; Seelos et al. 2011; Smith and Stevens 2010).

The embeddedness of social enterprises can be seen from two perspectives. First, on a meso level, social enterprises are embedded in and operate within an entrepreneurial ecosystem (EE). EEs are "*combinations of social, political, economic, and cultural elements within a region that support the development and growth of innovative start-ups and encourage nascent entrepreneurs and other actors to take the risks of starting, funding, and otherwise assisting high-risk ventures.*" (Spigel 2017: 50). Successful EEs such as Silicon Valley, Tel Aviv, and Singapore have served as guiding examples for researchers and practitioners, inspiring efforts to replicate their success models in other regions as it enables cultivating resilient regional economies through a well-balanced combination of supportive elements and actors that support the emergence and growth of ventures (Isenberg 2010; Roundy 2016; Roundy, Bradshaw, and Brockman 2018; Spigel 2017b). However, the EE for social enterprises that would facilitate the scaling of social ventures to achieve increased social value has not yet been explored in depth. Some scholars argue that social enterprises operate in the same space as any other business and, hence, the EE framework can be applied to social entrepreneurial ecosystems (SEE) as it follows similar dependencies and is comprised of the same components (Roundy and Lyons 2022). However, SE has not received much visibility in the EE discussion, and an increasing number of scholars argue for a need to consider SEE distinctively from a community-centric approach (de Bruin et al. 2022). The research stream of SEE is in its infancy and this research study aims to contribute to this stream.

Second, on a macro level, social enterprises are embedded in local formal (laws, regulations, infrastructure, formal networks) and informal (culture, customs, norms, values, beliefs,

informal networks) institutions. These written and unwritten institutions act as boundary conditions for any interaction (North 1990). Thus, social enterprises, their actions, and the legitimacy of both are constrained by what is formally and informally accepted in their regional context (Guerrero and Urbano 2020; Urbano, Toledano, and Soriano 2010). To understand how social enterprises can operate and achieve legitimacy both the meso and macro level have to be explored and considered, which is the subject of this dissertation. Additionally, contextualization in entrepreneurship research has identified an alerting gap in studies in non-Western or Industrialized countries (Welter, Baker, and Wirsching 2019). As identified above, SE is especially important in developing countries as it can address the provision of basic human needs, which makes it even more relevant to study social enterprise legitimacy in the context of developing countries.

1.2 Research Objectives and Main Contributions

Based on the identified research gaps, this research study is positioned within the field of SE, legitimacy, EE, and institutional theory. The overarching objective is to analyze the legitimation strategies of social enterprises by utilizing the theoretical framework of institutional theory and the EE framework in a developing country context. The specific objectives are the following.

Objective 1: To explore the current state of research on social enterprise legitimacy from an EE and institutional perspective

Objective 2: To conceptualize what a SEE is, how it differs from the commercial EE model, and explore how SEEs form and transform within a region considering the institutional environment

Objective 3: To explore the process of how social enterprises achieve legitimacy for themselves and how they facilitate the process of legitimation for other actors within their society considering the institutional environment

With this study, we contribute to literature and theory in many ways. The aforementioned scarcity of exploration of the SEE leaves us with a theoretical gap as to what SEE are and how they function. We contribute to the literature by unpacking it and creating new research avenues in the field of SEE. We also empirically investigate how a SEEs form and transform within the specific influence of disaster and crisis on ecosystem development. Through this, we add to the theory explaining how SEEs form under the influence of disastrous events, which is a societally

relevant topic in light of increasing global disaster. Lastly, we add to legitimacy theory by elucidating legitimation as an ongoing process that passes through stages of conditional legitimacy during continuous iterations of strategic activities. In contrast to existing theory, where legitimacy has traditionally been the sole targeted outcome, we argue that conditional legitimacy must be regarded as a phase within the process deserving more attention. By dissecting smaller components of the process and examining how conditional legitimacy can be attained, we can gain a deeper understanding of the intricacies and nuances of the legitimation process.

Additionally, we provide important contributions to practitioners from the point of view of social entrepreneurs and policymakers. Many social entrepreneurs struggle to implement effective strategies to build legitimacy and navigate within the SEE. Our findings can be used to guide social entrepreneurs to create efficient frameworks, strategies, and measurements to build legitimacy for themselves and for the communities that they try to serve. Specifically, chapter 5 provides actionable items for strategy implementation with the 4C's of social enterprise legitimation. For policymakers, the findings of our study can help create support structures for SEE to foster social development in their region, as we provide recommendations for financial and non-financial support mechanisms that can support SEE development, in the aftermath of disaster and beyond. Through the use of the institutional lens, we provide insights and recommendations for regulations, policies, and cultural considerations that can support social enterprise legitimacy in societies. Our findings have importance on a global level, as social enterprises have the potential to contribute to the SDGs. As we uncover how social enterprises facilitate legitimation for marginalized groups, our findings can guide practices and policies that contribute to reduced inequality (SDG #10) by including marginalized groups into societal activities.

1.3 Research Context and Setting

Our research is set within the institutional context of Kathmandu, Nepal. With a population of 29 million (World Bank, 2021), Nepal is ranked 146th out of 193 countries based on the Human Development Index (HDI), with a rating of 0.601, making it one of the least developed countries globally (Kathmandu Post, 2024). From both informal and formal institutional perspectives, Nepal is a unique yet academically mostly unexplored setting (Basnet et al., 2020). Next to India, Nepal is the only Hindu nation globally. Although the caste system was officially abolished with the fall of the monarchy, differences in social classes still play a role in many aspects of life (Arora, 2022). Nepal is one of the very few countries in the Global

South that has never been colonized, although the impact of colonialism in the rest of South Asia has also affected Nepali institutions (Chene, 2007). Due to the Sugauli Treaty of 1816 that was signed between Nepal and the UK-led East India Company following the Anglo-Nepalese war, Nepal lost territory and allowed critical effects on Nepal's sovereignty (Shrestha, 2005). While the treaty stipulated that Nepal's government structure should be without external interference from Britain, it committed the ethnic group of the Gurkhas to fight for the British army (Rathaur, 2001). The mass recruitment of the Gurkhas by the UK army and later permanent migration to the UK also led to a "brawn drain" and "brain drain", which had implications for the Nepali labor market. This near-colonial experience and its implications make Nepal a unique context from anthropological, historical, and institutional perspectives.

Nepal is affected by regular natural disasters like floods, land erosion, and earthquakes, with the earthquake in 2015 being the most disastrous, killing 9,000 people and leaving more than 22,000 injured (World Vision, 2015). Moreover, the ten-year-long civil war that ended in 2006, leading to a transformation in the political system, created changes in various institutions (Nightingale, et al., 2018). Nevertheless, a historic transformation has been taking place in Nepal since the formation of the constitution and the new federal political order implemented in the beginning of 2018. Despite positive achievements of political stability, advancements in social inclusion and economic development, the country is facing structural constraints such as slow domestic job creation, high vulnerability to natural disasters, and infrastructure gaps. Additionally, the Covid-19 pandemic has created a surge in debt, and it remains to be seen if the advantages of the federal decentralized government will hold up to the hopes of inclusive growth and sustainable development of the country (World Bank, 2021).

Nepal ranks 110th out of 190 nations regarding the ease of doing business due to many formal barriers like lengthy bureaucratic processes, unfavorable legal frameworks, corruption, and a lack of funding opportunities (World Bank, 2021). Despite the difficulties, an increasing number of entrepreneurs are setting up businesses in pursuit of improving the economic sustainability of the country. During the last five to seven years, the term entrepreneurship has received increasing attention as a source of economic and social development in Nepal. Moreover, the concept of SE has entered Nepal's business sector as an emerging trend. In 2015, the Center for Innovation & Entrepreneurship Development in King's College Nepal organized Nepal's first International Conference on Social Entrepreneurship (Edusanjal, 2015). In 2020, the government announced the establishment of a Social Entrepreneurship Fund aiming to

make social organizations self-reliant. The Social Welfare Council was appointed to coordinate the program across all regions in Nepal (The Rising Nepal, 2020). Following in 2021, the first School of Social Entrepreneurship was launched in Nepal aiming to produce social entrepreneurial capabilities across Nepal (ShareSansar, 2021). Although the SEE is still in a nascent stage, these and other developments have created a hopeful pathway for socio-economic growth. Between tradition and innovation, social enterprises, mostly led by Nepali youth, aim for social and economic development.

Nepal has undergone a dynamic transformation in the past two decades. From being regarded as a "failed state" by the Found for Peace Index up until 2010 (Estes, 2011), it is now facing strong development potential (World Bank, 2021). The recent and somewhat rapid changes in the socio-economic and political environment, combined with some deeply rooted traditions, make Nepal an extreme case and provide interesting ground for conducting research regarding SE, institutions, and legitimation. Few other settings would allow such investigation, as political and socio-economic changes usually take decades instead of a few years. Nepal offers an opportunity to (1) explore rapid changes, making process analyses feasible, and (2) investigate the effect of exogenous factors on the social enterprise legitimation process within (3) a unique institutional setting. In this sense, it meets the criteria of an "extreme case" with high theoretical and practical interest (Eisenhardt, 1989).

1.4 Structure of the Research

According to the specific objectives of the study, the thesis is divided into three phases and five chapters. In the following, we highlight the main objectives and methodology of each in each chapter.

Phase 1: Systematic Literature Review

According to objective 1, we have conducted a systematic literature review on social enterprise legitimacy within the EE and institutional context in Chapter 2. The goal was to identify the current state of research on social enterprise legitimacy from an EE and institutional perspective. The aim was the answer the research question *Why and how do social enterprises aim to obtain legitimacy in different contexts and towards which ecosystem actors?*

The methodology used is a systematic literature review focused on articles based on the Web of Science (WoS) social citation index. The keywords were searched in the title and abstract within the WoS core collection, covering all editions and listing academic journals with an

impact factor (IF). Only peer-reviewed articles were included, and we excluded grey literature such as working papers and conference proceedings. The search was restricted to English papers available in the database until December 2022, including articles, review articles, open access, and early access from any journal. The search consisted of the words 'social enterprise' and 'legitima*'. The keyword 'legitima' was used to account for all possible results related to legitimacy, such as legitimation. We conducted additional keyword searches to account for proxies of social enterprise, such as social innovation, and proxies of legitimacy, such as acceptance and recognition. We also conducted four additional keyword searches using the words 'social business', 'social venture', 'social company', and 'social organization' to cover different expressions of the concept of enterprise.

The key findings show that social enterprises aim to acquire legitimacy as it facilitates them to (1) acquire tangible resources (financial and material investments), (2) intangible resources (community support and trust), (3) compete with commercial businesses and NPOs, (4) signal compliance with competing stakeholder demands, (5) overcome institutional challenges, and (6) create social impact and institutional change. Social enterprises thereby address many stakeholders within the EE, such as government agencies, investors, donors, customers, beneficiaries, employees, volunteers, the community, Universities, and support intermediaries. The legitimacy strategies that social enterprises use can be categorized into collaborative strategies, structural strategies, and communicative strategies. Collaborative strategies encompass cross-sector collaborations, partnerships, discursive governance, social engagement, or work with intermediaries. Structural strategies include the voice of legal organizational form, business registration, Social and financial reporting, accountability, or performance measurement. Finally, communicative strategies include storytelling, rhetoric, distinctiveness claims, socialization strategies, or stakeholder incentives (Spanuth and Urbano 2024).

Based on the literature review we have uncovered the scarcity of social enterprise legitimacy literature across diverse contexts. The literature, like many others, is highly Western-centric, with only a few insights from Asia, Africa, Latin America, or Oceania. However, as we emphasize in this chapter, social enterprise legitimacy is highly context-sensitive, and strategies that might work in one region, might not be effective in others. This calls for a need to conduct research in more diverse settings to gain new empirical insights that can inform theory development with a global perspective. Additionally, the importance of the social enterprise's closeness to the audience is highlighted because social enterprises often create

solutions that target vulnerable communities so the role of embeddedness to their audience is especially important for social enterprises compared to traditional businesses. Finally, we argue that legitimacy is a multidimensional endeavor that cuts across the firm level, ecosystem level, and institutional level, which creates complexity. Nevertheless, we did not find any research paper that considers legitimacy from an ecosystem perspective. Generally, the literature on SEE was found to be scarce and the SEE is not clearly defined or distinguished from traditional EEs. Further, as ecosystems and institutions are dynamic, legitimacy under these aspects has to be observed as a process from a longitudinal perspective. For these reasons and based on the literature gaps that we uncovered, the following chapters address social enterprise legitimacy from a process perspective, considering the ecosystem and institutional environment within a unique setting, which allows us to create new empirical insights to inform theory and practice.

Phase 2: Social Entrepreneurial Ecosystems

The first step is to examine what a SEE is. As we found that existing literature does not clearly identify whether essential distinctions between EE and SEE exist, in Chapter 3, we conceptualize what an SEE is and how it differs from the commercial EE model, according to research objective 2. We ask the research questions *What is a SEE?* and *How are SEE different from EE?* The main findings of this conceptual chapter are that EEs and SEEs differ fundamentally in four characteristics: Exit motivation, social enterprise identity, definition of scaling, growth, and value, and support dynamics, intermediaries, and power structures. While in EE growth and value are measured financially and the end goal is often a positive exit in the form of an IPO, in SEEs social value creation and social change are the parameters that define growth and scaling. The ecosystem needs to be structured around the goal of solving a local social problem. This leads to higher exposure to flux compared to EEs, because the support structure in SEEs often relies on support by donors and international agencies, especially in the case of developing countries. These often follow their own agenda, which can lead to discrepancies between the wants and needs of the agents compared to the beneficiaries.

In Chapter 4, we then explore how SEEs form and transform amidst disaster and crisis in the setting of Kathmandu, Nepal, which is the research setting of this doctoral dissertation. To answer the research question *How does a social entrepreneurial ecosystem form and transform amidst disastrous and crisis events?* we conducted an ethnographically informed inductive study, where we used a combination of semi-structured interviews, observations, and documentary material, to create a timeline showing the unfolding SEE development between

2011 and 2023. We analyze the institutional context (formal and informal institutions) and how disastrous events, as in the case of Nepal its earthquakes and the Covid19 pandemic, influence transformation in the SEE. We analyze the influence of disaster and crises across the dimensions of ecosystem actors, formal institutions, and cultural factors, and the level of interaction within the ecosystem, which has been shown to increase. With this study, we show context-specific developments, which could be generalized across other developing countries contexts that experience frequent disasters and crises. Our analytical findings show how disaster as an external enabler creates permeability within the institutional environment that shapes new contextual realities and that disaster affects the ecosystem development depending on the nature of the disaster, which can be global vs. local, creating a stronger focus on either the social or the financial direction of the SEE.

Phase 3: Social Enterprise Legitimation

In Chapter 5, we address objective 3 by exploring how social enterprises built legitimacy in their society considering their institutional context. To answer the research questions *How do social enterprises create legitimacy within society over time?* and *How do institutional factors influence the process of social enterprise legitimation?* we conducted a multiple case study of nine social enterprises located and operating in Kathmandu, Nepal, and used semi-structured interviews, observations, and documentary data to analyze the strategies that they implemented with the aim of creating legitimacy over their organizational life cycle. Based on the challenges to legitimacy that we identified in our SLR, we tried to connect strategies and legitimacy challenges and build a temporal account showing the legitimation process. Our findings are developed into an analytical model, showing the 4C's of legitimation, called *Co-creating, Confirming, Consolidating*, and *Collaborating*. We show (1) that co-creating addresses the lack of closeness and trust to the audience, (2) that confirming helps to overcome business model skepticism, (3) that consolidating helps to overcome issues of hybridity, and (4) that collaborating helps to overcome issues of tensions towards NGOs and commercial businesses. We also show how formal and informal institutions act as accelerators or brakes to the legitimation process.

With this study, we investigated the legitimation process of social enterprises aiming for their legitimacy creation. Additionally, we reverted the perspective and in Chapter 6, look on how social enterprises can be part of the legitimation process for others instead of themselves. Therefore, we explored how social enterprises facilitate legitimacy for marginalized groups

within their society. In the context of Kathmandu, Nepal, we explored the legitimation process of informal waste workers (IWWs), which are a highly marginalized group in Nepal based on religio-cultural traditions and the concept of untouchability. To answer the research question *How do social enterprises facilitate legitimation for marginalized groups in societies?* we use an ethnographic informed single case study and demonstrate how a Nepali-based social enterprise has contributed to the legitimation process for informal waste workers by employing the *3R* strategies of *Reconditioning* the work situation of waste workers, *Reframing* waste workers as environmental heroes by creating new connotations distinct from cultural perceptions through the use of rhetoric, and *Representing* through collective action by building partnerships and alliances. Our findings show the importance of capacity-building, rhetoric, and collective action in the legitimation process for marginalized groups. Thereby we consider conditional legitimacy as a preliminary outcome of the process, which deserves stronger attention in theory development.

To summarize, Figure 1.1 shows the phases of the dissertation.

Figure 1.1 Phases of the dissertation
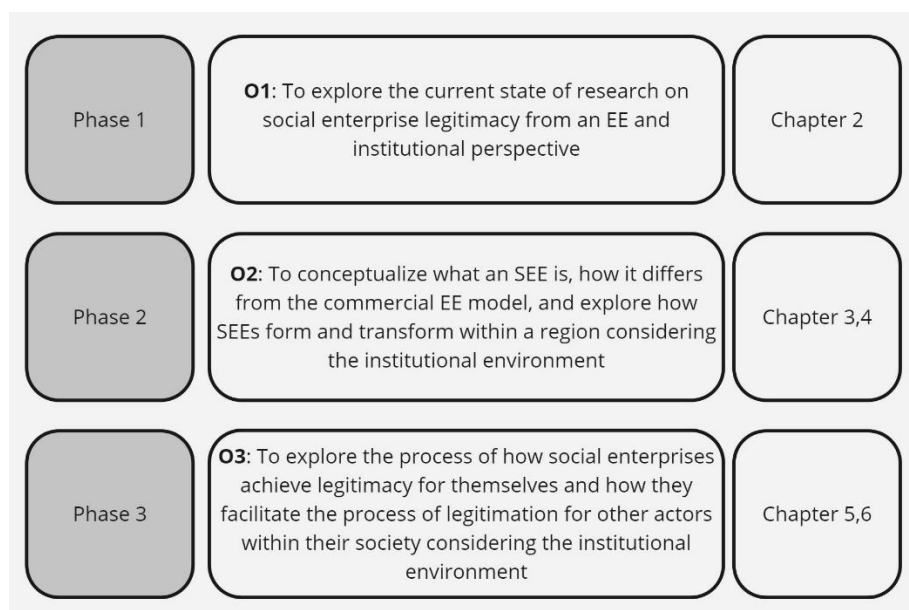
2. Examining the Legitimacy of Social Enterprises in Ecosystems through an Institutional Lens: A Systematic Review and Future Research Agenda

2.1 Introduction

"No one else can take away your legitimacy or give you your legitimacy if you don't claim it for yourself."

– Chris Gardner, The Pursuit of Happiness

The hybrid nature of social enterprises allows them to simultaneously pursue financial sustainability and social value creation (Park and Bae 2020). However, a lack of legitimacy and limited public awareness of SE have been recognized as major impediments to market entry and venture growth (Ambati 2020; Davies et al. 2019; Zamantılı Nayır and Shinnar 2020). As stated in the previous chapter, legitimacy, as defined by Suchman (1995, p. 174), refers to *"a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions."* Legitimate organizations are not questioned or mistrusted, resulting in higher survival and growth rates (Meyer and Rowan 1977). Therefore, it is crucial for social enterprises to develop and implement strategies to attain and maintain legitimacy.

The existing body of literature has identified various legitimacy strategies employed by social enterprises. However, a holistic understanding of the reasons behind legitimacy pursuits and the strategies utilized, related to the context in which social enterprises are embedded, remains elusive given the broad range of stakeholders and institutional conditions that influence the success of such strategies. Nonetheless, having this understanding is crucial for guiding social enterprises in selecting strategies that align with their objectives and contexts to create a positive social impact.

Social enterprises are embedded in local communities to a greater extent than traditional commercial businesses, as they endeavor to address social problems by serving these communities, rendering them subject to institutional pressures (Seelos et al. 2011). Consequently, both the institutional theory literature (DiMaggio and Powell 1983; North 1990) and the EE framework (Isenberg 2010; Stam and Spigel 2016) have gained increasing attention as important areas in legitimacy research.

Entrepreneurship does not take place in a social or cultural vacuum (Bruton et al. 2010). Thus, the historical, cultural, temporal, social, political, and institutional context sets boundaries for entrepreneurial action (Aidis et al. 2007; Estrin, et al. 2008; Roundy 2019; Urbano et al. 2019; Welter 2011). In the context of SE, the question of how social enterprise legitimacy can be achieved in a challenging and dynamic environment with various actors and institutions arises. Social enterprises are not only embedded within institutions but can also be part of an EE, which consists of many actors across different institutions. Formal and informal institutional factors shape ecosystem elements (Audretsch et al. 2021; Auschra et al. 2019; Carayannis et al. 2021). Thus, we integrate social enterprise literature with both institutional theory and EE components to understand who (ecosystem actors) social enterprises target while pursuing legitimacy, why they do so, and how they do it while being embedded in the institutional environment.

Although a significant amount of research has been conducted to investigate social enterprise legitimacy, the findings in the literature are fragmented, and a systematic understanding of why and how social enterprises obtain legitimacy from which actors and institutions is necessary to move this research stream forward. While the existing review by Überbacher (2014) incorporates an institutional perspective on new venture legitimacy and analyzes how and why organizations achieve legitimacy, the review does not look into the individual institutional or EE elements in order to explore legitimacy strategies based on these elements or the differences between regions. Furthermore, this matter remains specifically unclear in the case of social enterprises, as social enterprises are not part of their review. This issue is theoretically and practically relevant because social enterprises, due to their hybrid nature, face challenges that traditional businesses do not encounter, such as organizational mission drift (Chen et al., 2020). To address this gap, this paper conducts a systematic literature review (SLR) and contributes to the literature by connecting the dimension of social enterprise legitimacy and EE elements with the underlying institutional setting. As a result, this paper identifies gaps in the current literature and articulates potential future research avenues. We answer the following research questions: *Why and how do social enterprises aim to obtain legitimacy in different contexts and towards which ecosystem actors?*

We also provide insights on a descriptive level on the theoretical frameworks that have been used in the existing literature at the interface of social enterprise legitimacy, institutions, and EE, the geographic contexts in which social enterprise legitimacy has been investigated, and the methodological procedures that were used in these studies. Answering the proposed

questions is important to understand the rationale behind legitimacy pursuits and to be able to create effective legitimacy strategies for social enterprises, which will help practitioners in their strategy creation and ultimately create even more positive social impact.

The remainder of the paper is organized as follows: The next section presents the methodological procedure through which we extracted the relevant papers for our review. This is followed by the synthesis and analysis of our results. In the subsequent sections, the findings are categorized and discussed, and implications are drawn. A future research agenda is outlined, and finally, our conclusions are reported.

2.2. Methodology: A Systematic Literature Review

For this systematic literature review (SLR), we categorize and synthesize existing knowledge on social enterprise legitimacy within its surrounding institutions and/or ecosystems and propose a future research agenda in this field. We chose this methodology due to the opportunity for improved rigor and breadth in SLRs as compared to traditional literature reviews (Mallett et al. 2012). SLRs provide a transparent and holistic overview of existing knowledge and allow us to absorb the full amount of research in a field (Williams et al. 2021). Given our goal to review all existing literature on social enterprise legitimacy, social entrepreneurial ecosystems, and its institutional context, SLR is the most appropriate methodology for our objective. To ensure a rigorous SLR of published work on social enterprise legitimacy and its institutional context, we adopt a comprehensive methodological procedure (Bembom and Schwens 2018). Several steps have been taken to ensure that this research is systematic, transparent, and replicable. Inspired by recommendations on how to conduct transparent and replicable SLRs by Williams et al. (2021), Kraus et al. (2020), and Linnenluecke et al. (2020), we formulated a research strategy, criteria for inclusion and exclusion, and process steps for this SLR. The following chapter explains the methodological process in detail. Inclusion and exclusion criteria, as well as the research process, are outlined. The keyword search is explained, followed by a descriptive analysis of the included studies based on journal, methodology, geographic region, and theoretical frameworks.

2.2.1 Conducting the Review

First, we established the research protocol, adapted from Bembom and Schwens (2018). We determined the search term keywords based on the field of interest: social enterprise legitimacy, ecosystems, and institutions, taking into account possible proxies and combinations. Next, we defined several inclusion and exclusion criteria (see Table 2.1).

Table 2.1 Inclusion and Exclusion Criteria

A) Inclusion criteria
1. Studies within the domain of SE that use institutional theory, ecosystems frameworks, and legitimacy theory or proxies for SE like social enterprise and social innovation
2. Document type: peer-reviewed journal articles, and early access
3. Empirical studies
4. Only articles published in the English language
5. Studies that address SE in combination with legitimacy, EE and/or institutional theory and its proxies
B) Exclusion criteria
1. Studies in which the main focus is on sustainability entrepreneurship, institutional entrepreneurship, ecological entrepreneurship, green entrepreneurship, circular economy, religious entrepreneurship, academic entrepreneurship, cultural entrepreneurship, social intrapreneurship rather than on SE
2. Studies whose main focus is not social enterprise legitimacy, SE or social innovation in combination with institutional theory or ecosystems frameworks
3. Studies on social procurement, NGOs, and SE initiatives within NGOs
4. Book chapters, editorials, seminal papers, conference proceedings (*grey literature*)
5. Articles that are unavailable electronically or by other reasonable means
6. Articles published in any language other than English
7. Articles that focus on the micro level perspective – entrepreneurial intentions, motivations, etc.
8. Articles published in Q4 ranked journals based on WoS Journal Citation Report (JCR) or Impact Factor (IF)
9. Articles published in journals that are not in the JCR database of WoS
10. Exclude literature reviews and region independent studies

The keyword search was conducted in March 2023 using the Web of Science (WoS) database. We divided the search into ten individual search requests (see Figure 2.1). The keywords were searched in the title and abstract within the WoS core collection, covering all editions and listing academic journals with an impact factor (IF). Only peer-reviewed articles were included, and we excluded grey literature such as working papers and conference proceedings, following the suggestion by Kraus et al. (2020). The search was restricted to English papers available in the database until December 2022, including articles, review articles, open access, and early access from any journal.

The initial search consisted of the words "social enterprise" and "legitima*". By using quotation marks, we ensured that the results focused specifically on social enterprise legitimacy rather

than enterprise legitimacy in general. The keyword "legitima" was used to account for all possible results related to legitimacy, such as legitimation. We then conducted searches for social enterprise legitimacy in combination with ecosystems and institutions. The search results revealed an initial finding: there is a scarcity of research combining the concepts of social enterprise legitimacy and EE, with only five results. On the other hand, the interface between social enterprise legitimacy and institutions was explored more frequently, resulting in 58 articles. To ensure comprehensive coverage, we conducted additional keyword searches to account for proxies of social enterprise, such as social innovation, and proxies of legitimacy, such as acceptance and recognition. We also conducted four additional keyword searches using the words "social business", "social venture", "social company", and "social organization" to cover different expressions of the concept of enterprise. In total, 877 papers were found. After removing duplicates, a sample of 323 papers remained for further examination. We followed existing procedures for selecting papers for the SLR. Thereby, we excluded papers from the sample that are published in Q4-ranked journals based on the Journal Citation Report (JCR) or in journals that were not part of the JCR in WoS to focus on well-recognized and high-impact publications (Kraus, Breier, and Dasí-Rodríguez 2020; Vurro et al. 2023; Zahoor et al. 2020). After removing those articles, a sample of 230 articles remained for analysis.

The abstracts of all remaining 230 articles, as found in the keyword search, were screened according to the inclusion and exclusion criteria, resulting in a selection of 129 articles for further evaluation. A manual examination of the remaining 129 articles was conducted to verify compliance with the inclusion and exclusion criteria based on the full text. Studies that did not meet the inclusion criteria were removed. Studies in fields other than SE, such as sustainability entrepreneurship, institutional entrepreneurship, ecological entrepreneurship, green entrepreneurship, circular economy, academic entrepreneurship, cultural entrepreneurship, and social intrapreneurship, were excluded as this study focuses solely on the thematic field of SE. Additionally, studies on non-governmental organizations (NGOs) and SE initiatives within NGOs were excluded, as they are not within the scope of interest for this SLR. Furthermore, region-independent studies that did not examine any local institutional context were also excluded. This process resulted in a sample of 61 included articles. As a final step, a manual cross-referencing was conducted by examining the papers cited in the remaining 61 articles and applying the inclusion/exclusion criteria first to the abstracts and later to the full text. This led to the inclusion of 11 additional articles, resulting in a final sample of 72 articles (see the details in appendix 1).

Figure 2.1 Research Process

Research process – Stage 1

Web of Science (WoS) core collection, all Editions; all years excluding 2023, only English, only articles, open access, and early access

1. Keyword search: "social enterprise" legitima* (137 results)

2. Keyword search: "social enterprise" legitima* AND ecosystem* (5 results)

3. Keyword search: "social enterprise" legitima* AND institution* (58 results)

4. Keyword search: "social entrepreneurship"* AND legitima* AND institution* OR "social enterprise"* AND legitima* AND institution* OR "social innovation"* AND legitima* AND institution* OR "social entrepreneurship"* AND legitima* AND ecosystem* OR "social enterprise"* AND legitima* AND ecosystem * OR "social innovation"* AND legitima* AND ecosystem * OR "social entrepreneurial ecosystem"* OR "social enterprise" legitima* (206 results)

5. Keyword search: Replacing social enterprise with social business ceteris paribus. (91 results)

6. Keyword search: Replacing social enterprise with social venture ceteris paribus. (95 results)

7. Keyword search: Replacing social enterprise with social company ceteris paribus. (86 results)

8. Keyword search: Replacing social enterprise with social organisation ceteris paribus. (104 results)

9. Keyword search: replacing legitimacy with acceptance ceteris paribus. (19 results)

10. Keyword search: replacing legitimacy with recognition ceteris paribus. (76 results)

Selected papers: 877

Exclude 554 dublicates

Selected papers: 323

8. Remove articles published in Q4 ranked journals or in journals not included in the JIF or JCR of WoS

Selected papers: 230

Research process – Stage 2

1. Screening of 230 articles (applying inclusion/exclusion criteria on abstract)

Selected papers: 129

2. Manual examination of articles to verify inclusion/exclusion criteria (applying criteria on full text)

Selected papers: 61

3. Manual cross-referencing –> 11 additional articles

Final sample: 72

2.2.2 Analysis and Synthesis of Studies

After identifying and selecting the relevant literature, we proceeded to categorize and synthesize the studies (Yang and Gabrielsson 2018).

For the analysis, we took into account the geographic context of each study and defined the terms "developing," "emerging," and "developed" countries to distinguish different contexts.

To align with some of the studies we encountered during the literature review (e.g., Kistruck et al. 2015), we utilized the Human Development Index (HDI) developed by the United Nations Development Program (UNDP) in 1990. The classification of countries into these groups was based on the HDI data from 2010 (UNDP 2018):

• 0.00 < HDI < 0.55 – low level of human development;

• 0.55 < HDI < 0.70 – medium level of human development;

• 0.70 < HDI < 0.80 – high level of human development and

• 0.80 < HDI < 1.00 – very high level of human development

Based on our classification, we categorized countries with a very high level of human development as developed countries, countries with a high level of human development as emerging countries, and countries with medium or low development as developing countries.

To analyze each study in our final sample, we examined the geographical location, theoretical perspective, and methodology employed. We then categorized the concepts discussed in the studies to answer our research questions regarding the actors involved, the reasons for social enterprises seeking legitimacy, and the strategies they employ to achieve it. We coded and clustered the data based on our predefined research questions, using an inductive approach to identify themes, which are reported in the findings section. The data can also be found in the supplementary material appendix Table 1.

Six themes emerged that address the question of why social enterprises aim to gain legitimacy (see Table 3). After identifying these themes, we conducted further coding across the "how," "why," "who," and "where" questions. This led to the categories of "institutional context dependency," "closeness to audience," and "multidimensionality and process perspective."

The first category, "institutional context dependency," emphasizes the importance of context in determining legitimacy strategies. Context plays a significant role across the identified themes, as we examine strategies targeting different institutions, ecosystem actors, and countries. The findings section highlights the strong focus on varying strategies depending on the different sociocultural, political, and economic contexts.

The second category, "closeness to audience," highlights the significance of collaboration and close connections with local communities. This closeness is crucial for social enterprises to

gain legitimacy within the communities they aim to serve. It is relevant across all contexts and strategies, and particularly center stage in themes 2 and 4.

The third category, "multidimensionality and process perspective," arises from considering the six themes and their interactions. We identified that legitimacy is pursued on different dimensions, including the firm level (themes 1 and 2), industry/ecosystem level (themes 3 and 4), and institutional macro level (themes 5 and 6). In this category, "multidimensionality and process perspective," we discuss the complexity of legitimacy issues and suggest avenues for future research to explore interactions, contradictions, and process investigations of social enterprise legitimacy strategies due to the multidimensionality of the legitimacy pursuits.

2.2.3 Descriptive Analysis of Included Studies

Based on our inclusion and exclusion criteria, we identified 72 articles published in 38 different journals for our final sample that explore the field of SE or its proxies and legitimacy within the institutional theory and EE context. It is important to mention the number of articles that are published in journals with a low impact factor or in new emerging journals that are not included in the JCR of WoS. Only a few articles are published in journals with a high impact factor, such as *Journal of Business Venturing* and *Journal of Business Ethics*. This indicates that research on the subcategory of entrepreneurship - SE - is not widely represented in top-ranked journals, suggesting that it is still an emerging field. Park and Bae (2020) acknowledge that research attention on social enterprises has been limited until only a few years ago. However, today there are calls for research on this topic published as special issues in journals such as *Academy of Management Learning and Education*, *Entrepreneurship Theory and Practice*, *Journal of Business Ethics*. Exclusive journals that specifically target SE articles, namely the *Journal of Social Entrepreneurship* and *Social Enterprise Journal*, were established in the last decade and are ranked Q3 in the JCR. Therefore, the majority of the included studies in our analysis are published in Q3 ranked journals.

The final sample includes articles that are published in *Social Enterprise Journal* (15.28%), *Journal of Social Entrepreneurship* (11.11%), *Voluntas* (6.94%), *Journal of Business Venturing* (6.94%), *Journal of Business Ethics* (6.94%), *Technological Forecasting and Social Change* (4.17%), *Management Decision* (5.56%), and *Public Management Review, Management and Organization Review, Journal of Public and Nonprofit Affairs, and Journal of Business Research* (2.72% each). The remaining articles are published in 27 different journals, representing 37.5% of the total sample. All of the included articles were published

between 2010 and 2022. It is worth noting that the field of social enterprise legitimacy has gained increased relevance over time, as indicated by the rise in the number of published papers between 2016 and 2022 compared to the period of 2010 to 2015 (see Figure 2.2).

Figure 2.2 Overview Years of Publication
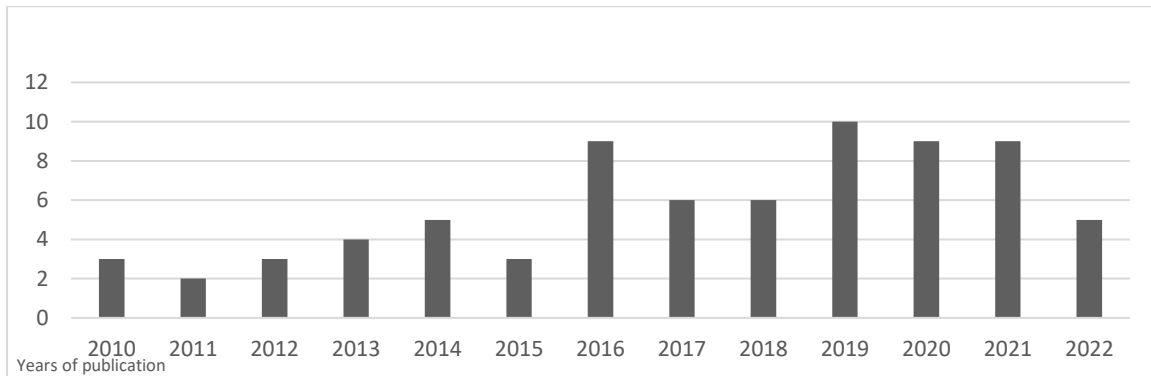
The predominant research method employed by authors in the included studies is qualitative methodology, which accounts for 83.33% (60) of the total studies. Quantitative studies make up only 11.11% (8) of the sample, while mixed methods studies represent an even smaller percentage (see Table 2.2). This distribution is not surprising considering that we focused on context-dependent studies, which are more likely to utilize qualitative approaches. Some conceptual papers and quantitative studies, which tend to be context-independent, were excluded from our analysis.

Among the qualitative studies, a variety of methodological techniques were applied. The multiple case study approach was the most commonly used method. Within the qualitative studies, we observed a predominance of positivist methodologies based on the case study design proposed by Eisenhardt (1989a) and Yin (1984), while interpretive and inductive approaches such as Strauss and Corbin (1990), which are known for their grounded theory methodology, were less frequently employed. This methodology focuses on generating theories directly from the data through coding and categorization.

Table 2.2 Overview Methodological Procedures by Country Classification

	Methodology			
Country classification*	*Qualitative*	*Quantitative*	*Mixed Methods*	**Total**
Developed	41 (14 UK, 3 USA, 1 North America, 3 Netherlands, 2 Scotland, 7 Australia, 1 New Zealand,	4 (2 UK, 1 South Korea, 11 EU countries)	3 (Australia & Scotland, 1 Hong Kong)	48 (66,67%)

	5 Italy, 1 South Korea & Taiwan, 1 Norway, 2 Sweden, 1 Ireland & Greece)			
Emerging	7 (5 China, 2 Palestine)	4 (China)		11 (15,28%)
Developing	12 (1 Zambia, 7 India, Uganda, Tanzania, Ghana 1 Kenya, 1 across Africa & Asia, 1 Africa, 1 Pakistan)		1 (Guatemala)	13 (18.06%)
Total	**60 (83,33%)**	**8 (11,11%)**	**4 (5,56%)**	**72 (100%)**

*Based on UNDP (2018) classification

In terms of the research context, our analysis revealed that 18.06% (13) of the studies were conducted in developing countries, 15.28% (11) in emerging countries, and 66.67% (48) in developed countries. Table 2 provides an overview of the number of articles considering the context for each type of methodology used. The review sample indicates that there were fewer studies conducted in developing and emerging countries compared to those conducted in developed countries. Notably, there were no quantitative studies in the review sample that focused on developing countries. Studies conducted in developing countries mostly focused on India, while emerging country studies predominantly focused on China. Studies conducted in developed countries primarily focused on countries where English is the mother tongue, with a majority of them taking place in the UK (16 papers).

Regarding the theoretical frameworks employed in the studies, we identified several approaches (see Appendix 1). The institutional approach by DiMaggio and Powell (1983) and the newer institutional work framework by Lawrence and Suddaby (2009) were the most frequently used theories. Other institutional theories, such as North's (1990) distinction between formal and informal institutions and its effects on entrepreneurship, or the institutional logics perspective (Thornton et al., 2012), were less commonly used. Interestingly, we did not come across any studies that combined research on social enterprise legitimacy with EE frameworks, such as Isenberg's (2010) framework.

Most studies based their research on legitimacy theory by Suchman (1995), which conceptualizes legitimacy into three types: regulative, moral, and cognitive. The institutional isomorphism theory by DiMaggio and Powell (1983), which proposes that organizations experience coercive, mimetic, or normative legitimacy pressures, was also widely utilized. Other frameworks, including Scott's (1995) division between regulative, normative, and

cognitive legitimacy, Ashforth and Gibbs' (1990) approach of substantive vs. symbolic legitimacy, and newer frameworks like legitimacy-as-process and legitimacy-as-perception, were used less frequently. Additionally, other theories and research streams such as network theory, social capital theory, accountability, crowdfunding, rhetoric strategies, and storytelling were applied (see extensive list in Appendix 1). These research streams offer valuable insights into legitimacy strategies and the reasons behind legitimacy pursuits, as discussed in the following chapter. However, there is still much potential to explore connections with other research streams that can enhance the field of social enterprise legitimacy and contribute to theory development. For instance, although our aim was to analyze research at the intersection of social enterprise legitimacy and EEs, we were unable to include any papers in the final sample that combined these two perspectives.

2.3 Findings and Analysis

Below, we present the results of our review through six analytical themes that provide insights into the reasons behind social enterprise legitimacy: (1) Acquiring tangible resources: financial and material investment, (2) Acquiring intangible resources: Community support and trust, (3) Competing with commercial businesses and NPOs, (4) Signaling compliance with competing stakeholder demands, (5) Overcoming institutional challenges, (6) Creating social impact and institutional change. Table 3 provides an overview of each theme, including the corresponding strategies, the ecosystem actor, and institution it addresses, and the study context in which it has been addressed. The analysis incorporates the ecosystem framework, combining the meso and macro dimensions of actors operating within EEs (governments, investors, development agencies, customers, employees, beneficiaries, communities) with formal (policy, market, finance, media) and informal (culture, human capital) institutions based on North's (1990) framework.

In the following sections, each theme is discussed in detail (for a comprehensive overview, please refer to the supplementary material appendix 1). The findings also show that legitimation strategies within each theme are characterized by a collaborative nature (e.g. cross-sector collaborations, networks, partnerships, discursive governance), structural nature referring to organizational structure and governance mechanisms (e.g. business registration, legal structure, business planning, conglomeration) or communicative nature (e.g. rhetoric, advocacy, storytelling, impact measurement, social engagement). Each strategy is discussed in the following.

Table 2.3 Analytical Themes for Social Enterprise Legitimacy Across Contexts and Institutions

Analytical Themes (Why gaining legitimacy?)	Strategies that address this theme (How gaining legitimacy?)	EE actor & institution (Who is addressed?)	Where has this issue been addressed? (Country classification)	Authors addressing this issue
Acquiring tangible resources: financial and material investment	**Collaborative strategies** • Cross-sector Collaboration and formal networks **Structural strategies** • Business registration • Legal structure choice • Business planning • Social and financial reporting • Accountability • Performance and Impact Measurement **Communicative strategies** • Distinctiveness claims • Storytelling, narratives • Stakeholder engagement • Place attachment • Social crowdfunding • Public promotion	• Government (*Policy*) • Investors (*Finance*) • Development agencies (*Finance*) • Customers (*Market*) • Employees (*Human capital*) • Media (*Media*) • Community/society (*Culture*)	Developed (24) Developing (5) Emerging (5)	(Abedin et al. 2021; Akella 2018; Akemu et al. 2016; Barraket et al. 2016, 2021; Bennett 2016; Bradford, et al. 2018; Bradford et al. 2020; Bunduchi et al. 2022; Huybrechts and Nicholls 2013; Jenner 2016; Joy et al. 2021; Kistruck et al. 2015; Kuosmanen 2014; Lall 2019; Lang and Fink 2019; Larner and Mason 2014; Lee et al. 2018; Lehner and Nicholls 2014; Lent et al. 2019; Luke et al. 2013; Molecke and Pinkse 2017, 2020; Munoz et al. 2016; Nicolopoulou et al. 2015; Sarma and Mishra 2021; Sarpong and Davies 2014; Siwale et al. 2021; Teasdale 2011; Vestrum et al. 2017; Wang and Zhou 2020; Weerakoon et al. 2019; Ma et al. 2022; Smith et al. 2021)(Lang and Fink 2019a)(Lang and Fink 2019a)
Acquiring intangible resources: Community support and trust	**Collaborative strategies** • Social engagement **Structural strategies** • Accountability • Harvesting commercial and social demands • Complying to norms by hiring industry experts	• Government (*Policy*) • Int. organisations (*Finance*) • Customers (*Market*) • Community/society (*Culture*)	Developed (8) Emerging (2)	(Bolzani et al. 2020; Finlayson and Roy 2019; Kolodinsky, Ritchie, and Capar 2022; Margiono et al. 2019; Marshall and Novicevic 2016; Mason 2012b; Sabella and Eid 2016; Ko and Liu 2021; Czinkota et al. 2020; Yin and Chen 2019)

	Communicative strategies • Advocacy • Storytelling			
Competing with commercial businesses and NPOs	**Collaborative strategies** • Partnerships with national institutions **Structural strategies** • Hybrid legal structure **Communicative strategies** • Socialisation strategies	• National experts of public institutions *(Policy)* • Investors *(Finance)* • Customers *(Market)* • Volunteers *(Human capital)* • Community *(Culture)*	Developed (2) Emerging (1)	(Chen et al. 2020; Kibler et al. 2018; Zollo et al. 2022)
Signaling compliance with competing stakeholder demands	**Collaborative strategies** • Discursive governance process • Stakeholder engagement • Social accounting **Structural strategies** • Accountability • Impact measurement **Communicative strategies** • Rhetoric	• Investors *(Finance)* • Donors *(Finance)* • Customers *(Industry)* • Managers • Employees *(Human capital)* • Beneficiaries *(Culture)* • Community/soc iety *(Culture)*	Developed (5) Developing (1)	(Granados and Rosli 2020; Mason and Doherty 2016; Ramus and Vaccaro 2017; Sarma 2011; Barraket and Yousefpour 2013; Mason 2010))
Overcoming institutional challenges	**Collaborative strategies** • Aligning with high profile actors and connecting to a societal level discourse • Work with intermediaries • National Systems of Innovation (NSI) **Structural strategies** • Establish conglomeration **Communicative strategies** • Narratives & storytelling	• Government *(Policy)* • Donors *(Finance)* • Industry *(Market)* • Community *(Culture)*	Developed (1) Developing (2) Emerging (4)	(Bhatt, Qureshi, and Riaz 2019; Jian 2017; Kerlin et al. 2021; Levander 2010; Liu, Zhang, and Jing 2016; Rao-Nicholson, Vorley, and Khan 2017)
Creating social impact and institutional change	**Collaborative strategies**	• Investors *(Finance)* • Government *(Policy)*	Developed (4)	(Aisaiti et al. 2021; Chandra and Chandra 2017; Folmer et al. 2018; Lashitew et al.

• Establishing partnerships with local leaders **Structural strategies** • Digital transformation **Communicative strategies** • Stakeholder incentives • Rhetoric	• Beneficiaries *(Culture)* • Community *(Culture)*	Developing (4) Emerging (1)	2020; Raghubanshi et al. 2021; Ruebottom 2013; Sengupta et al. 2021; Venugopal and Viswanathan 2019)

Theme 1: Acquiring tangible resources: financial and material investment

The predominant area of inquiry in the realm of social enterprise legitimacy strategies pertains to resource acquisition. Research has primarily focused on tangible resource acquisition, encompassing financial, technological, infrastructural, and material resources. A key legitimacy strategy employed for resource acquisition is forging *cross-sector collaborations* (Huybrechts and Nicholls 2013; Ma et al. 2022). Collaborations with resource-rich actors and local opinion leaders can serve as a dominant condition for legitimacy among *communities*, as they help align key discourses and norms of the community with their own interests. (Munoz et al. 2016) making the role of social networks crucial in gaining legitimacy (Barraket et al. 2021; Bunduchi et al. 2022). Additionally, Jenner's (2016) study among Australian and Scottish social enterprises confirms the positive effect of *networks* on research acquisition. While collaborations and networks, as formal support structures, were found to be effective, it is important to note that not all contexts provide such effective formal support. For example, in Australia, social enterprises did not receive government or intermediary support, whereas Scottish enterprises did. For that reason, international networks play a crucial role in connecting enterprises across regions and providing supportive structures in contexts where they are lacking.

From a structural strategy perspective, official *business registration* of a social enterprise, whether as a for-profit or non-profit entity, is considered a significant step towards resource acquisition. However, research conducted in Guatemala has revealed that while official registration can grant legitimacy to certain actors, it can also pose challenges in other aspects. While registered enterprises may enjoy enhanced access to labor and financial capital from *investors*, official registration can expose entrepreneurs to criminal elements who may engage in bribery and extortion. The benefits of formal registration are thus context-dependent and

may not always be desirable from an informal standpoint (Kistruck et al. 2015). Another important decision to consider is the *choice of legal structure*. Social enterprises face a particular challenge, as there is currently no dedicated legal framework for this type of organization in most countries. Consequently, most social enterprises must choose between registering as a for-profit or non-profit entity, a decision that can significantly affect their resource acquisition strategies and legitimacy. Certain countries introduced new legal forms like Italy's creation of social cooperatives or the USA's Low-profit Limited Liability Cooperation (L3C) as well as Benefit corporations. These new structures are envisioned to allow for a hybrid organizational structure to blend the for-profit and non-profit models. Nevertheless, the strategic choice of legal structure has a significant impact on the resources available to social enterprises. For-profit social enterprises have access to financial resources from *investors*. Non-profit social enterprises, on the other hand, rely on donations from *philanthropic individuals, foundations, and government agencies*. Yet only a limited availability of investors who blend both logics exist. The choice of legal structure, therefore, legitimizes the social enterprise towards one type of resource provider and social enterprises need to choose which option is more advantageous. The legal structure choice also affects the industry in which the social enterprise operates and the competitors it faces (Joy et al. 2021).

Further, Barraket et al.'s (2016) research on social businesses in Australia suggests that conducting *business planning* to enhance performance is an effective way of accessing *government* funding. Typically, *investors* and government bodies invest based on traditional market principles that emphasize *financial reporting*, with high revenues serving as a means of legitimizing the enterprise. In contrast, *society* expects to see social impact demonstrated through *social reporting* (Abedin et al. 2021). Bradford et al. (2020) investigated *accountability* priorities in Australia and found that financial accountability was generally considered more important due to the need for financial sustainability to effectively pursue social goals. There is greater emphasis on legitimacy *from investors and governments* (formal institutions) as a means of acquiring funds and commercial contracts. *Impact measurement* is primarily seen as a symbolic practice aimed at gaining legitimacy from socially motivated investors or community members, but it had a lower priority. Expectations regarding measurement and reporting varied depending on the target audience. In a study conducted across several developing countries, it was revealed that funding organizations required more rigorous practices such as program evaluations, while impact investors expected ongoing performance measurement (Lall 2019). However, depending on the nature of the social enterprise and the

background of the manager, social impact measurement may receive greater attention, potentially reducing accessibility to financial investments (Luke et al. 2013).

Finally, communicative strategies are executed by social enterprises to gain legitimacy. According to Smith et al.'s (2021) study on social enterprise beacons experiencing failure or underperformance, the use of *distinctiveness claims* can establish a legitimate identity for social enterprises that is independent of the beacon organization. This finding is significant as it allows these social enterprises to attract potential *investors*, even in cases where the beacon organization has faced failure or underperformance. For example, companies create distance from the beacon organization by presenting their workers as experts, highlighting their experience and approach to tasks. They also emphasize their distinct values and roles in providing for their beneficiaries, further establishing their unique identity.

Next to distinctiveness claims, other forms of rhetoric such as *storytelling* and compelling *narratives* contribute to legitimacy towards *community members*. These communication techniques enable social enterprises to achieve *stakeholder engagement*, attract human resources, and enhance their status in society. By effectively crafting and sharing their stories, social enterprises can build emotional connections, evoke empathy, and demonstrate their social impact, thus gaining legitimacy and support from community members. Storytelling serves as a powerful tool for creating stakeholder engagement and establishing the social enterprise as a credible and trusted organization (Akemu et al. 2016; Sarpong and Davies 2014). *Place attachment*, which refers to the strong emotional bond between a social entrepreneur and the local community, as well as their closeness to a specific place, has also been found to be a legitimacy strategy. It is signaled by positioning themselves as advocates of the local community. A study conducted in rural Ireland and Greece has shown that demonstrating instrumental and emotional place attachment has led to accessing resources from both *governments* and *communities* (Lang and Fink 2019). Additionally, *social crowdfunding* has emerged as a means to attain legitimacy from the *community* in which a crowdfunding campaign is conducted. Particularly social crowdfunding platforms are often referred to as "ecosystems" that bring together various actors. Being present on social crowdfunding platforms facilitates early engagement with society, and the support received from community members, demonstrated through investments in a social business, signals heightened legitimacy to other stakeholders (Presenza et al. 2019).

Nevertheless, not all strategies guarantee success. *Public promotions*, for instance, have been found to have unintended negative consequences on legitimacy. In a case study conducted by Lee et al. (2018) on a work integration social enterprise (WISE), the authors discovered that an aggressive communication strategy that involved publishing pictures of marginalized and vulnerable employees actually lowered the self-esteem of these employees. As a result, their organizational commitment diminished, ultimately undermining the legitimacy of the enterprise.

Theme 2: Acquiring intangible resources: Community support and trust

A second reason why social enterprises strive to gain legitimacy is to acquire intangible resources. Among these, community support and trust emerge as recurring themes in research, with a specific focus on the *community* as the primary recipient of legitimacy efforts. Trust plays a crucial role within informal actors, including informal networks and social ties. Building trust can be particularly difficult, especially in areas where formal institutions are weak or unstable. Once trust is established, social enterprises can leverage it to garner support for their mission. To enhance the likelihood of public support, social enterprises must demonstrate their unwavering commitment to fulfilling their obligations (Mason 2012a) and to meet the expectations set by actors in the institutional context (Czinkota et al. 2020). One approach to gaining trust and community support is through *social engagement*, which involves actively listening to the *community*, respecting their needs, and managing their interests in a fair and ethical manner. A study conducted in Palestine has explored a relationship-oriented social enterprise model that actively engages all community stakeholders to cultivate ongoing trust and support (Sabella and Eid 2016). However, when the social enterprise is not indigenous to the community, which it is aiming to benefit, gaining community support requires more collaborative and hands-on strategies. Miscommunication and irrelevant solutions to existing social problems are common when beneficiaries are not consulted in advance of project implementation. Empowering communities to co-create their own solutions and involving them in project development and implementation is crucial for building trust, gaining support, and facilitating successful problem-solving. The case study conducted in Scotland by Finlayson and Roy (2019) highlights the importance of avoiding confusion during project implementation in a local Scottish community where community members did not understand the purpose of the project. In such cases, discursive legitimacy building becomes essential, emphasizing the need to empower communities to co-create solutions and actively involve them in the development and implementation of projects. Cultivating a culture of ownership among

beneficiaries and fostering collaboration has been found to be effective in generating continuous trust and support (Sabella and Eid 2016).

Secondly, social enterprises can accomplish intangible resource acquisition through strategies of structural nature such as the implementation of various *accountability* mechanisms, including compliance reporting with established authorities and obtaining certification (Kolodinsky et al. 2022). Social enterprises often face a dual challenge when it comes to building trust and support. On one hand, they need to establish trust and support for their solutions to social problems. On the other hand, the social entrepreneurs themselves may require trust and support from the community and public institutions to enhance their own social status. For instance, in the context of a transnational social enterprise between Italy and Ghana, migrant entrepreneurs seek to escape marginalization in society by becoming social entrepreneurs. By *harvesting social and economic demands*, these migrant entrepreneurs have emerged as significant contributors in the development sector, thus improving their socio-economic status. The legitimacy of their organization has played a positive role in enhancing the social status of these entrepreneurs. Gaining the trust and support of the *community, government, and transnational organizations* has been crucial in advancing their position in society and achieving entrepreneurial success (Bolzani et al. 2020). Institutional constraints faced by migrants and other marginalized groups, especially within informal institutional environments, exacerbate the difficulties of running a social enterprise. The need to *comply with existing norms* becomes more crucial, making the establishment of a hybrid social enterprise more challenging. In the case of Mound Bayou, an all-black social enterprise founded in 1874 in the United States, which combined a system of self-governance with empowerment in performing plantation jobs, legitimacy was achieved through institutional conformance. This was accomplished by *hiring non-black executives with prestige and expertise*, thereby outwardly conforming to the prevailing racist beliefs of the time (Marshall and Novicevic 2016). Seeing legitimized actors involved in the social enterprise creates trust within the *community* and gradually extends to trust towards Afro-Americans. This spillover of trust and support from these legitimized actors onto the social enterprise and the entrepreneur helps in overcoming marginalization and enhancing public status.

Additionally, communicative strategies can be utilized and have shown effective for instance when social enterprises undergo a transition from a non-profit to a for-profit model. In such a scenario, *advocacy* aims to maintain the trust and support of existing stakeholders while also gaining the support of new stakeholders, such as *investors* (Ko and Liu 2021). Furthermore,

the use of *storytelling* to convey stories of people in poverty, environmental degradation, or animal suffering is a way to gain support and legitimacy within *communities*. Presenting the social enterprise as a heroic actor solving a stated issue has worked in the Australian case of Margiono et al. (2019).

Theme 3: Competing with commercial businesses and NPOs

The blend of social and commercial institutional logics in social enterprises is generally considered an obstacle to establishing legitimacy. While producing high-quality products or services is necessary, it is insufficient for social enterprises to establish legitimacy. Instead, they must also address social issues that are deemed valuable by their stakeholders. Due to their dual mission of achieving social goals and financial profitability, social enterprises may face reduced competitiveness in terms of pricing and quality compared to solely profit-driven firms. As a result, customers' validation of a social enterprise's legitimacy is significantly influenced by their identification with the organization's social mission (Chen et al. 2020). At the same time, social enterprises are not regarded as social as non-profit organizations (NPOs) because they earn profits from their social activities. Therefore, they face competition for resources, market share, customers, and employees from both commercial businesses and NPOs. A collaborative strategy to achieve legitimacy is the establishment of beneficial *partnerships with national institutions* committed to the same goals, as a way to gain support and overcome competitors. Kibler et al.'s (2018) study across 11 EU states has shown that social enterprises enjoy higher legitimacy among national experts (*government, investors*) in states where either the liberal logic or the socialist logic dominates. Evaluative legitimacy was found to be highest in the United States and Switzerland, where the liberal political structure provides fertile ground for private social businesses due to limited social welfare provision by the state, resulting in a high appreciation of social business solutions. On the other hand, social enterprises in socialist states were found to create synergies with the state's social welfare provision, where the state has significant control over both the social welfare sphere and the market sphere. Through public-private partnerships, social businesses can build stable relationships with national institutions and benefit from their support and joint welfare provision, as exemplified by Finland. Such partnerships with national institutions lead to legitimacy among the *community, investors*, and *customers*. However, in countries where the coordination of the market sphere is high but the social sphere is low, such as in the case of South Korea or Greece, the state offers little direction for social enterprises to solve social problems while simultaneously limiting their operational freedom in the market. Hence,

national institutions are less likely to be interested in partnerships with social enterprises. In these settings, social enterprises have lower evaluative legitimacy (Kibler et al., 2018).

On one hand, social enterprises compete with conventional commercial enterprises, while on the other hand, they vie with NPOs for funding and charitable contributions. While only a few nations have established a distinct legal framework for social enterprises, the absence of such a framework globally means that social enterprises are often assessed alongside traditional commercial businesses or non-profit organizations based on their chosen legal structure. This dual identity leads to legitimacy constraints. Zollo et al.'s (2022) study in Italy has shown that gaining legitimacy was facilitated by adopting *a hybrid legal structure* - a mother-satellite structure or a compartmentalized structure - which allows combining multiple identities without losing legitimacy with internal stakeholders (*employees, volunteers*) or external stakeholders (*investors, donors, government, community*). Implementing a compartmentalized model provides the social enterprise with the option to have two separate entities: one for-profit and one non-profit. This model allows the for-profit entity to compete equally with for-profit market competitors, while the non-profit entity benefits from donations and volunteer participation. The mother-satellite model integrates external for-profit divisions (satellites) into the mother entity. The satellites aim to expand for-profit activities, enabling them to compete with for-profit competitors on an equal and fair basis without growth constraints. However, creating two separate entities requires a higher organizational effort and may not be desirable, especially for nascent social enterprises.

Furthermore, social enterprises can employ *socialization strategies* to gain legitimacy from *customers*. Chen et al. (2020) found that through group socialization, task socialization, and organization socialization, social enterprises were able to gain legitimacy among customers in China. Group socialization aims to form customer communities to leverage the influence among individuals within the group, such as joint purchasing and community activities. This strategy ultimately eliminates misunderstandings regarding the dual characteristics of social enterprises and fosters cohesion among individual customers. Through task socialization, customers acquire the knowledge and skills needed to understand the social enterprise's products and services, thereby enhancing the user experience. Finally, organization socialization strategies help customers internalize the social enterprise's mission, associated values, and behavioral norms. When customers genuinely identify with the social enterprise's values and norms, they are more likely to demonstrate loyalty and participation, enabling the social enterprise to outperform its competition.

Theme 4: Signaling compliance with competing stakeholder demands

The amalgamation of social objectives and entrepreneurial approaches presents legitimacy challenges to social enterprises from both an internal and external perspective. The internal viewpoint suggests that the hybrid nature of social enterprises creates managerial tensions, particularly concerning mission, finance, and people management aspects. This is due to potential conflicts of interest between board members, managers, employees, and beneficiaries, which can lead to organizational uncertainty, decreased loyalty, and reduced job satisfaction. Consequently, mission drift can occur when either the social or financial objectives are emphasized to the detriment of the other (Ramus and Vaccaro, 2017).

In contrast, the external perspective highlights how stakeholder demands from the social enterprise's environment - such as the community, investors, or politics - create compliance requirements for the business. This is due to the competing demands expressed by stakeholders, which necessitate strategic management of these demands to maintain legitimacy among important actors (Mason, 2010).

Research conducted in the UK has shown that social enterprises can employ a *discursive governance process* to address the issue of mission drift and organizational uncertainty. This approach involves creating a governance structure that provides opportunities for representatives of all stakeholders to engage in discursive decision-making, which can lead to legitimacy across all actors. Governance actors consistently reaffirm their commitment to the social mission of the enterprise. However, despite the benefits of this approach, conflicts of interest persist within governance boards, and the evidence suggests that tensions between *beneficiaries/producers, investors,* and *managers* cannot be fully resolved due to power imbalances that shape decision-making processes (Mason and Doherty, 2016). In their study conducted in the UK, Granados and Rosli (2020) found that *stakeholder engagement* is a crucial factor in achieving legitimacy by establishing supportive and collective systems that involve stakeholders in creating positive impressions. By developing close relationships with their stakeholders, particularly the local *community*, social enterprises can keep them informed and involved. They also cooperate with local stakeholders to maximize their impact and communicate their mission, building reputation and credibility by demonstrating their expertise. Another study found that collaborative planning of social projects has effectively countered ongoing mission drift in a WISE (Work Integration Social Enterprise) in Italy. These findings indicate that *stakeholder engagement* is a critical aspect of social enterprise legitimacy

and should be prioritized in social enterprise management strategies (Ramus and Vaccaro, 2017). It is important to combine *stakeholder engagement* with *social accounting* practices, such as publishing social reports, measuring social impact, and sharing newsletters and books that describe the achievements and stories of the social enterprise. These practices help stakeholders, including *customers,* understand the values and motivations of the organization and allow them to be part of its development. Additionally, showcasing achievements through social accounting can make stakeholders perceive them as personal achievements as well.

Mason's (2010) quantitative study conducted in the UK highlights the interconnection between *accountability* and legitimacy in the context of social firms, providing insights into structural legitimacy strategies. The study suggests that audits, social return on investment (SROI), and social accounting are mechanisms through which social firms can demonstrate accountability to their *beneficiaries*. *Impact measurement*, on the other hand, is a tool valued by *employees* as it supports their motivation and professional development. It also allows social enterprises to celebrate their successes with *beneficiaries* and *volunteers*. Importantly, undertaking impact measurement is often a funding requirement for social enterprises. Understanding the target audience of impact measurement is crucial for improving measurement and reporting practices, with *donors* typically interested in evidence of project effectiveness, while *beneficiaries* and *staff* prioritize program and individual success stories (Barraket and Yousefpour 2013).

Sarma (2011) proposes *rhetoric* as a communicative strategy to overcome organizational uncertainty and gain stakeholder legitimacy in social enterprises. The author notes that a set of arguments was used in the case of a social enterprise in India to justify the organizational transition from a non-profit model to a for-profit social enterprise. By framing the transformation as beneficial to serving the social mission and improving efficiency and sustainability, the enterprise presented the strength and necessity of the new legal framework. The use of rhetoric reinforced the mission and emphasized the benefits for *society*. The author suggests that employing different arguments enabled the social enterprise to address various stakeholders. For instance, arguments regarding efficiency and productivity were used when engaging with *investors*, while arguments highlighting increased benefits for *beneficiaries* were used when communicating with the community. This strategy allowed for the maintenance of organizational legitimacy in the face of potential mission drift (Sarma 2011).

Theme 5: Overcoming institutional challenges

The aforementioned themes represent the reasons for legitimacy pursuit from an organizational meso-level perspective, focusing on the interplay between social enterprises and their stakeholders. However, social enterprises face numerous institutional challenges that vary among countries due to differences in formal institutions, such as the absence of regulations, and informal institutions, such as misunderstandings of the SE concept. These institutional environments pose additional legitimacy challenges for social enterprises from a macro perspective. For instance, in China, the scarcity of social enterprises can be attributed to norms that emphasize a strong role for the government, a lack of clarity regarding the role of social enterprises, and the absence of socio-cultural values that support their establishment (Bhatt et al., 2019). One legitimation strategy identified in the context of China is to *align with high-profile actors* and *connect to a societal-level discourse*. Liu et al.'s (2016) study shows that endorsement from government officials was an essential step in achieving legitimacy and being able to operate. Similarly, entering the public discourse and enhancing a positive image in the eyes of *society* was achieved by producing movies about social causes with famous actors to attract attention and engage the community. Another effective strategy for social enterprises to attain legitimacy is to *work with intermediaries*. Kerlin et al. (2021) demonstrate how intermediaries, such as accelerators, incubators, and their advocates in China and India, function as agents of credibility for social enterprises in their hybrid and indistinct field. The study revealed that strategies vary across countries due to differences in institutional pressures. In China, societal expectations that social causes should not incur fees are likely influenced by the communist governance mindset, which dictates that for-profit entities should not participate in social service delivery. Intermediaries in China, therefore, encourage social enterprises to subordinate their social mission to comply with social expectations and gain legitimacy towards the *government* and *society*. In India, on the other hand, social enterprises were widely seen as a viable alternative to the state's welfare provision. In China, intermediaries work closely with the government to establish legitimacy, whereas in India, intermediaries mitigate foreign pressures from international donors, which hold significant influence in the Indian context. Collaborating with academia, transnational and non-state actors can also prove to be fruitful strategies in achieving legitimacy. In India, the government's support as part of the *national system of innovation (NSI)* conferred legitimacy to social enterprises among other partners. The collaborative nature of NSI allows for legitimacy creation among *industry* players, public institutions, NGOs, and international organizations, thereby moving towards a more inclusive model of social innovation (Rao-Nicholson et al., 2017).

On a formal institutional level, social enterprises employ legitimacy strategies of a structural nature to bypass regulatory restrictions. Jian's (2017) study highlights the *establishment of a conglomeration* as a formal institutional strategy adopted by social enterprises to overcome regulatory barriers. In China, where formal policies for social enterprises were non-existent, charitable organizations were prohibited from public fundraising, while commercial organizations faced high taxation rates. The Canyou initiative used conglomeration as a means to leverage the benefits of both policies by creating separate organizations under a single conglomerate. This allowed them to access lower tax rates and the ability to fundraise publicly (Jian, 2017). This hybrid company structure enabled legitimacy towards the *government* and resolved the issue of a missing legal framework for social enterprises.

How social enterprises are framed within the national discourse is crucial for legitimacy building. Levander (2010) demonstrates how, in Sweden, success stories of social enterprises are constructed around the idea of transforming problem identities into resourceful identities, thereby strengthening the identity of social enterprises as innovative agents that benefit *society* and address the challenges of the welfare state. The *narratives* crafted by official organizations portray social enterprises as proactive agents. Utilizing communicative strategies such as *storytelling* to anchor value and justify the mission of social enterprises to the *public* through media campaigns and press conferences is a way to raise awareness.

Theme 6: Creating social impact and institutional change

The sixth theme pertains to the creation of social impact and institutional change, which is a crucial aspect for social enterprises. The fundamental element of their business model is to generate social impact. Moreover, social enterprises often strive to go beyond their primary objectives by challenging entrenched institutionalized norms and practices (Chandra and Chandra, 2017). However, the capacity of social enterprises to generate social impact and drive institutional change can be impeded if they fail to attain legitimacy. Research on institutional change has demonstrated that a grassroots institutional change approach begins with social enterprises acquiring legitimacy among community members by *establishing partnerships with local leaders*, who act as gatekeepers for acceptance into a *community*. This relational groundwork is pivotal for gaining entry into *communities*, but building enduring relationships can be challenging. It is imperative for local leaders to perceive the relationship as mutually beneficial rather than feeling threatened that their status is being undermined (Raghubanshi et al., 2021). Once social enterprises gain entry into the community through local leaders, they

proceed to establish their identity by effectively communicating their mission and activities. In contrast to commercial enterprises, which often aim to build social networks to increase market share and generate profit, social enterprises utilize such networks for advocacy purposes, such as lobbying for policy changes or raising awareness about social issues. By establishing relationships with individuals and organizations that share their social mission, social enterprises can amplify their voice and increase their impact (Folmer et al., 2018) or gain context-specific information and achieve embeddedness (Lang and Fink, 2019; Lashitew et al., 2020). Subsequently, institutional disruption occurs through various means, such as integrative dialogues, education, and counseling, aimed at overcoming socio-political tensions, imparting new knowledge, and fostering political discourse. Ultimately, transformative change is realized by forging connections between the necessary resources and stakeholders to sustain change, and by enhancing self-efficacy through capacity-building programs that aim to cultivate new attitudes and behaviors (Venugopal and Viswanathan, 2019).

Furthermore, research has shown that *digital transformation* has a positive impact on social enterprise legitimacy. Digital technologies enable social enterprises to engage with various actors in a timely, transparent, and effective manner. By enhancing limited organizational attention and smartly allocating internal resources, social enterprises can strengthen their trust and accountability towards *governments* or *private investors* who value efficiency. This ultimately increases legitimacy while simultaneously accelerating social impact through efficient digital solutions (Aisaiti et al., 2021).

From a communicative strategy perspective, the role of *stakeholder incentives* is crucial for social enterprises to attain legitimacy and foster institutional change. In this regard, social enterprises must effectively communicate the availability, accessibility, affordability, awareness, and acceptability of their products or services to their intended *beneficiaries* (Sengupta et al., 2021). Lastly, Ruebottom's (2013) study conducted in North America revealed that social enterprises were able to position themselves as protagonists - grassroots, social, and evidence-based - in contrast to the traditional market, which was portrayed as the antagonist - conservative, rigid, and financially-driven. This was achieved through the development of *rhetoric* by creating heroic and villainous images. Such tactics allowed social enterprises to garner support from *customers* and *investors* for social change and to depict those hindering social change as antagonists, thereby managing resistance to change.

2.4 Discussion and Future Research Avenues

Based on our analysis of 72 studies on social enterprise legitimacy, institutions, and EE actors, we have identified and explored six key themes that explain why social enterprises seek to secure legitimacy. Our investigation revealed that strategies for social enterprise legitimacy depend on the reason for pursuing legitimacy, the intended audience of the legitimacy pursuit, and the institutional context in which the enterprise operates. After careful consideration of the evidence, we have synthesized our findings into three categories: (i) institutional context dependency, (ii) closeness to the audience, and (iii) multidimensionality and process perspective. We propose this unifying depiction based on our analysis of social enterprise legitimacy strategies. This synthesis provides a basis for new understandings and conceptualizations of the strategies employed by social enterprises to legitimize themselves and draws the attention to what emerged to be key concepts for social enterprise legitimacy strategies. Additionally, our conceptualisation offers broader implications for the future development and research areas in this field.

Institutional context dependency

Legitimacy strategies are shaped by context and institutions, and they cannot be understood or effectively executed without considering the underlying contextual forces based on history, culture, time, or space (Welter, 2011). Strategies that lead to legitimacy in one context may not be equally effective in another. This becomes evident when examining the studies presented, such as the case of formalization in Guatemala (Kistruck et al., 2015). Similarly, studies have shown that in certain areas of Pakistan, business owners had to align with demands from Taliban members in order to operate their businesses without risking extortion or even their lives (Muhammad, Ullah, and Warren, 2016a). Our six identified themes suggest that the institutional context influences choices in legitimation strategies. It is certainly not possible to replicate a strategy that has been successful in one context in another. Differences in social enterprise legitimacy strategies can also depend on a country's level of economic development or its political structure (Kibler et al., 2018). The example of the work of intermediaries in India and China (Kerlin et al., 2021) demonstrates the need for different approaches depending on the economic and political environment. It is evident that legitimacy strategies are sensitive to context, which is particularly true for social enterprises as they aim to address local social problems where context becomes even more relevant. Disregarding context can lead to unintended or misunderstood outcomes (Venugopal and Viswanathan, 2019). This calls for a greater focus on context to understand why, how, and under which circumstances social

enterprise legitimacy is achieved. However, existing research is limited to certain regions of the world. There is a need for more attention to different, unexplored contexts and conditions in which SE occurs to enhance our understanding of social enterprise legitimacy. This opens up opportunities to investigate legitimacy building under extreme and adverse conditions, as we have limited knowledge about SE in many institutional structures and regions where the Western-centric model of legitimacy creation does not align with local realities, such as in South and Central America, Asia, Africa, and Oceania (Haq et al., 2020). Based on the six identified themes and their analysis across different country perspectives, we propose that context should be addressed to contribute to legitimacy strategy choices. This includes considering the sociocultural, economic, and political context in which the social enterprise operates.

Not only institutions but also actors within the EE surrounded by institutions require consideration. Although our findings show that different legitimacy strategies are employed to engage with various actors, one aspect that is missing from the debate is the acquisition of legitimacy from incubators and accelerators. Social enterprise incubators and accelerators are gradually emerging in different regions, but practitioners and scholars question the scalability potential of social enterprises (Lall and Park, 2022). This raises the question of how social enterprises navigate and respond to competing stakeholder demands. Can social enterprises compete and ultimately legitimize themselves within an EE? Or do we need to explore a specific SEE framework, detached from the traditional EE, to better understand the distinct actors, dynamics, and processes involved (de Bruin et al., 2022)? Future research in the field of SE should prioritize a deeper examination of the institutional context to better understand the processes through which social enterprises acquire legitimacy and identify the specific factors, institutions, and dynamics that influence the success of such processes.

Closeness to the audience

Unlike traditional commercial businesses, the majority of social enterprises develop solutions that aim to serve a local community. To gain acceptance and legitimacy in the local context, closeness to the audience is one of the most important, if not the most important, assets (Seelos et al., 2011). Building community support and trust is crucial when serving vulnerable communities. The goal of meeting different stakeholder demands also plays a stronger role for social enterprises compared to commercial businesses, where shareholder values often take precedence. Therefore, a central category of legitimacy strategies that social enterprises

implement is forming collaborations with actors across the entire ecosystem. Collaboration is a key approach for building closeness and establishing trust and legitimacy. This can take various forms, such as NSI (National System of Innovation), partnerships with local opinion leaders and gatekeepers, communities of practice, intermediaries, discursive governance processes, stakeholder participation and engagement, and partnerships with national institutions, as identified and discussed across the six themes. Successful and robust collaborations with various institutional actors can have positive spillover effects on other strategies. For instance, strong collaborations with local leaders through informal ties can reduce the need for official business registration and lead to legitimacy among various stakeholders. However, balancing collaborations with different stakeholders is particularly challenging in contexts with low trust towards officials and conflicting expectations between society and the public sector. In these contexts, collaborations may create negative spillover effects. Collaborations with public bodies in countries or municipalities with high levels of corruption might undermine the legitimacy of social enterprises towards other stakeholders. Evidence of this phenomenon can be found in cases where entrepreneurs gain legitimacy from gangs, mafia, drug cartels, or terrorist groups to avoid extortion, but at the same time lose legitimacy from governments, communities, customers, and investors if they are unable to balance strategies and convince stakeholders of their rightful mission (Muhammad et al., 2016). In regions where the government is neither trusted nor accepted by society, gaining legitimacy from the government could have negative implications and result in a loss of legitimacy within the society. The same question can be raised regarding legitimacy conferred by donor agencies in certain developing countries or by other actors within the ecosystem who are neither trusted nor accepted. Collaborations with illegitimate actors may not lead to legitimacy. It is relevant to explore such negative consequences of legitimacy strategies and how social enterprises can design legitimacy strategies that avoid such outcomes. This calls for more research that identifies interdependencies, spillover effects, and possible negative consequences of legitimacy strategies, especially when it comes to collaborations.

Multidimensionality and process perspective

The goal to achieve legitimacy is a multidimensional endeavor as the identified themes show. On a firm level, social enterprises aim to acquire resources (theme 1 and 2), on an industry and/or ecosystem level they try to compete with commercial businesses and NGOs (theme 3) and signal compliance with competing stakeholder demands (theme 4), while on a macro level, they try to overcome institutional challenges (theme 5), create social impact and institutional

change (theme 6). This multidimensionality of legitimacy strategies creates complexity that social enterprises need to deal with. This complexity gets intensified under the aspect that ecosystems and institutions are dynamic and bound to change as outlined previously. The dynamic nature of such contexts especially in emerging and developing countries where changes happen more frequently compared to developed countries (Escandon-Barbosa et al. 2019), calls for longitudinal investigations of legitimacy acquisition and how strategies change throughout time. Under such circumstances, understanding processes of legitimacy formation is a relevant field of investigation. After all, legitimacy is not something that is won at one point in time and always kept. It is an asset that needs to be developed throughout time, that can increase but also decrease. A legitimacy-as-process perspective (Suddaby, Bitektine, and Haack 2017) investigating the process and order of addressing legitimacy from different stakeholders across different dimensions is yet to be subject to future explorations. This will allow to understand legitimacy from a holistic perspective.

2.5 Implications

This SLR examines the topic of social enterprise legitimacy within the context of institutional factors and EE actors. The study holds practical and theoretical significance as social enterprises, being hybrid organizations, continue to face significant challenges in establishing legitimacy in many regions globally. Our research contributes to the existing literature by elucidating the relationships between social enterprise legitimacy, EE actors, and the underlying institutional context, answering key questions of why, how, who, and where social enterprise legitimacy is pursued.

The findings of our study offer valuable insights for social enterprises, enabling them to identify strategies that can enhance their legitimacy among diverse stakeholders and institutions within their specific contexts. By utilizing the identified strategies, social enterprises can assess which approach is most effective for each stakeholder and accordingly execute their legitimacy pursuit to gain or strengthen legitimacy.

Furthermore, policymakers at national and international levels can leverage this knowledge to gain a better understanding of regional variations in institutions and ecosystems, thus facilitating more effective support for social enterprise development across countries. Policymakers play a crucial role in establishing institutional arrangements that foster the creation of EEs. Developing a comprehensive SE strategy policy plan can generate awareness and formalize the concept of SE. Establishing a separate legal framework and formal definition

for social enterprises is an initial step towards formal legitimacy, providing them with a distinct legal identity, expanding investment opportunities, and bolstering their formal legitimacy. Policymakers can further promote social enterprise development by reducing taxation or value-added tax (VAT) on social enterprise products and services, which would stimulate sectoral growth and enhance the creation of social impact. Additionally, creating impact investment funds with support from policymakers can reduce competition with commercial enterprises for investments. Through these actions, policymakers have the potential to foster social and economic impact by supporting the development of social enterprises.

In conclusion, this SLR sheds light on the multifaceted aspects of social enterprise legitimacy, taking into account institutional contexts and EE actors. The insights provided can guide social enterprises in their legitimacy pursuits, while policymakers can leverage this knowledge to create enabling environments for social enterprise development. By enhancing the legitimacy of social enterprises, we can pave the way for greater social and economic impact.

Another direct action that the findings imply is to develop a stronger focus on creating cross-organisational and cross-sectoral collaboration and partnerships, as collective actions and partnerships were found to be a very important tool to boost legitimation. Despite the benefits of collaboration, institutional contexts have created challenges that hinder successful collaboration. This paradox is evident in situations where social enterprises compete with NPOs for grants and commercial businesses for investments, resulting in a lack of partnering and diminished social impact (Abedin et al., 2021). This practice is counterproductive, and it is important to encourage financial institutions and international donors to distribute grants and investments equally among all project partners working together to address a specific social problem. This approach would promote collaboration and enhance the potential for collective impact.Collaborations need to encompass all ecosystem actors to be effective. In developing countries, the role of development agencies is crucial in enabling and supporting cross-sector collaboration. Development funds should, therefore, be allocated to collaborative project proposals rather than individual ones. This can ultimately enhance collaboration between social enterprises and non-profit organizations (NPOs), thus reducing competition. Creating awareness of the legitimacy challenges that social enterprises face among different stakeholders can ideally lead to increased understanding, consideration, and improvement in the conditions surrounding these challenges.

2.6 Conclusion

The aim of this paper was to investigate why social enterprises want to gain legitimacy, how they are doing it, and which ecosystem actor they target in their legitimacy pursuits by combining literature from the theoretical fields of social enterprise legitimacy, institutional theory, and the EE framework. We evaluated and synthesized 72 research papers and identified six analytical themes that summarize the six main reasons why social enterprises pursue legitimacy. Alongside these reasons for legitimacy pursuit, we investigate within each theme how legitimacy is pursued by analyzing the strategies that are used. Furthermore, we identify the ecosystem actors as part of the wider institutional context that are addressed (who and where) with the individual legitimacy strategies.

Synthesized into three categories of discussion (institutional context dependency, closeness to the audience, multidimensionality, and process perspective), we argue that the design, execution, and outcomes of legitimacy strategies are heavily influenced by the institutional context and the actors that social enterprises seek to engage with. Thus, institutional conditions across place, time, and space play a crucial role in determining the success of social enterprise legitimacy strategies. Furthermore, the six identified themes and corresponding strategies highlight the importance of social enterprises' closeness to their audience and how social enterprises try to achieve legitimacy on multiple dimensions, creating complexity and emphasizing the role of legitimacy dynamics and processes.

We are aware of some limitations of the study. Although we discovered differences in approaches to legitimacy between developed, emerging, and developing countries, we acknowledge that there may be within-context heterogeneity as well as between-context homogeneity of legitimacy strategies that might not have been uncovered yet due to a lack of research in emerging and developing contexts. Future reviews might also focus on different readings that were outside the scope of this study (e.g., grey literature in the form of reports from international organizations), which might provide relevant insights into strategies that social enterprises utilize every day in their pursuit for legitimacy in their local surroundings.

Having identified the scarcity of research on social enterprise legitimacy in developing country context and the lack of research on SEE, we identify this field as subject of our investigation. To lay the ground for the study of SEE in a developing country context, the next chapter conceptualizes the SEE framework by differentiating it from the traditional EE framework.

3. Deconstructing the Entrepreneurial Ecosystem Framework in the Context of Social Entrepreneurship

3.1 Introduction

"The same way trees add value to the natural environment, businesses should add value to the natural environment. It's not about just co-existing; it's about co-thriving."

- Hendrith Vanlon Smith Jr, CEO of Mayflower-Plymouth

From both policy and academic standpoints, the EE is recognized as a key ingredient in cultivating resilient regional economies through a well-balanced combination of supportive elements and actors that support the emergence and growth of high-growth ventures (Roundy, Bradshaw, and Brockman 2018; Spigel 2017b; Theodoraki, Dana, and Caputo 2022). Ecosystems like Silicon Valley, Tel Aviv, and Beijing have served as models for researchers and practitioners to develop generalizable models of ecosystems (Isenberg 2010; Roundy 2016). More recently, investigations into various forms of ecosystems, including digital EE (Elia et al., 2020), academic EE (Hayter et al., 2018), sustainable EE (Volkmann et al. 2021), and social EE (SEE) (Roundy and Lyons 2022), have emerged. SEEs, in particular, have garnered attention due to the mission of social enterprises to address social problems. They offer the tantalizing opportunity to disconnect EE from the income inequality and social exclusion that frequently follows rapid entrepreneurial growth (Lee and Rodriquez-Pose 2013).

While a few studies have investigated SEEs (Diaz Gonzalez and Dentchev 2021; Roundy and Lyons 2022; Roy et al. 2015; Roy and Hazenberg 2019), the concept has not yet been clearly defined, developed, nor differentiated from traditional EEs. In most cases, the traditional EE framework (Isenberg, 2010; Stam and van de Ven, 2021) is uncritically applied to social enterprises without questioning if SEEs possess specificities and requirements distinct from traditional EE elements. Many studies consider SEE as a subcategory of commercial EEs (Roundy and Lyons, 2022), while some argue for its distinction, emphasizing that the mix of elements and power dynamics within each ecosystem is contextually dependent. In the case of SEEs, research has highlighted community maintenance for sustainable solutions to social problems as a central theme (de Bruin et al. 2022). However, the focus of analysis has been on the actors and their agency within ecosystems without providing a comprehensive perspective on the differentiation between EE and SEE given the underlying assumptions of high-growth, productivity, goals, support structure, and exit strategies that are inherent in the EE literature.

This gap poses a disadvantage for the development of SEEs because, without a clear understanding and direction, supportive actions cannot be successful, as they will fail to meet the specific requirements for SE.

Unlike traditional EEs, which have many guiding examples for successful actions that can be copied, successfully or not, by other regions, there are no similar models for SEE that can be easily researched. No exemplary SEE has been studied or emerged as a role model to understand the components, structures, and processes that contribute to a successful SEE. Indeed, there is no consensus about what makes a SEE successful, nor whether such an ecosystem even exists. To address this research gap, this paper conceptualizes the SEE by exploring the differences between SEEs and commercial EEs. This makes two key contributions to the ecosystems literature and the social enterprise literature more broadly. First, contrasting ecosystem characteristics, conceptualizing how they differ in SEE and EE to answer the question, *"What is a SEE?"* and *"How are SEE different from EE?"* and second, arguing why it is critical to consider SEE distinct from EE. In doing so, we build upon the recent work of de Bruin et al. (2022), who investigate the distinctions between EEs and SEEs from a community-centric perspective. Understanding and building SEEs are crucial to enabling the scaling of social impact and achieving social and economic development. Therefore, our paper offers significant implications not only for theory development but also for practitioners aiming to support social impact creation.

In the following, we introduce SE and distinguish it from traditional entrepreneurship. Then, we outline the EE elements based on established literature before we move into the discussion of how SEE differs from EE. For this, we first discuss the central outcome of EE, which is high growth, and conceptualize how high growth is perceived in SEE. We then consider the SEE elements in the categories of individual actors, institutional actors, informal institutional forces, nature of relationships, and ecosystem outputs, and lastly, discuss outcomes and implications before concluding with a future research outlook and limitations.

3.2 Social Entrepreneurship as a Distinct Form of Entrepreneurship

As mentioned in earlier chapters, Austin et al. (2006) provide a broad definition of SE as "innovative, social value-creating activity that can occur within or across the nonprofit, business, or government sectors" (Austin et al. 2006:2). Dozens more definitions exist, but a consistent factor across all of them is the fundamental drive of social enterprises to create social value rather than (or in addition to) personal or shareholder wealth (Mair and Martí, 2006).

This serves as a crucial distinguishing factor from commercial entrepreneurship. Traditional commercial entrepreneurship can also create social value (Acs, Boardman, and McNeely 2013). However, the primary motivation behind commercial entrepreneurship is financial value creation and the satisfaction of shareholder interests, with social outcomes for society often being an intended or even unintended by-product of commercial activities. Social entrepreneurs seize opportunities to devise innovative solutions to significant challenges, such as poverty alleviation, climate change, hunger, access to education, or the inclusion of marginalized groups (Austin et al., 2006; Diaz Gonzalez and Dentchev, 2021). Social ventures may take on for-profit or non-profit structures (Battilana and Lee, 2014), but their central mission is consistently oriented toward addressing a fundamental social issue. Thus, SE is defined more by the goals and choices of the founder rather than specific organizational, financial, or legal structures.

Building on Choi and Majumdar's (2014) assertion that SE is a contested concept, they provide five sub-concepts—social value creation, the social entrepreneur, the SE organization, market orientation, and social innovation—distinguish SE from traditional commercial entrepreneurship. In this context, the core mission of the social enterprise is the creation of social value. The social entrepreneur, while sharing typical entrepreneurial traits such as risk-taking, visionary thinking, and innovation, adds the crucial dimension of altruism (Argiolas Rawhouser and Sydow 2024). The SE organization is set apart not only by legal form but also by structural challenges inherent in being a hybrid organization. To prevent mission drift, all organizational units must align with the dual mission of social and commercial value generation. This often involves navigating situations that demand compromises or favoring either the social or financial side—a balancing act absent in traditional commercial enterprises.

Another important factor for SE is context dependence, as the local institutional environment influences the type of offering, the strategies, and the relationships social entrepreneurs will create (Spanuth and Urbano 2024). While this can also be true for traditional enterprises, in SE local embeddedness (Granovetter 1983) plays a stronger role. As social entrepreneurs typically aim to address local social problems, requiring local or regionally interested stakeholders and supporters is important. SE products and services are often culturally sensitive and designed to meet the needs of the local community (Lashitew, Bals, and van Tulder 2020). This dynamic differs from commercial enterprises that often have the potential to sell products globally, impacting financial and support dynamics. Scaling becomes a distinct consideration for social

enterprises, as it is often not intended to be pursued under the same scaling logic as commercial enterprises (Davies, Haugh, and Chambers 2019; Smith and Stevens 2010).

Balancing market orientation, efficiently selling goods and services to support the social mission, and creating social innovation leading to transformation are further aspects unique to social enterprises (Choi and Majumdar, 2014). Social enterprises are more stakeholder-driven, as meeting various stakeholder expectations holds greater importance for them compared to commercial enterprises (Ramus and Vaccaro 2017). For social enterprises, the goal of social transformation stands on an equal or higher footing than economic gains (Acs et al., 2013). This prompts questions about whether the distinctive characteristics of social enterprises necessitate a specialized SEE as a support system, one that accommodates the dual mission and organizational specifics. The following outlines the characteristics of EEs, contrasts them with those of SEEs, and proposes a definition and way forward for SEEs.

3.3 Entrepreneurial Ecosystem Characteristics

The term *ecosystem*, borrowed from biology, refers to a network of interacting organizations that rely on each other's activities to drive forward value creation (Jacobides, Cennamo, and Gawer 2018). More than other, older concepts such as clusters and innovation systems, it recognizes the impact of social, cultural, and economic forces in the entrepreneurship process (Stam and Spigel 2016). It also differs due to its focus on the arrangement of localized actors and factors that support the development and growth of high-growth ventures (Spigel, 2020). While different perspectives and debates on the definition of EE exist (Theodoraki et al. 2022), most definitions conceptualize ecosystem elements, which can be categorized into individual actors, organizational actors, informal institutional forces, the nature of relationships, and ecosystem output.

Table 3.1 provides an overview of the categories and which characteristics they entail. Dealmakers (Feldman and Zoller, 2012), a lead firm (Williamson and De Meyer, 2012) or ecosystem captain (Teece, 2014), often play a central role in shaping the ecosystem (Moore, 1993; Teece, 2007). Consequently, ecosystem leadership is assumed by an "architect" who establishes system-level goals and standards and makes decisions about membership to drive growth (Gulati et al., 2012). The effectiveness of leadership in EE is assessed by the prevalence of innovative project leaders. Leadership is considered crucial for constructing and sustaining a healthy ecosystem, providing direction set by committed actors (Stam and van de Ven, 2021).

Additionally, entrepreneurs in commercial enterprises are expected to be competitive, growth-driven, efficient, and exhibit high self-efficacy (Koudstaal et al., 2016).

Organizational actors, such as governments, play a pivotal role in facilitating EE by eliminating structural barriers to entrepreneurship and fostering public-private dialogues, research institutes, and international relationships (Isenberg, 2010). Additionally, the structural environment such as the physical infrastructure indicates the accessibility of a region for enterprises, reflecting the effort, time, distance, or cost needed to reach it (Stam and van de Ven, 2021). In commercial EE, less accessible regions, where scaling is not possible or requires high costs, are often excluded, leading to a lack of support structures and ecosystem development, particularly in rural areas (Cowell et al., 2018).

Next to governmental actors, financial institutions serve as crucial resource providers for enterprises. The availability of venture capital, or angel investors in an area can act as an indicator for high-growth potential for enterprises (Stam and van de Ven 2021). Additional funding opportunities come from incubators and accelerators, which play essential roles in nurturing and supporting early-stage and growth ventures. Incubators traditionally offer office space, educational programs, initial funding, and shared business and administrative services, while accelerators invest in promising high-growth firms (Roberts and Lall, 2018).

Another category crucial in fostering high-growth entrepreneurship is informal institutional forces including the extent to which entrepreneurship is valued in society (Stam and van de Ven, 2021) and cultural attributes such as risk-taking, tolerance for mistakes, and honoring failure (Isenberg, 2010). The degree of value placed on traditional entrepreneurship varies across societies, but the global understanding that a thriving economy correlates with higher societal well-being and that entrepreneurship contributes to economic development has become widespread (Urbano, Aparicio, and Audretsch 2019). Additionally, networks in an ecosystem serve to facilitate the flow of information, enabling the distribution of knowledge, labor, and capital, and act as support systems for new value creation. Relationships within EE co-evolve among diverse organizations that are mutually related, performing complementary and differentiated roles. This involves cooperative and competitive relationships among actors pursuing individualistic goals. The actions of ecosystem leaders and successful founders can normalize these relationships (Stam and van de Ven, 2021). Social networks are crucial resources for entrepreneurs, as larger networks position entrepreneurs better to identify market

opportunities, foster innovation, and gain better access to knowledge and capital (Spigel and Harrison, 2018).

EEs have the goal of enabling high-growth entrepreneurship by facilitating the scaling of businesses to contribute to the financial prosperity of the local economy through productive entrepreneurship (Schumpeter 1934), which is equated with creating positive economic output to create financial growth. High-growth firms are one of the main engines of job creation in many modern economies and their presence is associated with higher regional economic growth and increased worker earnings (Lee and Rodriguez-Pose 2021; Mason and Brown 2014; Owalla et al. 2022). In the literature, the concept of high-growth is almost exclusively oriented toward commercially oriented businesses with the core goal of financial value generation. High-growth firms are usually conceptualized as product-based companies that leverage innovative technologies to build scalable business models that can rapidly enter new markets (Coad et al. 2014). Indeed, easier access to venture capital, which can catalyze rapid venture growth, is seen as one of the core benefits of an entrepreneur being located in a strong ecosystem (Shi and Shi 2022).

However, the link between high-growth firms and overall welfare outcomes is limited and their value for broader society is questionable (Spigel, 2020). Here social enterprises can enable social value generation and create social change. Despite the distinct core mission of commercial vs social enterprises, existing work on social enterprises in ecosystems has often utilized the traditional model of EEs developed by Isenberg (2010), viewing SEEs as a specific subtype of EE (Roundy and Lyons, 2022). From this perspective, social enterprises are simply a specialized form of entrepreneurial organizations that require their own specialized support, in the same way that biotech or fintech firms need their specialized advisors and financiers to thrive. In the following, we will discuss what high-growth means in the case of SE and whether and how a SEE framework is a necessary distinction from commercial EE.

Table 3.1 Entrepreneurial Ecosystem Characteristics

Characteristics	Attributes	Authors
Individual actors	- A lead firm or ecosystem captain is shaping the ecosystem. Established business with rich R&D at the heart of an ecosystem. - Ecosystem leadership is taken up by an "architect", who sets system-level goals, and standards, and decides about membership. - Leadership is measured by the prevalence of innovative project leaders.	(Williamson and De Meyer 2012) (Teece 2014) (Moore 1993; Teece 2007) (Mason and Brown 2014) (Gulati et al.

		Entrepreneurs need to be competitive, growth-driven, efficient, and score high on self-efficacy	2012) (Stam and van de Ven 2021) (Koudstaal et al. 2016)
Organizational actors	-	Facilitating EE by removing structural barriers to entrepreneurship and creating space for public-private dialogues, research institutes, and overseas relationships.	(Isenberg 2010)
	-	Less accessible regions are often left out and rural areas often suffer from a lack of support structure.	
	-	Investors with financial profit maximization goal	
	-	Universities fostering innovation and skill development	
	-	Incubation and acceleration programs for high-growth ventures	
Informal Institutional forces	-	The development of an EE depends on appropriate societal support in terms of recognition, legitimacy, appreciation, and social status.	(Spigel 2017b) (Stam and van de Ven 2021) (Isenberg 2010) (Cowell et al. 2018)
	-	The degree to which entrepreneurship is valued in society	
	-	Cultural attributes such as risk-taking, tolerance to mistakes, and honor failure are necessary for entrepreneurship to thrive	
Nature of relationships	-	Networks to provide information flow, enabling distribution of knowledge, labor, and capital, and act as support systems for new value creation.	(Alvedalen and Boschma 2017; Stam and van de Ven 2021)
Ecosystem output	-	Enabling high-growth entrepreneurship by facilitating the scaling of businesses to contribute to the financial win of the local economy.	(Baumol 1990; Mason and Brown 2014)
	-	Productive entrepreneurship is the desired outcome, which is equated with creating positive economic output to create financial growth (Schumpeter 1934).	

3.4 High Growth vs High Impact in Social Entrepreneurship

The stated goal of EEs is to produce high-growth entrepreneurship (Spigel 2020). To understand SEE, we must first unpack what high growth means in the context of SE (see Table 3.2). For commercial enterprises, scaling means greater financial value generation, enabled by getting investment to rapidly grow the number of employees, develop products, and enter new markets. However, scaling for social enterprises scale means the achievement of greater social value. The premise of self-interest maximization in commercial businesses is transformed into the maximization of care for others in social businesses (André and Pache 2016). Social ventures scale by maximizing their impact through increased access to their offerings to beneficiaries (Dees, Anderson, and Wei-skillern 2004). In this context, scaling can be thought of geographically by expanding a current program to new geographic areas or groups of beneficiaries, thereby serving a wider population, also referred to as scaling up or scaling wide. Alternatively, scaling can mean finding new ways of serving the existing population through

an extended service, referred to as scaling deep (Bloom and Chatterji 2009; Smith and Stevens 2010).

For SE, scaling is seen from a program replicability perspective, meaning the goal is to replicate solutions, methods, and programs either to solve more diverse problems of a local population or to solve a specific problem of a bigger population. Nonetheless, scaling is an important aspect of social enterprises, as there is no impact without growth. Thus, barriers to growth are at the same time considered as barriers to social impact. Although it has been argued in some contexts that scaling is not desired or needed due to the possible negative consequences of mission drift and diminished quality of the social impact in favor of a stronger financial impact and organizational bureaucracy that results from growth (Islam 2020), the existence of an adequate support system for social enterprises could potentially support growth opportunities without compromising the social mission. Nevertheless, the dual mission motivation of SE to achieve economic and social value creation implies that they encounter more and different barriers to growth than commercial ventures (Davies, Haugh, and Chambers 2019). These challenges emerge from SE's hybrid organizational type (Battilana and Lee 2014; Chen et al. 2020), meaning that the opportunity of scaling involves a tension between economic returns and social change maximization (Perrini, Vurro, and Costanzo 2010). For instance, the issue of mission drift has been addressed as one potential implication that comes with scaling as maintaining the balance between scale-related operations such as resource mobilization and care for beneficiaries is challenging (André and Pache 2016). It is reasonable to assume that the ecosystem for social enterprises consists of or needs to consist of specific support systems, actors, and processes that differ from those in traditional EEs, which could act as better support systems to scale SEE without creating mission drift. Exploring SEE separately from commercial EEs sheds light on differences in actors and processes based on a hybrid logic, combining elements of community and market. In the following, we use the same categories (individual actors, organizational actors, nature of relationships, ecosystem output) to illustrate how characteristics in SEE vary from those in the traditional EE concept.

Table 3.2 Commercial vs Social Enterprise Scaling

Commercial Enterprise Scaling	Social Enterprise Scaling
- Scaling in size (number of employees) - Scaling in financial terms (revenue)	- Scaling wide or up (solving a problem for an increased number of beneficiaries)

		-	Scaling deep (solving various problems of the same population through extended services)
-	Scaling geographically (internationalization by selling products in new markets)	-	Replicating methods and processes to address more and diverse problems
-	Greater financial value generation	-	Greater social value generation

3.5. The Difference of Social Entrepreneurial Ecosystem Characteristics

EEs are a manifestation of the social embeddedness of entrepreneurship aligned with the impacts of propinquity and clustering which are essential elements of modern economies (Spigel, 2020). This means that ecosystem effects emerge out of the nature of entrepreneurship within contemporary capitalism. This means that the differences in the nature, structure, goals, and processes of SE from commercial entrepreneurship should result in differences between how SEE and EE develop, operate, and support growth and scaling. In the following section, we draw on existing ecosystem and SE literature to identify the key actors and factors in EEs and theorize how the different nature of social enterprise will impact the overall structure and operations of the resulting SEE. Table 3.3 provides an overview of the differentiating elements.

3.5.1 Individual Actors

Individual entrepreneurs are at the core of EEs (Wurth, Stam and Spigel 2023). Indeed, one of the core insights of the ecosystems approach is to see founders not as isolated economic actors but as members of broader business communities who produce value through their network relations. Entrepreneurs frequently create formal or informal organizations to bring together entrepreneurial actors and help address ecosystem gaps (Rocha, Brown and Mawson 2021). We also observe experienced entrepreneurs mentoring and advising their younger peers (Belitski and Büyükbalci 2021). These collective goods benefit the entire community rather than just a few founders. Ecosystems can therefore be seen as an example of collective action rather than creations of a single actor like a local government or large anchor firm (de Bruin et al. 2022; Ostrom, 1990).

Such community building and social value creation are part and parcel of the SE process. Given the altruism and community-orientation inherent in SE, social entrepreneurs are particularly effective at building local communities of social (and commercial) entrepreneurs. Because of this bias towards community building, SEEs consist of strong connections between social entrepreneurs and substantial efforts at entrepreneur-led community building that take the form of both informal founders groups as well as more formal coordination groups. Leadership

activities in SEE are therefore distributed between actors, involving social entrepreneurs collaborating with other social entrepreneurs, commercial entrepreneurs as well as support intermediaries, suggesting that social impact scaling depends on capabilities that emphasize cooperation (Bacq and Eddleston 2018).

While important, social entrepreneurs themselves are hardly the only individual actors within SEE. While social entrepreneurs share attributes such as being altruistic, supportive, and mission-driven, they also face challenges unique to their motivation and mission (Klyver et al., 2022; Roundy and Lyons, 2022). Social entrepreneurs and their employees are motivated differently than their commercial peers, placing higher significance on societal outcomes (Stephan and Drencheva, 2017). Both community and market logic influence their considerations and actions. However, misalignment between the goals of social entrepreneurs and their various stakeholders can result in mission drift. Mission drift, which is often caused by pressures from actors within the ecosystem leading a social enterprise to prioritize the financial goal over the social mission (Klein, Schneider, and Spieth 2021), is often evoked by investors, in the form of VCs or angel investors, who traditionally follow financial goals over social goals. While in the traditional funding model, investors follow classic monetary metrics (Davies et al. 2019), social enterprises require a hybrid investment logic, building on investment decisions that measure impact, for instance in the form of how many beneficiaries a social enterprise serves, as well as the financial outcome. A successful SEE support structure blends the value of financial and social profit to support social enterprises scaling (Lyons and Kickul 2013). Here, impact investors, philanthropic investors, donors, foundations, and crowdfunding options ideally with low interest are possible actors and tools (de Bruin et al. 2022; Lehner and Nicholls 2014). An interplay of philanthropic grants and impact investments help scale social enterprises and the SEE.

3.5.2 Organizational Actors

Social enterprises do not fit a single established organizational form. Social enterprises need to select an appropriate organizational form depending on their business model for official business incorporation. Organizations that serve a public good are traditionally registered as non-profits permitted to receive charitable donations tax-free, but prohibited to gain profits or to distribute profits to shareholders. By contrast, organizations incorporated as businesses have the option to raise funds from investors by selling equity, but cannot opt for financial aid from donors nor have a tax benefit. Some countries have implemented new types of incorporation models like the benefit corporation in the U.S. or the CIC in the UK (Battilana and Lee 2014),

however many social enterprises face legitimacy barriers when choosing one of the newer legal frameworks as they lack broad acceptance and awareness (Korchak 2018).

Lacking an officially recognized definition for the concept of SE in most countries translates to identity issues (Lee 2012; Smith and Woodworth 2012), which limits embeddedness opportunities in the local ecosystem and ultimately hampers growth. Without a formal identity, social enterprises need to rely on an informal understanding within society about what a social enterprise is. To establish their place in the minds of people requires the social enterprise to prove first their ability to be what they claim to be, by solving a social problem. Only after an initial demonstration of problem-solving potential will the social enterprise be recognized as such. This creates an entry barrier to the SEE, which commercial enterprises in traditional EE do not face.

When it comes to infrastructure, less accessible regions are often left out in the case of EE, and for instance, rural areas suffer from a lack of support structure and ecosystem exclusion (Cowell et al. 2018). Although SEEs often circulate in urban areas similar to their commercial counterpart, reaching rural areas is not seldom part of a social enterprise's objective. Providing service to people in rural areas to improve their social and economic well-being is an objective of many social enterprises. The ecosystem has a strong local orientation aimed at including and supporting local communities (de Bruin et al. 2022). The effort, time, distance, and cost calculation in SEE are therefore very different as compared to traditional EE. Here the community logic prevails over the market logic, as although from a market perspective, it is less desirable, from a community perspective inclusion and community well-being play the decisive role. Contrary to commercial businesses, social enterprises operating in rural areas contribute to growth as they create social impact by reaching rural communities. For example, the Nepali-based social enterprise Educase developed a product, which functions both as a desk and as a bag. The target audience is schoolchildren in remote areas often high up in the Himalayan mountains or those in areas that were destroyed by earthquakes. In these regions, government school facilities are poorly equipped, which is why Educase enables each student to study from anywhere by carrying along their own desk in the form of a bag. To sell the goods, the Educase team sometimes has to travel multiple days to reach the remotely located schools high up in the mountains and deliver the product. Although not cost nor time-efficient, which slows down scaling efforts, Educase reaches its social goal of creating better learning environments for children in rural areas (Educase 2023).

Scale Up Institute's study of social enterprises in the UK has shown that social enterprises that had access to support structures such as accelerators, advisors, and venture funds, achieved considerable growth compared to those that did not. However, equity funding was shown to not be an appropriate funding structure for some social businesses and thus more tailored support is required for social enterprise scaling (Graham 2018). Additionally, India provides a positive example of social incubator and accelerator programs that supported the scaling of various social enterprises across sectors, which strengthened the local SEE. Next to international development agencies and banks, local educational institutions, such as the Indian Institute of Management Ahmedabad (IIM-A) or the Tata Institute for Social Science (TISS) support social entrepreneurial activities through their incubation centers for social start-ups. A variety of programs exist to scale social businesses, such as the Dasra Social Impact (DSI) program or Venture Nursery in Mumbai. Further, India's Intellecap Impact Investment Network (I3N) and Ennovent's Impact Circle India are two impact investment organizations is supporting the SEE's financial landscape (GIZ 2012).

Finally, unique to the context of SEE are advocates of SE. These can be activists, NGOs, Foundations, or other actors who try to spread knowledge and understanding of the concept of SE. They can also be interest groups that lobby the government and public organizations to achieve recognition and policy creation for social enterprises. This is a specificity to SEE due to the newness of the concept and the underlying mission of changing social orders and institutions. However, the majority of social enterprises globally are Small and Medium sized Enterprises (SMEs), and their power to change institutions through lobbying and negotiating with policy and investors is lower compared to high-growth commercial businesses (Granados et al. 2022). Due to that, advocacy is a big part of activities within the SEE but it takes time until their voice reaches a larger scale. Advocates play an important role for social enterprises in achieving legitimacy, through that enlarging the ecosystem as new actors learn, and support social enterprises and their social missions. Advocates play a central role in SE scaling. For example, in Scotland, the "Social Enterprise Scotland" is a coalition that brings social enterprises and their supporters together to lobby on their behalf and ensure that social enterprises have a voice in community planning discussions (Roy et al. 2015).

3.5.3 Informal Institutional Forces

Culture is a key component in establishing and sustaining an entrepreneurial environment (Spigel 2017a). The degree to which SE is valued in society can be seen by the number of social enterprises founded and the degree to which successful social entrepreneurs are

celebrated and acknowledged (Stam and van de Ven 2021), but also by how risk-taking and social innovation are encouraged or discouraged. The concept of SE is less known and understood compared to traditional entrepreneurship, presenting barriers to legitimation and societal appreciation due to the hybrid structure of providing social good while gaining financial benefit (Granados and Rosli, 2020). Even in collectivist societies where creating social value is generally appreciated more than financial capital for the individual (Hofstede, 1980), the prevailing understanding is that doing good for society means offering services for free, following established practices by non-profit organizations operating on a donation-based model. Consequently, cultural support for social enterprises remains low and is not normalized in many regional contexts, especially in traditionally donation-dependent countries, hindering the development of SEEs and the growth of social enterprises due to lack of support, as Zhao (2012) shows in their study in the Chinese context.

This cultural disconnect between the community and market logic needs to be bridged and the hybrid model as a blend of both logics in the cultural understanding of entrepreneurship normalized. Compared to the influence of the classical cultural dimensions on entrepreneurship, which indicates that masculinity, individualism, power distance, and low uncertainty avoidance (Hofstede, 1980) in society enable entrepreneurship, social enterprises flourish in other environments. Based on the characteristics of participative decision-making, focus on the needs of others, cooperation, modesty, caring for the weak, innovation, and altruism, which make up social entrepreneurs, SE and their ecosystems function better in an environment with lower masculinity, lower individualism, lower power distance, and lower uncertainly avoidance. For instance, the proportion of any country's female entrepreneurs population is lower compared to males, some countries such as Malaysia, Lebanon, Russia, and Argentina, among others, have a higher female social entrepreneur population (Kedmenec and Strašek 2017).

Few role models of successful SEE and of social enterprises within SEE exist that could act as North Stars to guide development in the sphere. Only a few figures emerged in the social enterprise sphere that could be regarded as role models such as Muhammad Yunus, peace Nobel Prize laureate in 2006 for his social organization Grameen Bank offering microcredits to the poor. Success stories and role models are an important motivating factor (Mack and Mayer 2016) but also come with distinct risks. Successful commercial enterprises and their entrepreneurs are celebrated for their business acumen, and unethical behavior is in many cases only little punished. On the other side, the expectations for social enterprises are to create social

good and not contribute to any unethical behavior or create any harm. However, even social activities while creating a positive social impact on one side, can create negative impacts on another side, which can in an extreme case lead to illegitimacy of the social enterprise as a whole. Taking the example of Grameen Bank and microfinance, while many poor women were able to benefit from microcredits, studies have also shown that in many cases, microfinance has led to rising indebtedness, loss of land assets, and strained social relocations to family and friends (Banerjee and Jackson 2017). In light of this, it can be difficult to celebrate social enterprises and their entrepreneurs. Nevertheless, SEEs need to celebrate social entrepreneurs more to create a critical mass of social entrepreneurs that ultimately leads to the normalization of the concept in society.

3.5.4 Nature of Relationships

Within SEEs, the community logic emphasizes connection and collaboration, which plays a more natural role compared to commercial EE, where competition is traditionally stronger. Social enterprises understand that the problem they are trying to solve is bigger than that one company could do it on its own, which is why strong relationships, knowledge sharing, and collaboration need to be at the core of a well-functioning SEE that enables social value creation. In SEEs, the community's role is significant, facilitating joint problem-solving (de Bruin et al., 2022). Developing close relationships with stakeholders, particularly local communities, is crucial to establishing trust, and ensuring that the enterprise's offerings are considered and accepted by community members (Granados and Rosli, 2020).

For example, SENSCOT, the social entrepreneurs' network for Scotland, offers geographic and thematic support to enhance the efficiency of social enterprises. CEiS (Community Enterprise in Scotland) provides training support and finance for community enterprises. The government has encouraged cooperation between supporting networks through a "Supporting Social Enterprise" partnership strategy (Roy et al., 2015). The Sankalp Forum in Mumbai is an annual conference including mentoring and exchange points that facilitate network building with peers and investors (GIZ, 2012).

However, as the social sector still relies strongly on grant financing, it leads to different dynamics within the ecosystem as grants are typically provided as a gift and do not require repayment (Lall and Park 2022). Grant givers, who are often associated with a governmental organization, international development agency, or foundation, follow certain political and social agendas. With their grants and donations, they often aim to harness influence within a

region. Especially in developing countries, this shifts the power dynamic from local to foreign actors, who are investing based on their own interests, which do not always meet the actual local needs. This makes the SEE very volatile as funding patterns are bound to change based on changing governments, international conflicts, or macroeconomic changes in the donor country. This unique funding structure adds complexity to the SEE and social enterprise's scaling potential. While for commercial businesses, private investors mainly follow a financially driven ambition, the funding landscape for social enterprises is influenced by, often international, social and political goals and agendas. Additionally, such international and political actors often fund incubation and acceleration programs in the SEE sphere, giving them the power to define how growth is measured in the SEE sphere.

3.5.5 Ecosystem Output

Social value generation is the central mission of social enterprises (Choi and Majumdar 2014) and the SEE needs to create a supporting environment to achieve this goal. However, scholars and practitioners have seen the challenge of scaling social enterprises outside the local environment to be replicated in other contexts (Roberts and Lall 2018). Although scaling is an important issue for social enterprises, the motivation to do so is different compared to commercial businesses. Social enterprises are oftentimes targeting a local social issue and implementing innovative solutions that are accepted in the local society to solve the issue. In the case of commercial businesses, scaling is the core of the business mission of creating higher financial value by gaining market share, which can only be achieved by selling a surplus of goods (Elkington et al. 2010). In the case of social enterprises, the goal is to achieve an eradication of a social issue. If this were achieved, the social enterprise would not have any further reason to operate. Therefore, one could argue that social enterprises work towards their own redundancy. This is a paradox, where social entrepreneurs wish to run out of business as the social problem is solved. As the unit of analysis in SEE is the social issue and not the organization, the natural conclusion is that the goal of a social enterprise is sustaining the impact, not necessarily sustaining the enterprise. However, if investors invest they would do so hoping that the enterprise doesn't reach its targets but stays operational. This is a fundamental difference between commercial businesses that aim to exit by acquisition or initial public offering and to continuously sell more by sometimes even diminishing the products lifetime in order to create reoccurring demand for customers, defined as planned obsolescence (Bisschop et al. 2022).

Hence, in SEEs the central unit of analysis is not the organization but the social solution. Scaling the organization in size or financial value does not necessarily lead to a change in the social order. In the case of SEE scaling means systemic social change (Elkington et al. 2010). In SEE the focus on interacting to advocate for a social cause and create positive social impact is stronger than the drive for high growth. The SEE has a dual purpose of advocacy and growth, which makes a coordination effort between the different actors higher but also means a shift in how the ecosystem has to function when the main goal is not to achieve high-growth based on financial outcome but on social outcome. This challenges the underlying assumption of the traditional ecosystem perspective.

In the case of SEEs, the product or service is crucial for the well-being and development of society. It can therefore be highly demanded and awaited leading to a high-speed dissemination across society, or it can be not understood nor legitimized, which would result in a slower dissemination across the society and a higher educational effort by the social enterprise. Not unusually, demand has to be built through educational measures before offerings can be sold. The effort might be higher or lower depending on the essence of the offering. If the product or service targets a certain behavior of individuals, for instance, the need to recycle, or a cultural practice or norm, like in the case of menstruation in Nepal (Thakuri et al. 2021) educational efforts are higher and require more time and costs before offerings will be accepted and legitimized. The Nepali social enterprise Pad2Go targets exactly this topic, by installing sanitation pad vending machines for menstruating individuals across schools and public facilities in Nepal. However, offering the product alone cannot be successful without first educating the community about the taboo topic of menstruation, during which the menstruating individual is regarded as untouchable and impure and is not allowed to enter places of worship, kitchens and sometimes even homes. Pad2Go tries to change this religio-cultural stigma by running educational campaigns primarily in schools to break with this informal institution. At the same time, they create demand for their product by promoting the need to provide sanitation pads in public buildings (Pad2Go 2023).

Another aspect of demand in SEEs is the lack of financial resources in the target community (Cheah and Ho 2019). Even if demand is high, buying power is low if the target community are marginalized group at the bottom of the pyramid (Chaudhuri et al. 2021), which makes it necessary to offer products or services at lower costs. On the other side, in traditional EEs firms can demand price premiums in cases of high customer demand and increase their revenue

significantly. The dynamics between demand and supply different between EE and SEEs due to these reasons.

Productive entrepreneurship is equated with creating positive economic output to create financial growth in the traditional economic sense of entrepreneurship (Baumol 1990; Schumpeter 1934). Productive entrepreneurship is the desired outcome for EEs and although the same holds for SEEs, the definition of productive entrepreneurship differs. Creating productive outcomes for social enterprises means creating social good and positive social impact. Growth means distributing the positive social impact across a wide amount of beneficiaries, which ultimately creates positive societal and institutional change (Lall and Park 2022). While in EEs the main argument is that successful ecosystems enable entrepreneurs to grow their ventures into globally competitive firms (Spigel and Harrison 2018), SEEs need to support social enterprises to grow their ventures to reach as many people in the local context to solve a local social problem. A high-growth enterprise from a social entrepreneurial standpoint is an enterprise that achieves replication to scale its positive social impact in a short amount of time. Therefore, the output of EE and SEE is significantly different as the fundamental meaning of the productivity concept varies.

Table 3.3 Differences between EE and SEE Characteristics

Characteristics	EE	Authors	SEE	Authors
Individual actors	- A lead firm or ecosystem captain is shaping the ecosystem. - Established business with rich R&D at the heart of an ecosystem. - Ecosystem leadership is taken up by an "architect", who sets system-level goals, and standards, and decides about membership. - Leadership is measured by the prevalence of innovative project leaders - Entrepreneurs need to be competitive, growth-driven, efficient - Investors (VCs, angel investors) with financial profit maximization goal	Decker and Estrin 2020; Klyver, Steffens, and Honig 2022; Ostrom 1990; Wurth, Stam and Spigel 2023; Williamson and De Meyer 2012; Teece 2014; Moore 1993; Teece 2007; Mason and Brown 2014; Gulati et al. 2012; Stam and van de Ven 2021; Koudstaal et al. 2016	- Leadership as a collective action by multiple actors to solve a social goal. - Talent is altruistic, impact-driven - Local context dependency - Compassion and collaboration over self-interest and personal win - "Hybrid" investors who combine market and impact logic; impact-driven investments like impact investors, philanthropic investors, donors	de Bruin et al. 2022; Dees et al. 2004; Harima and Freudenberg 2020; Klein, Schneider, and Spieth 2021; Seelos and Mair 2005; Roundy and Lyons 2022; Thompson et al. 2018

Organizational actors	- Facilitating EE by removing structural barriers to entrepreneurship and creating space for public-private dialogues, research institutes, and overseas relationships. - Less accessible regions are often left out and rural areas often suffer from a lack of support structure. - Incubator and accelerator programs support high-growth innovative firms with strong revenue potential	Cowell et al. 2018; Isenberg 2010; Mack and Mayer 2016;	- Identity issues and dependence on outsider's perception; collaboration with the public sector possible once legitimized. - Often goal to reach rural areas for positive social impact creation to support most inaccessible communities; - Social value over cost and effort calculation - social incubators and accelerators to support socially driven enterprises that have the potential to solve important social issues - NGOs and activists who advocate for social change support social enterprise's mission	Battilana and Lee 2014; Granados et al. 2022; Islam 2021; Lall and Park 2020; Lee 2012; Margiono, Kariza, and Heriyati 2019; Ortuño 2020; Roy et al. 2015; Smith and Woodworth 2012; Zhao 2012
Informal institutional forces	- The development of an EE depends on appropriate societal support in terms of recognition, legitimacy, appreciation, and social status. - The degree to which entrepreneurship is valued in society - Cultural attributes such as risk-taking, tolerance to mistakes, and honor failure are necessary for entrepreneurship to thrive	Spigel 2017b; Stam and van de Ven 2021; Isenberg 2010	- Collectivistic, cooperative - A cultural disconnect between the community and market logic leads to hampered growth	Granados and Rosli 2020; Zhao 2012
Nature of relationships	- Networks to provide information flow, enabling distribution of knowledge, labor, and capital, and act as support systems for new value creation.	Alvedalen and Boschma 2017; Stam and van de Ven 2021	- Community logic at the core of network collaborations; Providing information flow, enabling distribution of knowledge, labor, and capital to solve	de Bruin et al. 2022

			social problems jointly - Replication of approaches to solve social problems possible through knowledge sharing, which is encouraged - Power is exhibited from outside groups instead of local communities; power imbalance between outsiders and insiders	
Ecosystem output	- Enabling high-growth entrepreneurship by facilitating the scaling of businesses to contribute to the financial win of the local economy. - Productive entrepreneurship is the desired outcome, which is equated with creating positive economic output to create financial growth (Schumpeter 1934).	Bisschop et al. 2022; Spigel and Harrison 2018; Baumol 1990; Mason and Brown 2014	- Enabling high-growth, in the sense of accelerated positive social impact generation. - Social enterprises create targeted solutions to social problems - Paradox: working towards own eradication - Demand is there but often lack of resources of target audience to access it; in case of radical innovation demand has to be created through educational effort. - Creating social good and positive social impact. Growth means distributing the positive social impact across a wide amount of beneficiaries, creating positive societal and institutional change.	Chaudhuri et al. 2021; Cheah and Ho 2019; Choi and Majumdar 2014; Elkington et al. 2010; Lall and Park 2022; Roberts and Lall 2018

3.6 Outcomes and Implications

Having identified the factors that distinguish SEE from commercial EE, we can shed light on the implications of these differences for our understanding of SEE. Considering our discussion on different ecosystem characteristics, four core differences with important implications for SEE emerge: Exit motivation, identity, the definition of scaling, growth, and value, and support

dynamics and power structures. These factors affect the ecosystem on a micro level from the individual organization perspective (exit motivation and identity of the social enterprise), on a meso level from the field level perspective (support dynamics and power structures), and a macro level from an overarching perspective on the ecosystem (definition of scaling, growth, and value). Table 3.4 shows each of these perspectives and their implications.

From the enterprise perspective, the ultimate goal and a measure of success for enterprises in the EE is to reach an IPO or sell the company for a high price after successful scaling. This approach follows classical market logic, where the enterprise is the unit of analysis, and the financial outcome is the target metric (Andrews et al. 2022). This allows resources to be recycled within the EE, as talent and money can flow between companies (Spigel and Harrison 2018). It is not uncommon that after a successful exit, entrepreneurs invest their earned money in other enterprises or start a new venture. Talent goes from one company to another, bringing their knowledge and technology to other firms, supporting scaling and ecosystem development (Spigel 2020). If we compare this to the SEE, different dynamics become visible. Social enterprises have a paradoxical exit motivation, where the end goal is the eradication of the social problems they are trying to solve. The eradication of the problems simultaneously means the end of the enterprise, as the unit of analysis is not about sustaining the business but solving a social problem (Elkington et al. 2010). Therefore, there is no exit strategy in which the social enterprise could be sold off, as personal wealth is not the ultimate goal of the venture. Exit decisions also depend strongly on the social venture's stakeholders and the decision's implications for the public good (Nuer et al. 2016; Nuer, van Dijk, and van Trijp 2023). The potential to recycle resources becomes low, as there is less private gain, flow of money or talent within the ecosystem. An example is apparel brand Patagonia and their so called "exit to purpose", meaning that all profits are distributed on efforts to protect the environment instead of the CEO or other shareholders through an IPO (Drinkwater 2022). Likewise, Nuer et al. (2016) have shown in their study in Tanzania that social enterprise exit meant handing over the enterprise to the community without necessarily considering equity transfer or acquisition. The choice of exit and exit routes were found to be specific to social enterprises with the goals of the social venture influencing the decision to exit and its implications (Nuer et al. 2016).

When it comes to identity, commercial businesses are identified as businesses after official company registration, which make the boundaries of the organizations who can belong to a commercial EE clear. However, the issue of identity and legal form is distinctively different between social and commercial enterprises and influences the processes and structure of the

ecosystem. Especially where there is no legal form for SE, having to prove the business model to be able to be recognized as a social enterprise creates higher barriers to enter the ecosystem, leading to diminished growth of social enterprises and hampered impact generation (Cornelissen et al. 2021).

Differences within the support structure and power dynamics in EE and SEE exist. Organizational actors, especially financial providers such as angel investors or VCs, influence the commercial EE through their financial and strategic investments into enterprises directly (Fried & Hisrich 1995). Also, organizational investors exert power by running boot camps, incubators, and accelerators to support business growth. Although investors exhibit a strong influence on the direction of the companies they invest in, dynamics within the EE are little in flux because entrepreneurs, investors, intermediaries, and other stakeholders share similar financial goals that align. This is different in the case of SEE. Although private impact investment by social VCs is increasingly becoming available (Cetindamar and Ozkazanc-Pan 2017), the majority of financial capital for social enterprises comes from grants provided by international donors, development agencies, and governments, who finance development aid (Lall and Park 2022). This creates dependencies on outside actors, who exhibit power within an ecosystem that they are not local to. This takes away power from local actors in the ecosystem and redirects it to international actors following their agenda. Influenced by international political and economic changes, the SEE is stronger in flux and creates inefficiencies in meeting local needs, where they remain unconsidered or wrongly addressed (Venugopal and Viswanathan 2019).

Finally, scaling and growth in the traditional market logic are measured by economic growth, by the enterprise growth in size or revenue (Andrews et al. 2022; Stam and van de Ven 2021). On the contrary, for social enterprises, growth is measured by an increased number of beneficiaries resulting in higher social value generation (Hynes 2009; Perrini et al. 2010). Similar to the case of exit motivation, the growth motivation of social enterprises requires a change in the traditional investment logic, where success is not measured in financial terms but in the scaling of social change. Given the local nature of social problems, which can often only be solved with a context-specific and culturally sensitive solution, it implies limits to potential geographic scaling as well (Davies et al. 2019; Lashitew et al. 2020; Smith and Stevens 2010).

Although scholars have argued that value generation for society lies also at the core of a traditional EE, given its aim to create jobs, attract capital for the region, and benefit the region's

tax base (Stam 2015), we argue that job creation and tax benefits are not sufficient social benefits from a SEE perspective. Certainly, entrepreneurship embodies moral and social aspects (Anderson and Smith 2007), but while all high-growth businesses contribute to job creation, social enterprises solve further-reaching social ills, such as the provision of quality education, reducing homelessness, creating equal opportunities for women and marginalized groups, and other grand challenges. Regular provision of jobs and tax benefits will not solve underlying societal inequalities. It is rather a means to an end, as commercial businesses need to invest in human resources to reach their growth targets. Hence, job creation is rather a positive by-product of commercial enterprise activities, but it is not their core mission to provide employment. This can be seen with the advancements in technology, which allow firms to replace human resources through technology, as a cost-efficient solution that is welcomed by many high-growth firms. Even where traditional enterprises solve a social issue, such as through the provision of live-saving vaccination, the cost-benefit analysis and the consideration of the highest financial benefit for the firm will always guide decisions. Alternatively, the value creation through social innovation in the sense of SE implies that it is distributed affordably and inclusively to the intended beneficiaries (Bacq and Aguilera 2022). Once again, we can see that the unit of analysis differs when we look at how value is defined and treated, which distinguishes value creation vs value capture. Value creation is measured from a societal or system level, as the aggregate utility of society's members after accounting for the opportunity costs of resources to conduct the activity. Value capture or appropriation is measured on the organizational level based on the portion of value that is captured after accounting for the cost of resources (Santos 2012). While value creation is at the core of SEE, in the case of EE value is appropriated as a means to an end rather than the actual end goal of business and ecosystem activities.

Table 3.4 Core Differences between EE and SEE and its Implications

Differences	EE	SEE	Implications
Exit motivation	- IPO, financial goals	- Eradicating social problem – paradox "working towards own eradication"	- Less ability to recycle money, talent, and resources - No positive exits
Identity within ecosystem	- Identity as enterprise given upon business registration	- Identity as a social enterprise needs to be proven and legitimized - Challenged due to heterogeneity of	- Difficulty of entering in and benefiting from the ecosystem

			- definitions and legal forms
Support Dynamics, Intermediaries, and Power structures	- Influenced by investors (angel investors, VCs) - Less in flux because goals are the same	- Influenced by donors, government agenda's - More subject to change due to changing agendas	- Outside actors have more power in SEE - Often influenced by outside actors, not from the local region
Definition of scaling, growth, and value	- Growing in size, revenue, economic growth - Measured by financial growth - Value appropriation	- Scaling social change, - Social value generation, - Social solution as a Unit of Analysis and not the firm - Social change maximization - Measured by reaching more beneficiaries - Value creation	- Local orientation, - Requires different investment logic

Having identified the characteristics that make up the SEE, we got closer to answering the question *What is a SEE?* and how does it differ from an EE? The European Commission (2015) proposed a definition of SEE saying, *"the conceptualisation of a social enterprise ecosystem is based on commonly recognised features able to contribute to providing an enabling environment for social enterprise including the potential to address key constraints and obstacles."* Nevertheless, this definition leaves many questions unanswered such as what are the commonly recognized features that contribute to providing an enabling environment for social enterprises. De Bruin et al. (2022) define a SEE as *"an evolving composite community of varied, yet interdependent, actors across multiple levels, which collectively generates positive externalities that contribute to sustainable solutions to social problems."* Considering our identified SEE characteristics and specificities we define SEE is "*a set of interconnected entrepreneurial actors, organisations, institutions, and processes that coalesce to connect, and mediate, aiming to scale the resolution of social problems, achieving a social purpose, value creation, and enabling inclusive growth*".

3.7 Policy Implications and Future Research Perspectives

Many elements of the EE framework are challenged in the context of SE. With this paper, we aimed to open the conversation on the underlying dynamics, definitions, and relationships of a SEE, but empirical research is needed to build a better understanding of SEEs in practice. One way to advance research is to take an emerging SEE example as a role model and guidance for

investigations and for the practical implementation of support mechanisms to build efficient SEEs. A "social Silicon Valley" as a prototype of a functioning SEE is yet to emerge. The hybrid business model challenges the underlying assumptions of traditional business making and investing (Roundy, 2020). The establishment of a SEE consequently requires time and changed mindsets across various stakeholders. Nevertheless, the examples of the SEE in Mumbai, Scotland, and Kathmandu as we have provided throughout this paper can act as starting points.

From a policy perspective, it is important to understand the role of social enterprises in creating social and economic benefits for society. A strong SEE can emerge if stakeholders understand the social issue at hand, comprehend how the issue can be eradicated, and are willing to act towards eradicating the issue with targeted actions. Fostering a culture that combines the hybrid logic of doing good for society as the core mission of business while creating financial profit from these activities will play a central role in educational institutes and public policy. While the differences between EE and SEE have been deconstructed, it should not be disregarded that EE can have spillover effects, interact with SEE, and help them grow. Encouraging commercial businesses to invest in social enterprises as part of their CSR campaigns or act as mentors for social enterprises are just a few examples of how firms can build capabilities in SEE through knowledge transfer and resource sharing (Urmanaviciene and Arachchi, 2020).

Looking from a critical standpoint on entrepreneurship, scholars have shown that high-growth, productive entrepreneurship in the traditional sense (Baumol 1990) has created both economic growth but has also contributed to an increase in inequality, precarious work conditions, and poverty in the local context (Caliskan and Lounsbury 2022; Vedula et al. 2022; Weiss and Weber 2016). Examples are platforms such as Uber, Alibaba, or Upwork, which have illuminated exploitative tendencies of entrepreneurship, creating both a negative impact on society, while creating a positive economic impact. EE such as Silicon Valley have likewise made headlines for reproducing inequalities (Friederici, Whome, and Grahman 2020). The productive entrepreneurship premise that is used as the baseline in the EE framework cannot be applied in SEE. New definitions for what productive entrepreneurship means need to be taken into account when assessing productivity in SEE, as we explained earlier. This is fundamental in understanding the elements, relationships, and output of SEEs.

We encourage future studies to further develop the concept of SEEs by studying SEEs in different country contexts, their elements, and processes. As a further step, it would be

important to develop how SEEs differ between developed and developing countries. EE frameworks have been developed based on the Western ecosystem model of Silicon Valley and other successful ecosystems, but still, very little is known about EE in developing economies and whether the same elements, practices, and processes apply in these contexts. Even scarcer is the literature on SEE in these contexts. Developing and developed economies differ in various aspects like their pressing needs, availability of resources, institutional setting, and the relationship between actors. While social enterprises in developing countries often focus on providing basic human needs, in developed countries, social enterprises work towards inclusive growth (Cheah and Ho 2019). The needs of SEEs in developed and developing countries differ due to different levels of public social benefit provision and general economic and living standards. The social enterprise model and its ecosystem depend on cultural, historical, and context-dependent economic and government types that make up the formal and informal institutions (Kerlin 2013). For instance, studies have shown that social ventures that took part in acceleration programs outside of their local context were not able to achieve similar growth as social ventures taking part in local accelerations did (Roberts and Lall 2018). This shows that, next to business skills, it is context-specific knowledge that is important for growth. For example, it was reported by social entrepreneurs that acceleration programs did not result in valuable connections that would help them grow their network. Further, ecosystems in developing countries are subject to more frequent changes due to a change in formal institutional rules and informal cultural arrangements. Such changes happen more quickly and frequently in developing countries due to institutions being less fortified and under development. Hence, SEE is also more dynamic and fragile compared to the ecosystem in developed countries. Additionally, power structures in SEE in developing countries differ from those in developed countries. On the one hand, international funding and development agencies often try to guide the agency with their financial power to invest in resource-scarce regions. On the other hand, the influence of informal local leaders guides decision-making. These can be clan leaders, or influential community groups (Muldoon, Bauman, and Lucy 2018). Informal structures experience greater significance in developing countries due to formal institutional voids. A new future research stream could look deeper into informality and how informal (social) enterprises can be part of the respective ecosystem.

By saying so, we want to raise the need to develop research on developing contexts, which is an important consideration, as there are many context-specific differences between and within developing and developed country contexts. Even within the US, most thriving ecosystems are

concentrated in only three states (New York, California, and Massachusetts). Thus, SEE and EE need to deepen understanding of differences within countries and regions (Roberts and Lall 2018). This will help in broadening the understanding of how SEEs emerge, develop, and transform. Finally, the matter of how social impact can be scaled needs more investigation as this is the main output of productive entrepreneurship in SEE and yet scaling of social impact is one of the biggest challenges in research and practice (Han and Shah 2020; Roberts and Lall 2018).

3.8 Conclusion

The current understanding of ecosystems is built on observations of successful commercial ecosystems, such as Silicon Valley, Beijing, or Tel Aviv providing little explanation of how successful SEE could look. Research on SEE is still in its infancy (Roy and Hazenberg 2019), and more conceptual and empirical analysis is needed to advance this research stream and support practitioners in creating thriving SEE for fostering social and environmental innovation. This paper deconstructs the concept of EE in the context of SEE and unpacks the differences between them, especially concerning their definition of scaling and value, exit motivation, social enterprise identity, and power structures and dynamics. Based on these differences, we call for a stronger focus on SEE by academics and practitioners to enable effective support structures for social enterprises.

There is a need for rigorous inquiry into SEE and its potential to support social enterprise scaling. Although growth for social enterprises has a different meaning than it has for commercial enterprises, an ecosystem perspective is crucial for social enterprises as they likewise depend on vibrant support from government, investors, universities, role models, mentors, networks, incubators, and accelerators, and all other actors involved in a productive ecosystem. It is therefore highly relevant to advance knowledge of SEE to support social enterprise scaling to contribute to the eradication of social ills and create positive social change.

Having laid out the ground for what an SEE is, the next chapter investigates the formation and transformation of the SEE in the developing country context of Kathmandu, Nepal.

4. The Influence of Disaster and Crisis on the Formation and Transformation of Social Entrepreneurial Ecosystems: An Institutional Approach in a Developing Country Context

4.1 Introduction

"Sometimes crises do teach something you fail to teach during the good times."

- Transcribed from an interview with IdeaStudio on the influence of disaster and crisis

Contextual circumstances within the macro environment, such as natural disasters or political conflicts, present a high risk for enterprises and communities (Jinghan et al., 2020; Williams and Shepherd, 2016). Many regions are facing growing threats from disastrous events or crises, stemming from political upheavals and war, as currently seen in Ukraine (Zahra, 2022) and Israel-Palestine (Buheji and Hamza, 2024). Other threats include local or global health crises, like the COVID-19 pandemic (Brammer, Branicki, and Linnenluecke, 2020; Rashid and Ratten, 2020), and increasing natural catastrophes such as earthquakes, droughts, floods, or land erosion resulting from climate change, exemplified by the earthquake in Turkey and Syria in 2023 (Dal Zilio and Ampuero, 2023). These events have devastating effects not only on societal well-being but also on the economic and entrepreneurial landscape of a country or region (Rao and Greve, 2018).

Nevertheless, in the case of SE, social value creation focuses on resolving social ills (Mair and Martí, 2006). Disasters could create opportunities for social enterprises to address emerging problems (Corner and Ho, 2010; Mair and Martí, 2006; Mair, Wolf, and Seelos, 2016). Therefore, it can be assumed that the effects of disaster on SE and the SEE differ from those on commercial businesses and traditional EE. While disasters threaten commercial business operations and profits (Sahebjamnia, Torabi, and Mansouri 2015), they can spur social innovation and impact generation in social enterprises (Nicholls and Cho, 2006). However, ecosystem formation in the realm of SE has not been thoroughly investigated (de Bruin et al., 2022; Roundy, 2017; Roundy and Lyons, 2022). Theoretical and practical understanding of how SEE develops and what is needed to strengthen is lacking compared to existing efforts for commercial EEs in many regions (Spigel, 2017).

Additionally, we need to examine how disastrous events affect SEE. Understanding these influences can help in coping with consequences and recognizing disaster as a source of opportunity. This examination fills a gap in existing literature, as research on crises and

disasters has primarily focused on financial crises (Grewal & Tansuhaj, 2001), increasingly on health crises due to the COVID-19 pandemic (Ratten, 2020), but insufficiently on natural disasters (Williams and Shepherd, 2016) and specifically their impact on ecosystems. Understanding the effects of such disasters is relevant due to increasing environmental crises resulting from climate change (Abram et al., 2021; Brammer et al., 2020).

Therefore, we aim to answer the research question: *How does a social entrepreneurial ecosystem form and transform amidst disastrous and crisis events?* To achieve this, we examine actors and activities related to the SEE in the capital region of Kathmandu, Nepal, over a 12-year period, tracking activities, events, relationships, and interactions to identify shifts in the SEE space. We utilize data from interviews, participant observations, direct observations, social media entries, newspaper articles, and internal company materials to create a timeline of events illustrating the SEE formation process. This study contributes insights by exploring SEE formation in a developing country setting, which remains underexplored yet crucial for socioeconomic development and improving living conditions (Chen et al., 2020). While previous studies explored EE formation in environments supportive of entrepreneurial activity, our study focuses on a context that largely lacks resources to support venture formation and growth, with different power structures compared to developed countries' EEs. This critical area is often overlooked in existing literature but is highly relevant for socio-economic progress in challenging contexts (Harima et al., 2021). Critical juncture theory helps us to theoretically embed crisis effects on institutional change (Sorensen 2023).

Furthermore, we selected a setting where natural disasters significantly influence the SEE, given the ongoing threats of earthquakes and floods in Nepal due to climate change (Nepal, Khanal, and Pangali Sharma, 2018). By combining crisis research and entrepreneurship literature, we contribute to literature by (1) investigating elements constituting the SEE in developing economies based on the example of Nepal, (2) exploring SEE formation in a developing country context, and (3) examining how SEE transform when affected by external forces like disaster.

In the following section, we introduce the concept of SE and the traditional EE framework before theorizing the SEE framework, and contrasting it with the traditional EE. We connect EE literature with institutional theory, emphasizing the importance of an institutional perspective due to its influence on EE development. We also review the literature on the role of crises and disasters in entrepreneurship. The methodology section details the research

setting, data type, collection, and analysis. We present and discuss findings in light of existing theory, providing contributions to theory and practice before concluding with an outlook for future research directions.

4.2. Theoretical Context
4.2.1 SEE and Institutional Theory

As mentioned before, broader conceptualizations define SE as an "innovative, social value-creating activity that can occur within or across the non-profit, business, or government sectors" (Austin, Stevenson, and Wei-Skillern, 2006). Though definitions of SE vary, a common thread across all definitions is the underlying commitment of social enterprises to generate social value rather than personal or shareholder wealth (Austin et al., 2006; Mair and Martí, 2006).

While interest in SE and EE research has grown in recent decades, only a handful of studies have explored SEE (Diaz Gonzalez and Dentchev, 2021; Roundy and Lyons, 2022; Roy et al., 2015; Roy and Hazenberg, 2019), and the concept has yet to be fully defined, developed, or distinguished from traditional EEs. EEs are delineated as a set of tangible and intangible environmental factors shaping enterprise performance within a geographically and politically defined area (Spigel, 2017; Spigel and Harrison, 2018). Isenberg (2010) presents a framework for EEs encompassing thirteen elements condensed into six categories: policy, market, support, culture, human capital, and finance. A holistic approach to these factors enables the creation and sustainable growth of ventures (Kabbaj et al., 2016). Enterprises are most likely to thrive in environments with easy access to capital, talent, infrastructure, supportive mechanisms, and a culture conducive to entrepreneurship (Isenberg, 2010). Additionally, an environment fostering innovation and tolerating failure, rather than being risk-averse, is crucial (Zhao et al., 2021).

The interest in building a thriving EE has grown among public and development organizations, private firms, and academia in the past years. Practitioners and researchers aim to understand and explain the phenomenon of thriving ecosystems such as Silicon Valley and hope to replicate it in other places (Audretsch, Belitski, and Cherkas 2021; Roundy 2016; Roundy, Bradshaw, and Brockman 2018). Nevertheless, social enterprises require distinct attention when it comes to ecosystem development due to their hybrid business model with its distinct challenges (Battilana and Lee 2014). A separate support system of government policies, legal frameworks, investments, support systems such as incubators and accelerators, and University

programs among other ecosystem components is needed for SE development (de Bruin et al. 2022).

Social enterprises diverge from commercial enterprises in their mission, facing challenges in legitimation (Bolzani et al., 2020), and acquiring human capital, financial resources, and support due to their hybrid business nature (Thompson et al., 2018). Traditional EE support structures primarily focus on scaling the financial profit of ventures, rendering them less accommodating to social enterprises placing equal or greater emphasis on their social mission than financial gains (Roundy, 2017). Thus far, the traditional EE framework (Isenberg, 2010; Stam and van de Ven, 2021) has been applied to investigate SEEs without considering their distinct nature from traditional EE elements or the context-specific differences prevalent in developing countries (Guerrero, Liñán, and Cáceres-Carrasco, 2020). A dedicated focus on SEE is essential to nurture social enterprise growth, given the disparities between these enterprise types and their respective needs.

The earlier mentioned recently introduced definition by de Bruin et al. (2022) characterizes SEE as "an evolving composite community of varied, yet interdependent, actors across multiple levels, which collectively generates positive externalities contributing to sustainable solutions to social problems." In SEEs, traditional actors like investors or incubation and acceleration centers can only be effective if they adopt a hybrid model of social and financial value creation. Philanthropic funding and impact investment are evolving mechanisms facilitating social enterprise financing (de Bruin et al., 2022b; Lehner and Nicholls, 2014). Moreover, SEE and traditional EE diverge in output definition, growth, and power structures. Productive entrepreneurship, the desired output for ecosystems (Baumol, 1990), varies in definition between traditional EE and SEE. While traditional EEs focus on profit generation and financial growth (Isenberg 2010), SEEs emphasize creating social good and positive social impact, disseminating this impact widely to effect societal change (Lall and Park, 2022). Additionally, power dynamics differ; traditional EEs are often influenced by financial providers such as angel investors and venture capitalists, while SEEs rely heavily on grant providers, often international donor organizations, particularly in developing countries (Cetindamar and Ozkazanc-Pan, 2017; Lall and Park, 2020). Consequently, EE exhibit less flux as the objectives of financial providers and enterprises align on financial value generation, whereas SEEs experience greater flux due to dependencies on external actors with agendas that can differ from local needs (Venugopal and Viswanathan, 2019).

Due to the lack of effective support structures and institutional arrangements surrounding social enterprises, SEEs remain in their nascent stage globally (Roundy 2017; Thompson, Purdy, and Ventresca 2018). In many countries, no legal framework defining social enterprises exists, financial institutions operate according to market logic, often overlooking social impact in investments (Ciambotti and Pedrini, 2021), and though some cultures prioritize societal care, the concept of "doing business while doing good" remains absent from community understanding (Williams and Vorley, 2017). Thus, the institutional structure significantly influences the ecosystem, warranting deeper exploration of institutional conditions when examining SEEs.

As introduced earlier, classical institutional theory, defines institutions as formal and informal constraints on human interaction (North, 1987, 1991, 2005). Formal institutions encompass written rules and regulations, while informal institutions comprise unwritten societal rules such as cultural understandings, norms, values, and beliefs. Although the ecosystem framework incorporates elements of both informal and formal institutions (Isenberg, 2010; Stam and van de Ven, 2021), few studies have investigated how institutions influence SEE formation and development (Chen et al., 2020; Thompson et al., 2018). Despite ecosystems being predominantly theorized as actor-centric, often lacking a contextual perspective (Auschra et al., 2019), institutional arrangements exert significant influence on ecosystem productivity or lack thereof (Audretsch et al., 2021), as well as enterprise creation and growth (Thornton et al., 2011; Urbano et al., 2019). Individuals' actions and seemingly rational choices are deeply embedded in larger social and institutional contexts (North, 2005), with culture serving as the core guiding factor for all processes, interactions, and conditions.

When studying entrepreneurship and ecosystems, considering historical, temporal, spatial, and cultural contexts (Estrin et al., 2008; Welter, 2011) is paramount for comprehending entrepreneurial realities and processes (Spanuth and Urbano 2024). The unfolding of entrepreneurial processes and the discovery or creation of opportunities (Alvarez and Barney, 2007) heavily depend on cultural understandings and vary between regions (Bruton et al., 2010). However, following the external enabler lens (Davidsson 2015; Davidsson, Recker, and Von Briel 2020), exogenous forces such as disaster and crisis can disrupt the institutional structure.

4.2.2 Influence of Disaster and Crisis on Entrepreneurial Activity

Disaster, as defined by Gunn and Masellis (1982) and utilized by the United Nations (UN) and the World Health Organization (WHO), is "The result of a vast ecological breakdown in the relationships between man and his environment, a serious and sudden (or slow, as in drought) disruption on such a scale that the stricken community needs extraordinary efforts to cope with it, often with outside help or international aid" (Kanbara et al., 2016). Alternatively, the word *crisis* is used to describe a phenomenon that has a high level of uncertainty and impact on society over a certain period (Ratten 2020). As opposed to disasters, which are brief events with little control over their evolution such as earthquakes, floods, or tsunamis, crises are prolonged events that can be controlled, such as the financial crisis, economic crisis, or the climate crisis (Moreira, 2007). In addition, the COVID-19 pandemic is defined as a health crisis rather than a disaster per definition (Brück, Naude, and Verwimp 2016; Ratten 2020). For the purpose of this study and following Doern et al. (2019), we use the terms crisis and disaster interchangeably because we investigate both the effect of the earthquake 2015 disaster as well as COVID-19 as a health crisis on the SEE.

Disaster and crisis research has identified a negative effect of natural disasters on regions and economies (Baez et al., 2010). The COVID-19 pandemic, which affected the whole world, has had a considerable impact on EEs (Rashid and Ratten, 2020). For instance, the COVID-19 pandemic is generally associated with a decrease in resources and uncertain social, economic, and political scenarios. Events like environmental disasters have been indicated to have a negative effect on entrepreneurial activities (Ullah and Khan, 2017), for instance, on women's self-sustainability as a result of destroyed women micro-enterprises (Hameed et al., 2020; Shahriar and Shepherd, 2019). However, this is only one side of the coin. Opposing perspectives exist, which have viewed such disasters as opportunities for development (Doern et al., 2019). Davidsson (2015) and further developed by Jinghan et al. (2020) apply the construct of *external enablers* to explore the influence of external circumstances on entrepreneurial opportunities and new venture formation and how they enable opportunity spaces. For instance, studies have reported that COVID-19 has created a greater aptitude for entrepreneurship (Casselman, 2023; Decker and Haltiwanger, 2023; Tankersley, 2023) and stronger intentions to be involved in entrepreneurial activities (Lopes et al., 2021). Hence, it can be observed that next to the negative effect that disasters pose on organizations, they simultaneously create opportunity spaces, which especially social enterprises can exploit. Since social value creation is about resolving social ills (Battilana and Lee 2014), the consequences

of disasters open up space for social enterprises to recognize new opportunities for tackling incurred problems (Corner and Ho, 2010). Therefore, we propose that the ecosystem development process and the institutional structures are affected by exogenous events, namely disaster and crisis.

Existing literature indicates that some of the main factors that make up an ecosystem - culture, networks, and infrastructure (Heaton et al., 2019) – are often strongly affected by disaster and crisis events. The COVID-19 crisis has transformed existing networks and infrastructures with options like home office and virtual communications in sectors that were otherwise not using such tools (Brammer, Branicki, and Linnenluecke, 2020). Additionally, disasters and crises also affect cultural norms and behavior, for instance, wearing facemasks in public spaces is continuing to be practiced even after formal precaution measures have been eliminated and is regarded by many as polite to protect fellow members of society (Rab et al., 2021). Changes in institutions ultimately result in changes within the ecosystem that affect enterprises and all ecosystem actors where disasters are one factor that leads to such changes (Rashid and Ratten, 2020). Thus, disaster and cries can be understood as critical junctures. Critical juncture theory focuses on analyzing conditions under which institutional change becomes possible as consequence of historical events (Sorensen, 2023). It considers a relatively short period of time during which there is a heightened probability that events or agent's choices affect outcomes of interest (Capoccia, 2015). Utilizing this lens, we explore how crisis and disaster act as critical junctures in SEE development leading to institutional change.

Our review indicates that although disaster and crisis can have negative effects on entrepreneurship, they can also create opportunities, especially for social enterprises. Yet, entrepreneurship and strategy research are predominantly inward-looking. To be more relevant, it is important to capture environmental change to advance theory, as disaster results in changes in routines and structures in the broader institutional environment (Davidsson, 2015; Davidsson et al., 2020). Additionally, the effects of disasters and crises on ecosystems are little understood as of now. This study adds to research on the intersection between disaster research and entrepreneurship and analyzes how disaster influences SEE formation and transformation. We adopt a place-based regional approach to study the SEE development in the capital region of Kathmandu, Nepal. The following section provides background information on the research setting.

4.3 Research Context: SEE in Kathmandu, Nepal

The optimal approach to investigate the impact of disasters on SEE involves selecting a country or region that frequently faces significant disasters while concurrently witnessing a flourishing social enterprise scene. For this purpose, Nepal has been chosen as it offers a conducive research environment. Nepal is prone to various catastrophic events, including frequent natural disasters such as floods, land erosion, and earthquakes, with the devastating earthquake in 2015, centered in Kathmandu, being the most severe, claiming 9,000 lives and affecting over 22,000 individuals (World Vision, 2015). Notably, this earthquake caused extensive damage to significant historical sites, including Hindu and Buddhist temples, many of which are still undergoing reconstruction efforts. According to the Nepali Ministry of Home Affairs (MoHA), a total of 22,372 similar disastrous events were recorded between 1971 and 2015 (Nepal et al., 2018).

Moreover, Nepal has undergone institutional changes, particularly following the conclusion of a decade-long civil war in 2006, resulting in a transformation of the political landscape with the abolition of the monarchy and caste system (Arora, 2022; Menon and van der Meulen Rodgers, 2015). Subsequently, a historic shift has been ongoing since the implementation of a new constitution and federal political structure in early 2018. Despite previously being labeled a "failed state" by the Fund for Peace Index until 2010 (Estes, 2011), Nepal is now witnessing significant developmental potential (World Bank, 2021). This has fostered optimism regarding political stability, inclusivity, good governance, and sustainable growth, contributing to a commendable average economic growth rate of 4.9 percent between fiscal years 2009 and 2019. However, the country continues to face structural challenges such as limited domestic job opportunities, susceptibility to natural disasters, and infrastructural deficiencies. The COVID-19 pandemic has exacerbated these challenges, leading to increased debt burdens, casting uncertainty on the envisioned benefits of the federal decentralized governance model for fostering inclusive growth and sustainable development (World Bank, 2021).

Despite these obstacles, an escalating number of entrepreneurs are establishing businesses to enhance the economic viability of the country. Over the past five to seven years, entrepreneurship has garnered increasing attention as a catalyst for economic and social progress in Nepal. The concept of SE has emerged as a burgeoning trend within Nepal's business sector (Pathak, Poudel, and Acharya 2018), with the SEE still in its nascent stage (Spigel and Harrison, 2018). Nonetheless, recent advancements in the SEE underscore the potential that Nepal offers for SEE development. For instance, in 2015, the Center for

Innovation & Entrepreneurship Development at King's College Nepal organized Nepal's inaugural International Conference on SE (Edusanjal, 2015). Subsequently, in 2020, the government announced the establishment of a SE Fund aimed at fostering self-reliance among social organizations, coordinated by the Social Welfare Council across all regions of Nepal (The Rising Nepal, 2020). This was followed by the launch of Nepal's first School of SE in 2021, with the objective of cultivating social entrepreneurial capabilities nationwide (ShareSansar, 2021). These milestones reflect the evolution of the SEE over the past decade. These developments, unfolding amidst various disastrous events, present a unique opportunity to investigate the formation and transformation of SEE under conditions of disaster and crisis, which is the primary focus of this study.

4.4. Research Methodology

Qualitative methodology is well suited for our goal of building theory in a field where little data exists (Yin 2014). We inductively build on theory through coding and categorization of first-hand in-depth data (Glaser and Strauss 1967). Thereby, we were able to study a process that unfolded over time of a case that is societally important as disaster and crisis events are affecting entrepreneurship and have implications for the development of ecosystems (Rachid and Ratten 2020).

4.4.1 Data Source and Collection

Multiple data sources were used to gather information, from both real-time observations and contextualized retrospective data – a technique commonly used in longitudinal studies (Couture, Jarzabkowski, and Lê 2023). Data collection took place continuously from January 2022 through January 2024, drawing from (1) electronic media courses like websites, newspapers, social media postings, and blogs, (2) face-to-face semi-structured online interviews through *Zoom*, (3) participants and direct observation during a field trip to Kathmandu, Nepal between September 2022 and December 2022, and (4) regular informal conversations via *Whatsapp* with some of the informants. This method allowed us to continuously stay involved in discussions with informants, gather more in-depth insights, and be informed about developments within and around the social enterprises.

During data collection, we aimed to identify the actors and activities of the ecosystem and to track the origins and changes within the SEE based on identified initiatives, events, reports, and interview responses. We first identified social enterprises that operate in Kathmandu and conducted purposeful sampling to help boost the reliability of our study. For the study, only registered social enterprises are considered (formalized organizations). Informal sector social

entrepreneurs are not in the scope of this study. We followed Yin's (2014) suggestion of a two–stage screening procedure for case selection. After running a keyword search in Google with the terms *social entrepreneurship Nepal*, *social enterprise Nepal*, *social innovation Nepal*, we noted down all social enterprises that appeared in the first 20 pages (a total of 600 search results) on Google. This led to a total of 106 mentioned social enterprises. In the first stage, 25 social enterprises were chosen for further consideration, as they were mentioned in more than one source and are therefore more known and suited to our definition of social enterprise, as we only include social businesses that operate on a for-profit business model. In the second stage, we chose and contacted 20 of the 25 enterprises by either email or through Facebook depending on which contact option was mentioned on the firm's website. Five enterprises were excluded because they were associated with sustainability entrepreneurship rather than SE. Of those 20, eight social enterprises responded and agreed to participate in the research. During the field visit, we used snowball sampling to find other social enterprises and actors that are part of the SEE like Universities, business incubators, investors, government actors, NGOs, INGOs, and intergovernmental organizations (see Table 4.1). We identified the relevant ecosystem actors during the online search (on social media posts, online newspaper), and during the interviews with social entrepreneurs.

Table 4.1 Overview of organizations and informants included in the study

Company/Institution	Sector	Type of organization	Founding year	Number of employees*
Anthropose	Provide cataract surgeries (reduce disability)	Social Enterprise	2014	1
Community Homestay	Community based tourism	Social Enterprise	2017	11
Doko Recyclers	Recycling	Social Enterprise	2017	35
Seeing Hands clinic	Providing employment for the visually impaired	Social Enterprise	2017	10
Smartpaani	Sustainable water management	Social Enterprise	2013	25
Bikas Udhyami	Providing employment for marginalized groups (lower caste)	Social Enterprise	2016	15
Educase	Education utensils	Social Enterprise	2019	2
Pad2Go	Sanitation/Menstruation	Social Enterprise	2018	6

Samsara Creation	Upcycling	Social Enterprise	2019	8
FulBright	Education	Intergovernmental organization	1961	-
NYEF	Young Entrepreneurs Forum	Entrepreneurship Forum as part of ecosystem	2003	-
Impact Hub Nepal	Co-working and incubation, FabLab	Co-working; International Community	2022	16
Antarprerana	Funding provider, mentorship and incubation	Funding provider	2015	19
IdeaStudio	Social Business Incubation	Incubator	2015	18
Nepal Private Equity Association	Investor	Private Equity Association	2017	7
True North Associates	Investor	Venture Capitalist	2017	8
Blue Waste to Value	NGO	Waste Management NGO	2014	6
CREASION	NGO	Waste Management NGO	2019	26
Minister of Industry	Government	Ministry	-	-
Kings College Kathmandu	Academia	College	2009	-

Observations. Onsite observations were conducted during a three-month field trip to Nepal. During the field trip between September 2022 and December 2022, we took part in events, such as a College Hunt Start-up Pitch event and a filming of the Nepali equivalent of Shark Tank with a dedicated social enterprise stream. We conducted participant and direct observations, and additional interviews with employees and got a better understanding of the local institutional system. We also conducted ethnographic interviewing during the observations in the field and took part in meetings (see Table 4.2). We also met some of the informants for coffee outside of the office, which helped us gain trust and obtain additional information in an informal setting. Through data collection, we became aware of anchor events and organizations that contributed to ecosystem development. We tried to connect critical moments, activities, and actors. We then used snowball sampling, where initial contacts helped us to find other actors they knew, who are engaged in the SEE. Observations were supported by field notes (Yin 2003).

Interviews. We interviewed several individuals more than once during the research period. The initial interview phase commenced from January 2022 to June 2022. These interviews took place online via Zoom. The semi-structured interview guide (see Appendix Table 2) queried respondents about their work in the organizations, and the influence of certain institutional factors like the government, funding, NGOs, the community, family and friends, Universities, and other organizations within the ecosystem. We also asked about the influence of natural disasters, war and post-war times, political system change, and COVID-19 on the organization and the EE. All informants are Nepalese citizen, aged between 25 and 50 years, identifying as both male and female. The interviews were conducted in English and lasted between one and two hours and were audio recorded and later transcribed. During the field trip between September 2022 and December 2022, additional semi-structured interviews were conducted, as well as informal conversations during company visits and at coffee chats. A total of 39 semi-structured interviews took place until theoretical saturation was achieved (Suddaby 2006).

Documentary material. To triangulate the data sources (Langley 2009) and verify the data from interviews, we conducted online searches on websites, online newspaper articles, and other social media sites. This was used as retrospective data, which enabled us to identify events that took place and formed the SEE. We searched for material that helped us create a timeline of events and developments of the SEE considering the developments before, during, and after the 2015 earthquake and COVID-19.

Table 4.2 Data Sources

Company/ Organization	Sector	Type of organization	Number of interviews	On-site visits	Additional data source
Anthropose	Provide cataract surgeries (reduce disability)	Social Enterprise	2 + focus group participation	1	-
Community Homestay	Community based tourism	Social Enterprise	3 + focus group participation	1	Researcher used their offering to get in touch with beneficiaries – 4 day observation
Doko Recyclers	Recycling	Social Enterprise	9	2	Visited office and recycling facility
Seeing Hands clinic	Providing employment for	Social Enterprise	1	0	-

	the visually impaired				
Smartpaani	Sustainable water management	Social Enterprise	2 + focus group participation	1	-
Bikas Udhyami	Providing employment for marginalized groups (lower caste)	Social Enterprise	2	1	Researcher participated in business meeting and acted as advisor to one project; several informal communication rounds via whatsapp
Educase	Education utensils	Social Enterprise	2	1	-
Pad2Go	Sanitation/Menstruation	Social Enterprise	2	1	-
Samsara Creation	Upcycling	Social Enterprise	2	1	-
FulBright	Education	Intergovernmental organization	1	0	-
NYEF	Young Entrepreneurs Forum	Entrepreneurship Forum as part of ecosystem	2	0	-
Impact Hub Nepal	Co-working and incubation, FabLab	Co-working; International Community	1	0	-
Antarprerana	Funding provider, mentorship and incubation	Funding provider	2	3	Researcher participated in internal meetings and advised on one project
IdeaStudio	Social Business Incubation	Incubator	1	3	Researcher observed pitch series filming and college pitch event
Nepal Private Equity Association	Investor	Private Equity Association	1	1	-
True North Associates	Investor	Venture Capitalist	1	1	-
Blue Waste for Value	NGO	Waste Management NGO	1	1	-
CREASION	NGO	Waste Management NGO	2	1	-

Minister of Industry	Government	Ministry	1	Meeting during event	-
Kings College Kathmandu	Academia	College	1	1	-

4.4.2 Data Analysis

Our research question focuses on how SEEs form and transform amidst disastrous events. Transforming the interview and documentary data into a single longitudinal timeline enabled us to understand interconnections between events, and actors, and to build a chronological account of the ecosystem formation. The efforts to understand the formation and development process of the SEE span from early 2011 until the end of 2023. The beginning temporal boundary (Langley 1999) of the observation period 2011 was set after the first round of interviews and online research. The data has shown that the first activity towards SEE development took place in 2011. Based on this information, the time boundary was chosen. The terminal temporal boundary was determined by the research project's time restrictions.

During our investigation, we identified several actors in the SEE in Nepal. We analyzed interviews and documentary material using the qualitative data analysis software MaxQDA and otter.ai for transcriptions. We adopt the grounded theory approach following Glaser and Strauss (1967) for theory building. We combined all data sources (primary and secondary data) to achieve triangulation. We started by creating a timeline of events (Langley 1999) and followed the analytical procedure put forward by Dutton and Dukerich (1991). In the first coding round, we focused on institutional conditions and mapped the formal and informal institutional setting at the time before and after the crisis based on data gathered through interviews and comparing it to publicly available material, as we want to understand the institutional conditions and relevance on the SEE and connect it to existing theory on institutions. Quotes like "Collaboration is not in our DNA" were coded in relation to the informal institutional background and used to reflect upon how evidence from before and after the disastrous events describes collaboration. For instance, we found that respondents reported after COVID-19 "And I think people now I think, more than ever they have understood the importance of collaboration". This indicated a change in collaboration potential, which we ultimately call the "level of interaction".

The crisis events of the 2015 earthquake and COVID-19 pandemic have been taken as temporal breaks within the process and we compared institutions, events, actions, and interpretations before and after the crisis. Through this process, we identified different activities and events

organized by different actors. We mapped these by considering interlinkages between events and the participating actors to understand endogenous dynamics within the ecosystem. In a second coding round, we analyzed newspaper articles and online media sources to create a temporal account of interpretations of SE in Nepal according to public discussions and analyzed them in coherence with events and actions that took place at that time (see Table 4). After the analysis of these dimensions, we synthesized the findings into three categories "involved actors and formal institutions", "interactions", and "cultural factors". These categories emerged from the analysis as they depict the effect of disaster and crisis on informal institutional structures (cultural behavior and norms) and interactions within the SEE. Table 3 in the appendix shows the supporting interview data according to the timeline and findings structure. We first set the ground by outlining the formal and informal institutional environment before the influence of the analyzed crises. We then describe the events, actions, and interpretations of SE across the three phases, and we analyze the three developed categories according to the three phases in interplay with the institutional environment.

4.5 Findings
The site: Institutional background of the SEE in Kathmandu, Nepal

Formal. In the legal framework of Nepal, no law regulates social enterprises. No formal definition or regulations exist that allow for a distinction between commercial businesses and social businesses (Pathak et al., 2018). The only available distinction is stipulated in Section 166, Companies Act, 2063 (2006) on the establishment of a profit-not-distributing company. In Section 167 (d) it says "The company shall not distribute dividend, bonus or any other amount, from the profits earned by it, to its members or employees; and the profits earned by the company shall be used to increase the capital of the company or for the attainment of its objectives." This Act is an option for social enterprises to be differentiated from commercial businesses or non-profit organizations, however, it also poses barriers to social enterprises. Getting investments is hindered because investors more often than not would want to receive dividends from the investment. Being registered as a profit-not-distributing company is a disadvantage when compared to regular commercial businesses and does not support for-profit social enterprises. One informant confirms the question of whether they would choose a profit-not-distributing company model: "Definitely not. Yeah, because the biggest problem is the return of investment, right? If the investor is looking for, like a company from which it can earn money, they will never choose a social enterprise." (Interviewee Pad2Go)

The investment landscape is thin. Getting loans from banks is only possible with high collateral and traditional finance institutions are risk averse, which is why social enterprises are unlikely to receive loans. Additionally, an FDI threshold of currently NRP 20 million (approx. 150.000 USD) hinders social enterprises from receiving small foreign loans (Onlinekhabar, 2022). Private equity and VCs established in the past 4-5 years in Nepal but the majority are return-driven, where social enterprises face a disadvantage to commercial businesses. Due to this, many social enterprises rely on private investments from family and friends or apply for grants from international development agencies or embassies. An additional option is funding through CSR activities of private sector corporations. The Industrial Enterprise Act 2016, Chapter 9, Section 48(1) mandates enterprises with transactions over NPR 150 million (approx. 1.14 million USD) to spend at least one percent of annual profits on CSR activities. This is a chance for social enterprises to get support, financial but also through partnerships, from big industrial players (Maharjan, 2018).

Informal. On the informal level, different cultural factors affect social enterprises and their ecosystems. By culture and religion, Nepalese are social individuals and thus score low on Hofstede's Cultural Dimension's individualism measure (Hofstede, 1980). They care for others and the environment and want to help. However, "Nepal does not have an entrepreneurial culture" as informants stated. Historically, Nepalese are traders but not manufacturers or innovators, and this factor still prevails. One informant summarizes: "Actually, by culture and by religion, like we should be more social entrepreneurship oriented. That's why I think we tent to start social enterprises, but then only having emotions and intent to create the impact will not be sufficient, you should have a proper business model. But for that you really need a lot of patients, you know, the support system and all, resources as well so I think like that. That's where I think we are struggling. And then lack of depth of the understanding of social enterprises and its complexities and as to how to navigate all those complexities and all, it's a challenge I guess." (Interviewee Kings College)

Nepal is a collectivist society. People depend on strong social ties but are also very much concerned with how they appear towards others as reported by informants. Informants confirmed that appearing successful and social is important, so many intend to found a social enterprise to get social legitimacy among community members. The intent to create impact has grown over the past years but the motivation cannot sustain a social enterprise throughout all the challenges that it faces because business expertise is lacking. At the same time, it is difficult to get support from family members to start a social enterprise. Due to a lack of entrepreneurial

culture (North 1991), Nepalese are rather risk-averse when it comes to career choice. Although this is changing amongst the young generation, convincing older family members is a challenge but necessary in a collectivist society, for example in order to attain financial support from social ties (Pathak et al., 2018). Furthermore, informants explained that Nepalese are tradition-oriented and less innovative when it comes to problem-solving. Due to that, social enterprises face difficulties selling their unique products or services. "If something doesn't work, many look for the easy way out" (Interviewee Kings College), which is also represented by a laid-back culture. This hinders the acceptance of new solutions. For instance, people have a hard time combining doing good with running a for-profit business. The traditional model of NGOs doing good for society for free, and businesses earning profit for their benefit is the mainstream perception of how the market should work. Earning money by helping others is seen as inappropriate one interviewee reports: "There are so many people who still question us, "how can you earn money when you're giving back to the society", and it just gets frustrating to a point." (Interview Pad2Go)

Another challenge is the lack of trust within the society as informants confirmed. However, the lack of trust impedes successful collaborations within the ecosystem. Actors do not look for collaborations but want to make everything on their own. This stems from skepticism towards other players in the market. Mistrust and the "make it on my own" mentality historically emerged from two scenarios. First, Nepal as a country lacks resources in many sectors, and people are trying to fight for their share of it to not lose out, as an interviewee says: "Collaboration is not in our DNA. We really want to be in front of others, be ahead of others, at the cost of others. It may sound a little bit rude but that's how I felt. That's why I am very, very vocal about it. Because people have that insecurity and what you call.. a distributed mindset, not an integrated mindset. I really want to do everything on their own, so that I can be superior to others. Rather than like, creating that space, I do my part, you do your part, together, we can improve." (Interviewee Kings College)

The development sector setup encouraged rather than diminished this situation. Development agencies created an atmosphere of competition rather than collaboration due to limited funding opportunities and individual funded projects. One interviewee reports: "You know, to get into the depth of these issues, like I think we see a problem in the donors as well once again, they appear, they have money.. let's imagine you also work in incubator space. I also work in incubator space, UNDP announces a project for incubation. So we compete.. Yes we are

competitors we are not collaborators in that sense. So there is money, right? They throw money, we fight." (Interviewee Kings College)

Further, Nepal was a monarchy until the revolution and end of the civil war in 2006. Until then, the caste system divided society into different social classes (Arora, 2022). Although this system is abolished now, hierarchical thinking still exists in the minds of people, as reported by one interviewee with frustration: "Because you know like… we have build such hierarchical things... big people or small people, those kinds of things so much of differences amongst the people is so much heavily inculcated in everyone's mind it's not that easy to make the changes in overnight. It will take some time but it will change… it has to change." (Interviewee Antarprerana)

Due to these reasons, collaboration is difficult, which also challenges the formation of a functioning ecosystem. The next section reports on how the SEE despite all institutional difficulties formed and transformed within the last 12 years.

SEE formation and transformation

In the following, we show the unfolding process of the SEE development from 2011 to 2023 with the specific key events that took place, key actions of stakeholders of the SEE, and interpretations as portrayed by public media. We divide events and actions based on their rather symbolic (events) and substantive (actions) nature of SEE support (see Table 4). Events provide the opportunity for public exposure, collaborations, and discussion, while actions are opportunities for investments and policy change.

Phase 1: Scenario for social entrepreneurship (2011-2014)

The concept of SE has first entered Nepal in 2011. At that time it was only known by very few people in the society. First initiatives have started to appear and promote SE in the country.

Key events. In 2011 the Asha Social Entrepreneurship Award was given, which marks the first event towards the development of the SEE in Nepal. Five social enterprises were selected out of 66 applicants, each receiving a cash price of NRP 100.000 (approx. 760 USD). The winning social enterprises work in the field of sustainable tourism, empowering women through handicrafts, and efficient farming, some of them working as a non-profit organization while others as for-profit businesses. The award was sponsored by Surya Nepal Pvt. Ltd., one of the largest private-sector enterprises in Nepal engaged in the business of cigarettes, safety matches,

and confectionery (New Business Age, 2011). In 2012, next to the annual Asha Award, a SE Bazaar was organized with the goal for social enterprises to display their products and services to customers or potential investors. This was a way to increase visibility for social enterprises by showcasing their solutions to a wider audience (Surya Nepal Asha Social Entrepreneurship Award, 2012). Further, in 2012, the Nepal Young Entrepreneurs' Forum (NYEF) organized a SE event discussing challenges and opportunities for social entrepreneurs in Nepal, however, the focus was only on women entrepreneurs (WomenLEAD, 2013).

Key actions. In 2012, the Chaudhary Foundation announced the release of a social business fund of one million USD in collaboration with the Yunus Social Business Center to support poverty alleviation through social business endeavors. The Chaudhary Group is a Nepalese conglomeration comprising 112 companies (Chaudhary, 2022). Apart from private sector corporations, NGOs and INGOs have been organizing supporting activities to promote SE. An interviewee states: "So the point that I'm trying to make since you asked me, who's been keeping the conversation going, it's always been big NGOs and INGOs. As a very poor country, not being able to… do it ourselves." (Interviewee Anthropose)

Interpretations. During this period, social entrepreneurs were regarded as "hidden heroes" and agents for social change (Surya Nepal Asha Social Entrepreneurship Award, 2012). At the same time, the society regarded social entrepreneurs, who come from wealthy backgrounds and studied abroad, as "mad" for coming back to Nepal and trying to apply innovations in the local market, instead of earning good money by working abroad. The story of Shyam Vadan Yadav, an engineer with an MBA in Computer Engineering from India, who returned to Nepal to work in animal husbandry and innovate the milk sector, became widely known. In a published article, Yadav is portrayed as insane (Himal Sanchar, 2020). Towards 2014, SE opportunities, scope, and motivations in Nepal were discussed for the first time but the definition of social entrepreneurs remains broad (Dhungana, 2014) and communication gaps prevail as reported by one interviewee: "And there are a lot of redundancies that because there's this communication gap between like certain group of organizations doing the same thing, but not having communicated with one another. I think that is that's one of the issues here. […] because like everybody, here, they run for trying to have an impact on under their own belt, rather than just being a collaborative." (Interviewee Anthropose)

Disaster event: Earthquake 2015

The Nepali Ministry of Home Affairs (MoHA) reports that a total of 22.372 disastrous events occurred from 1971 to 2015 (Nepal et al., 2018). However, the earthquake in 2015 was the most disastrous one killing 9.000 people and leaving more than 22.000 injured (World Vision, 2015). On April 25[th,] 2015, an earthquake with a magnitude of 7.8 struck Nepal, centered in Kathmandu with hundreds of aftershocks, and a second earthquake with a magnitude of 7.3 only 17 days following the first one. Hundreds of thousands of people had lost everything and faced extreme poverty. The main income sources for Nepal – agriculture and tourism – were impacted the most and reconstruction costs were estimated at 9 billion USD. Major buildings were destroyed and even today, construction work continues to rebuild important temples at world heritage sites. The disaster had not only economic but also social implications. Due to the increased poverty, especially women were more vulnerable to abuse and exploitation. Child marriage and trafficking increased as a result (World Vision, 2015).

Phase 2: Rebuilding Nepal through social entrepreneurship (2015-2019)

The earthquake presented a tremendous disaster to Nepal and affected economic and social spheres. The Nepalese government was supported by various international disaster relief programs, which worked on rebuilding Nepal's infrastructure and providing necessities to those who lost everything. Although the disastrous effects of the earthquake cannot be denied, it created a push within the SEE, intensifying the developing process and transforming the way social enterprises are seen in Nepal as our evidence shows.

Key events. In 2016, Kings College Kathmandu organized the International Conference on SE (ICSE-16) in Nepal. The theme of the two-day event was "Rebuilding Nepal through Social Entrepreneurship". The aim was to build a platform for academics, entrepreneurs, corporations, government, and multilateral partners to establish networks and relationships for sustainable solutions to social issues (The Kathmandu Post, 2016a). To promote entrepreneurs to the masses, the social business incubator Ideastudio established its own TV show in 2017, where social entrepreneurs present their businesses at the end of an incubation cycle. This show aims to encourage citizens and create a critical mass of entrepreneurs in society by showing an example of aspiring entrepreneurs. Furthermore, the King's College in collaboration with Yunus Social Business Center, after initiating a series of workshops in 2016, hosted the National Social Business Challenge in 2018 aiming to develop an understanding of and importance of establishing social enterprises as a mechanism to solve social economic inequality (Rizal, 2018).

Key actions. During the International Conference on SE (ICSE-16), the government was urged by all actors to recognize social enterprises as a separate entity in the Nepalese legal framework arguing that social enterprises are "an essential route to re-build Nepal today after the crises of the last one year", referring to the earthquake (The Himalayan Times, 2016a). At the inauguration of the National Social Business Challenge, the Minister of Labor, Employment, and Social Security announced a fund to provide collateral-free loans to youths, who wish to start their own business of Rs. 500.000 to Rs. 1 million (approx. 3.800 – 7.600 USD) to facilitate entrepreneurship in Nepal. This marked a first step in government support for entrepreneurship in Nepal (Samiti, 2018). Additionally, the Chaudhary Group launched another fund for social enterprises in cooperation with the Lions Club International Foundation (LCIF) of 500.000 USD for the promotion of SE in the country in 2017 (The Kathmandu Post, 2016b). Furthermore, the first private equity funds and VCs started to appear in the entrepreneurship sector in Nepal around 2016 (Faye, 2021). Dolma Fund Management was one of the first and so far the only private equity company creating an impact investment fund in Nepal (Dolma Impact Fund, 2022). At the same time, the first social enterprise incubation centers have been established with IdeaStudio and Antarprerana as the pioneers in this field in Nepal. Also, Nepal Communitere, which later became Impact Hub Nepal, started in 2016/17 as an incubator and co-working space for social enterprises.

Interpretations. A need for SE is seen in the country. Social entrepreneurs are regarded as change-makers, who have the power to uplift the living standards of people and create equality (Pandey, 2019). The relevance of social enterprises is said to be very high in the public discourse. Social enterprises are seen to be able to bring about social transformation and it was even said that social businesses could realize Nepal's ambition to transition towards an emerging country (The Himalayan Times, 2016b). The mindset of people changed from competitive towards a more collaborative one. Due to the earthquake, people came closer together to help each other.

Crisis event: COVID-19 pandemic 2020

The outbreak of the COVID-19 pandemic has affected all aspects of public and private life across the world. Each country suffered in its own way. In Nepal, due to its relatively little connection to other parts of the world, the virus entered later compared to other countries. However, the effects were as hard. Every sector of Nepal's economy was hit, and the dependence on tourism made the situation even more severe. Only shortly before the start of

the pandemic, Nepal had launched the "Visit Nepal 2020" campaign aiming to attract a record of 2 million visitors that year. Due to the pandemic, the campaign was canceled, shattering the hospitality and tourism-related sector, which is one of the largest industries contributing to Nepal's economy. Banks have suffered the loss of investments and as Nepali labor migrants had to leave their jobs abroad and return home, remittance inflows were stopped and unemployment increased drastically (WTO, 2020).

Phase 3: No going back (2020-2023)

Nepal suffered from the COVID-19 pandemic economically and socially. Many businesses had to shut down leaving thousands unemployed. However, the global health crisis gave time for people to reflect on social and environmental values and how society should go ahead. Again the crisis transformed the direction of the SEE.

Key events. By the end of 2021, the Nabil Bank launched the first School for Social Entrepreneurship as a platform for social entrepreneurs to create sustainable solutions to address social issues and create positive social impact in Nepal. Further, Nabil Bank created a Center for Social Entrepreneurship (CSE) in cooperation with The Tribhuvan University School of Management and has partnered with seven different colleges and universities to run three-month courses on SE (Wowmagazine, 2021).

Key actions. For the first time, the Social Welfare Council and non-governmental organizations have started to lobby to allow non-profit organizations to make profits (profit not distributing company). This step indirectly legitimized the practice by social enterprises to operate as a for-profit business when solving social ills. The council has begun to support making social organizations self-sustainable through SE development (Shrestha, 2020). This will remove dependence on donations, which due to crises like COVID-19, can be cut if priorities shift toward other sectors. Concerning finance, the Dolma Impact Fund has received 10 million USD in funding to support economic recovery by investing in small businesses (IFC, 2021). Additionally in 2022, the government announced the allocation of a budget to create business incubation centers in all seven provinces. Although they are not exclusively focused on social businesses, this is a historic development and social enterprises will also benefit from it. One interviewee reports: "They [government] have started working on the start-up policies, they are taking it seriously. And every week, there's I can see some progress that has been made there. And the other thing is setting up the incubation centers all over in the seven provinces that have been in their program now." (Interviewee Antarprerana)

The National Planning Commission secretary comments in an interview by Nepalwatch: "Be it the devastating earthquake of 072 [2015] or the Corona epidemic, start-ups have succeeded in proving their justification." (National Planning Commission secretary)

Interpretations. SE is now seen as the best way to solve social, climate, environmental, or economic problems. Several advantages of social enterprises are highlighted in the public discourse like getting higher media coverage, easier to attract employees, and having a greater sense of achievement and success compared to running a regular commercial business. SE has been established as the "most effective form of entrepreneurship" as it helps economic development, social uplifting, and generates employment all in one (The Changemaker Club, 2020). Not only customers but the whole society's awareness towards environmental and social issues was created as a result of the crisis as one interviewee reports: "I think that things will change, things will change for good and sometimes the crisis do bring good changes as well. I think this also gives us another opportunity for people who always been thinking about doing better, for the green and for social justice." (Interviewee IdeaStudio)

Also, governments have been urged to promote SE out of the urgency of the pandemic and the resulting economic downturn. One interviewee states: "People now understood that charity cannot thrive when the whole world is in crisis. Entrepreneurship will thrive. Even when the whole world switches off, you can make something out of yourself. The livelihood is the key for thriving yourself and kind of you know, taking the society out of the crisis as well. You cannot depend anymore." (Interviewee IdeaStudio)

As COVID-19 has changed the context in all spheres, instead of going back, governments, private and public sectors, use the opportunity to create a new way forward to bring the highest social and environmental benefit to society by putting social businesses at the center (Yunus, 2020).

Implications of disaster and crisis on SEE (trans-)formation

Based on the illustrated SEE development process, we categorize its implications on involved actors and formal institutions, the level of interaction between the actors, and informal institutions or, what we call, cultural factors.

Involved actors and formal institutions

Evidence shows that the first interactions that built the foundation of the SEE ecosystem in Kathmandu stemmed from big private corporations using CSR activities to invest in the promotion of SE and support local social entrepreneurs. Early developments within the SEE show that actions by private corporations like Surya Nepal and the Chaudhary Group have initiated the SEE development. This indicates the importance of big corporations to be involved in social responsibility projects investing in awareness building and supporting the development of social innovation. Apart from the private sector, NGOs and INGOs played a role in the promotion and implementation of social enterprise initiatives and support as well. Personal blogs started to report about social enterprises but without reaching mainstream platforms.

After the earthquake disaster, the momentum was used by academia to bring together actors from the government, private sector, investors, and multilateral parties to guide actions towards capacity building for social enterprises. The earthquake also led to more investments and donations from INGOs, the first venture capital firms and private equity investment funds built for social innovation in Nepal around that time. This presented a great opportunity for the development of social enterprises. One informant says: "It [disaster] accelerates a lot of conversation. You know, this is not something that the schools didn't need. Every Kid in that school, needed safe water. But people were not putting it on priority and a disaster of that scale, made people focus on it. So it accelerated the kind of conversation and the influx of money. It always does that. Every bad thing comes with an opportunity." (Interviewee SmartPaani)

The COVID-19 global health crisis led to lesser availability of funds and investments. INGOs cut donations as all sectors across the globe were suffering from the economic downturn. This had a huge effect on the Nepalese economy. Although academia and the private sector had called for a recognition of social enterprises as a separate legal entity already after the earthquake, it was only after the COVID-19 outbreak that the government took the first actions toward creating policies and building supporting frameworks. Other than the earthquake, when many donations and investments were directed toward Nepal to support the country after the disaster, COVID-19 had the opposite effect. This led to the realization that dependence on donations is not sustainable and Nepal has to invest in its own economy to overcome crises like these. One informant says: "So, I would say that the ecosystem for entrepreneurship is growing here in Nepal, mostly after the COVID situation, it has been like, a big deal for a lot of organizations to just come up with some innovative ideas and do something for their own, because there were like a lot of people who had to quit their job because of the COVID. They

were dependent on others, right. And now, because of that reason, now, they are also innovating with the government, and to give them suitable framework or platform to have their, you know, been established and do some entrepreneurship on their own." (Interviewee Samsara creation)

Level of interaction between actors

The first phase, rather than by interactions, was shaped by the independent actions of a few parties. The level of cross-actor interaction remained low. Social enterprises themselves worked in silos instead of building a network to advocate for the recognition of social enterprises by formal and informal parties. The consequences of the earthquake led to growing connectedness, which marked the ground for early collaboration within the SEE across parties. Early networks and interdependencies were formed. With the COVID-19 pandemic, the need for stronger connectivity and collaboration locally and globally came into the consciousness of people and accelerated network building. One statement confirms: "I think definitely, the time has changed. And I think people now I think, more than ever they have understood the importance of collaboration, like you said, the universities and other partners, because I think that there used to be times when people wanted to prove that they could do everything alone. But I think the time has been changing in that part, like everyone wants to do collaborative work, and at least the ecosystem, our organization is surrounded by wants to really deliver it to the people and not just have it big in the name in itself." (Interviewee Community Homestay)

Cultural factors

In the first phase, a competitive rather than collaborative mindset prevailed, with a "doing it on one's own" mentality. This mindset, although part of the cultural characteristic of individuals, was reinforced by the competition that NGOs and corporations created as social enterprises had to compete for support and donations instead of being encouraged to collaborate when fighting social problems. The earthquake strengthened the urge to support one another within the society and the competitive mindset at least to some parts turned into a collaborative mindset. The disaster changed the way social enterprises were perceived and more attention was given to social enterprises as a way to solve social and economic problems that the earthquake intensified as one interviewee outlines: "I think, after earthquake, a lot of different people they collaborated. They even found an organization. Before that, I think people used to say, if you're going to start a business, how are you going to… The curious part was How are you going to earn the money? […] After earthquake, I think maybe people felt more need for

the social entrepreneurship, especially focusing on the disaster thing, you know." (Interviewee Samsara creation)

The COVID-19 crisis changed the cultural understanding within society. Environmental and social awareness grew among Nepalese citizens, which increased the acceptance and legitimacy of social enterprises: "If the disease caused by, you know, an environmental change or something that that I think, that might be an excuse for, like, a company like us to just tell about the problem of, you know, realizing the importance of being more environmentally, you know, also talking about the reduction of, you know, the effect to the climate change, or something like that." (Interview Samsara creation)

The perception of becoming an entrepreneur also changed. Earlier, entrepreneurs faced difficulties convincing family members of the potential of this career path. It was perceived as risky. With the pandemic, this perception changed as many people lost their employment as a consequence of lockdowns and the economic downturn, which made becoming an entrepreneur the only option to earn money. An informant says: "So I see a lot of younger generation people want… otherwise, if a couple of years back, people didn't really want to start a business, no one wanted to be an entrepreneur, but that ecosystem is suddenly evolving in the country which is very encouraging." (Interviewee SmartPaani)

The crisis changed the market structure, regulative frameworks, and perceptions of society. The SEE development intensified because of the emerging crisis.

4.6 Discussion: Theorizing the Formation and Transformation of the SEE

To develop an understanding of how SEEs form and transform in light of disaster and crisis we have conducted a field study using ethnographically informed methodology to structure our inquiry and theorizing. Our study looks at a very young and dynamic SEE and its development from emergence across 12 years. We aimed to answer the theoretically informed research question *How does a social entrepreneurial ecosystem form and transform amidst disastrous and crisis events?* The events and actions present stages that can be common to all developing ecosystems, while the interpretations and institutional dimensions are specific to social enterprises in the studied setting and are grounded in several formal institutional conditions (lack of a legal framework and facilitating laws for social enterprises, missing support structure, donor dependency) and informal institutional conditions (collectivist-culture, historically-based hierarchies, a competitive mentality, and risk aversion towards becoming entrepreneurs). We created an analytical model that depicts our findings (see Figure 4.1). The analytical model

illustrates the three phases of the SEE (trans)formation process and the effects of the different types of disaster (local vs global).

Figure 4.1 Analytical Framework of the SEE Development Process
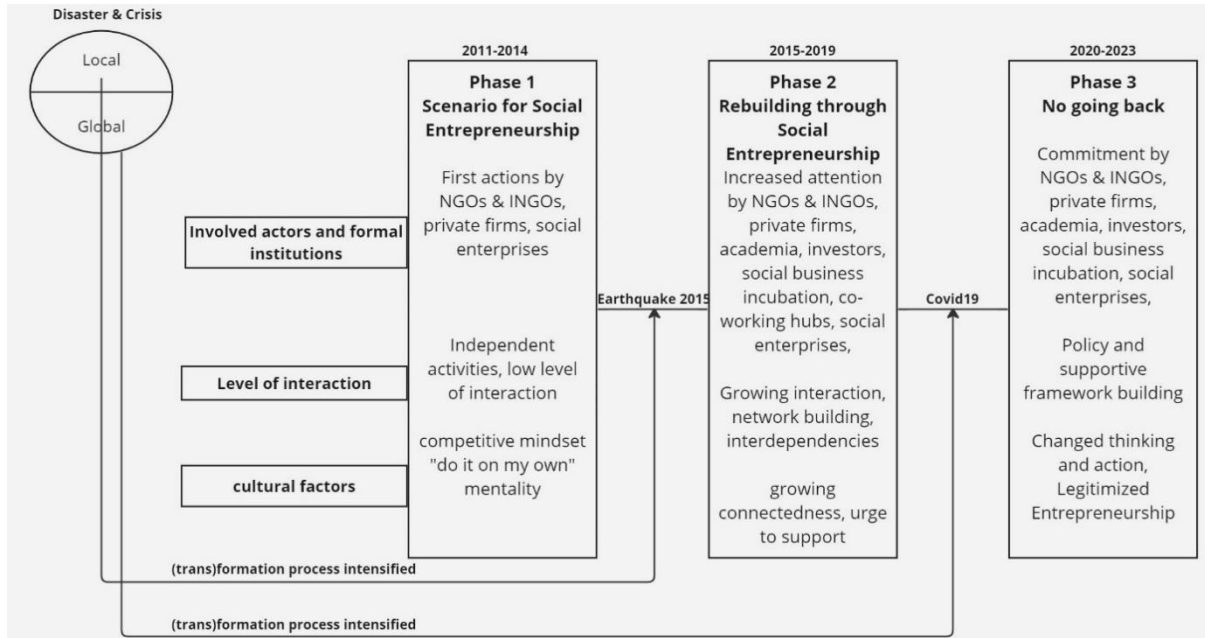
Our model shows that disastrous events have accelerated attention to and commitment toward SE and its role in resolving social and economic problems (Davidsson, 2020). We unpack the dynamics involved in the formation and transformation process of SEE (Thompson et al., 2018) and how the nature of disasters shifts the direction of the ecosystem. The first phase illustrates how SEEs slowly form through sporadic actions by a few NGOs, INGOs, private firms, and initial social enterprises. These actors operate with minimal interaction and a competitive mindset. However, only a few individuals are aware of SE or understand the concept well.

With the occurrence of the first disastrous event, increased attention is directed towards SE. Academia begins to include SE in their curricula, investors become interested, and the first social business incubators and co-working hubs are established. Network building and interdependencies accelerate, and there is an overall increase in connectedness and an urge to support, as society realizes that problems are too significant for one organization to solve alone (Rao and Greve, 2018).

The local nature of the disaster and the increased availability of funds steer the development of SEEs into a sphere where the social aspect of SE is understood and appreciated, while the financial aspect is often disregarded. SE is perceived as a non-profit enterprise. The traditional dominance of NGOs and donor-driven funding in Nepal contributes to this direction of SEEs.

In the third phase, after the occurrence of another disastrous event, there is a stronger commitment by actors and support from the public sector. The government discusses policy adjustments and public investments in social enterprises. Social enterprises become legitimized across all sectors as a means to solve social and economic problems (Nicholls, 2010). The global nature of the disaster, such as the implications of COVID-19, redirects SEEs onto a new path with a stronger financial focus than before (Ballesteros, Useem, and Wry, 2017). With this transformation, the dual mission of SE gains momentum. A shift toward consideration of social and environmental issues leads to increased actions and collaborations, which accelerate the development of SEEs.

Our framework explains why SEEs develop in response to disasters and what this development looks like. The nature of the disaster as an external force affects the ecosystem, and in response, the actions of involved actors and the cultural perception of SE change.

Theoretical implications

The question of how SEEs form and transform, and how external events influence this process, has not been thoroughly investigated yet. Our findings offer insights into this field of inquiry. We provide both theoretical and practical contributions, while also suggesting avenues for future research in this relevant field. By applying an EE lens and investigating the SEE process over time, we contribute to the literature on SE and EE, responding to the call to explore processes in EE research (Spigel and Harrison, 2018). In doing so, we extend the literature in two key areas. Firstly, we uncover how a SEE evolves (Thompson et al., 2018) within a developing country context under the influence of disasters and crises (Shepherd and Williams, 2014; Williams and Shepherd, 2016). Secondly, we link our findings to institutional theory to explain the influence of disastrous events on existing institutions, viewing disasters from the perspective of external enablers (Davidsson, 2015, 2020; Davidsson et al., 2020)

Local and Global disasters as an explanation for the direction of SEE (trans)formation. Our findings contribute to knowledge on SEE formation, aligning with perspectives put forward by Thompson et al. (2018). We support the theory of the endogenous creation of ecosystems through interactions among its actors. Moving from initially independent and diffuse actions in the first stage, we observe more interconnected activities and inter-organizational interactions in the second and third stages. Our model incorporates exogenous forces, such as disasters and crises that act as critical junctures, into the ecosystem creation process, which amplifies both formation and transformation dynamics. SEE formation can be viewed as an

interplay between endogenous and exogenous forces, comprising intentional activities and unintentional circumstances that connect actors and foster collaborations.

We also find evidence that the nature of the disaster or crisis influences transformation patterns within the SEE. We observe a distinction between local and global crises. While a local earthquake disaster heightened the focus on the social aspect of social enterprises, the global COVID-19 health crisis reinforced the financial aspect of the hybrid social enterprise model. International donations in response to the earthquake diverted attention away from the necessity of a financially sustainable social enterprise concept, given the availability of financial resources. However, the global crisis demonstrated the unsustainability of relying on international actors during crises, leading to a shift in focus towards social enterprises as sources for economic as well as social development. The nature of the disaster shapes the focus of a SEE and steers it in new directions.

Furthermore, we propose that the effects of disaster and crisis have a stronger connection and interaction effect on the ecosystem, accelerating its formation in ways that would not have been possible in the absence of such events. Consistent with previous research on ventures' activities as forms of resilience after disasters (Williams and Shepherd, 2016), we contribute to the literature on crisis response by illustrating how a SEE transforms to become stronger in response to crises.

Moreover, disasters induce changes in hierarchical cultural structures, rooted in systems like the caste system, which persisted until the end of the monarchy in 2006 and continues to shape the informal institutional environment (Arora, 2022). In the face of disaster and crisis, communities come together more strongly, transcending historically and culturally rooted hierarchies, thereby enhancing collaboration across all segments of society.

Additionally, we contribute to SEE literature by offering insights from Nepal as an underrepresented context (Basnet, Timmerman, and van der Linden, 2020), which holds implications for SEE research across developing countries. In countries like Nepal, traditionally charity-driven, Isenberg's (2010) six ecosystem categories need to be expanded to include the "development sector," comprising NGOs, INGOs, and their donors. As demonstrated, next to the traditional ecosystem elements, the development sector plays a crucial role in developing countries, particularly in the early development of the SEE, and also influences cultural perceptions such as competition. The influence of external actors and resulting power structures within SEE, especially in developing countries, is a critical factor

that sets SEE apart from traditional EE paradigms (Lall and Park, 2020). In Nepal, the notion of a colonized development sector is characterized by power imbalances and a lack of meaningful inclusion of local voices in decision-making (Paudel and Rankin, 2020). Several informants noted that grants and project funding depends on international agendas and foreign actors who discuss on who gets funded and how projects are executed. This often results in a lack of inclusion of local voices and leads to top-down decision-making. Further, tensions between local, national, and international agents can shift the direction of SEE, when international and national agents are not aware of local social issues and needs. This confirms the unbalanced power dynamics of SEEs especially in developing country contexts where social enterprises often need development agency support to sustain operations, compared to commercial EE.

Additionally, we have shown based on our data, how the private sector is an important financial player through their CSR initiatives. Additionally, support services like social incubators and accelerators, as well as academia played a central role in the SEE development already after the first disaster.

Disasters as external enablers for SE in light of institutional theory. We contribute to the research on SEE and disaster by employing institutional theory to demonstrate how both formal and informal institutions (North, 1991) are affected by disaster and crisis events, and how this impacts the ecosystem. Understanding the context in which SE operates is crucial for navigating changes in institutions and their dynamics in response to disaster and crisis (Welter, 2011). In the Nepalese context, we have identified an imbalance regarding the potential for SE in society. While Nepal is a collectivist society where people are inclined by culture and religion to support each other and engage in altruistic behavior, which is a prerequisite for SE, Nepalese society also exhibits characteristics such as risk aversion, tradition orientation over innovation, and a laid-back attitude, as our data indicates (Hofstede, 1980). These traits hinder successful entrepreneurship. Efficient EEs thrive in environments with lower levels of risk aversion and high innovation potential (Zhao et al., 2021). However, this imbalance between a strong social orientation and low entrepreneurial orientation was altered by disasters and crises, resulting in reduced risk aversion and a stronger drive to innovate out of perceived necessity to support society and the economy during crises and disasters and as response to a changed understanding of social and ecological issues. In the Nepalese context, where risk aversion towards entrepreneurship was prevalent, disasters and crises have transformed this perception, facilitating the accelerated development of the ecosystem.

These findings lend support to the concept of disaster and crisis as external enablers of entrepreneurial opportunities (Davidsson, 2015; Davidsson et al., 2020; Jinghan et al., 2020) by taking an environmental perspective and considering how environments are changing (Davidsson, 2020). Figure 4.2 illustrates this process, depicting how exogenous disaster events create permeability in the institutional setting, leading to changes in institutional realities.

Figure 4.2 Effects of Exogenous Events on Permeability of Institutional Environment
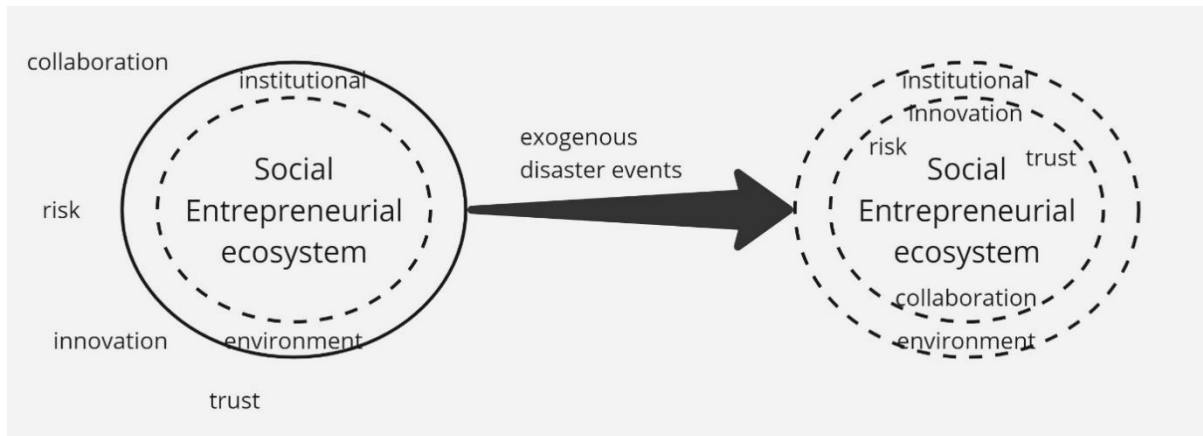
The notion of crisis as a factor for critical juncture informs the ecosystem development process and ultimate institutional change (Sorensen, 2019). Our findings indicate the role of crisis and disaster as critical junctures that have transformed the direction of the SEE and how SE is perceived in society. The earthquake and Covid19 provided conditions that resulted in changed actions and changes agent's choices. The shifts in cultural perceptions and dynamics that influence SEE formation would not have occurred as rapidly in favor of SE without the response to disaster events. Our findings demonstrate how institutions evolve through the interplay between context, and exogenous forces that enable overcoming contextual barriers, and shaping new contextual realities (Sengupta and Lehtimäki, 2022). The transition from a competitive mindset, characterized by a "do it on my own" mentality and lack of trust, towards greater openness to collaboration, driven by the collective action necessary to address disasters and crises, further contributes to the mechanism of entrepreneurial opportunity creation in the face of disaster and crisis.

Moreover, the for-profit model for social enterprises has gained increased legitimacy (Nicholls, 2010) in recent times, as the public recognizes its potential to enhance both the social and economic environment through SE. Evidence also indicates that as stakeholders framed SE as a central solution for rebuilding Nepal after the disaster, the community embraced this belief, legitimizing SE as a viable solution. This observation aligns with prior research on how the

framing of disasters affects community resilience (Rao and Greve, 2018). Disastrous events have facilitated the emergence of permeable spheres within institutional structures, allowing for the incorporation of new realities and the formation of new institutional settings. Isomorphic legitimacy pressures that work against change in stable times (DiMaggio and Powell, 1983; Kerlin et al., 2021), become permeable in times of crisis.

However, the transformed mindset must be supported by robust formal institutions that enhance social entrepreneurial opportunities through SE education, incubation, policy support, and investments.

Policy Implications

Our findings offer pertinent implications for policymakers, development agencies, the private sector, and social entrepreneurs. It is undeniable that climate change will lead to an increase in natural disasters globally (Mithani, 2020). Our study sheds light on how natural disasters and crises affect SEE and demonstrates how these ecosystems can positively develop from such exogenous events, despite the negative aftermath that disasters invariably cause for societies. Importantly, the momentum during or shortly after a disaster or crisis needs to be seized by each actor to direct support toward this sector. This study provides implications for crisis response practices, enabling policymakers and development organizations to learn from these insights to ensure appropriate reactions to disasters that support SEE development during and after such events.

The results underscore the importance of investing in innovative ideas and business models, especially after a disaster, as openness towards innovation peaks during these times, and social enterprises should be empowered to harness this opportunity. Furthermore, not only during crises but also during regular times, social enterprises face disadvantages when competing with commercial businesses for funds and other resources. To support the ecosystem, policymakers need to facilitate the operation of social enterprises through mechanisms such as tax incentives.

To summarize, the following actions should be taken by policymakers to support SEE development: (1) Create a separate legal framework for social enterprises: Define the term "social enterprise" to establish an identity and clear distinction regarding the requirements a business must meet to be considered a social enterprise. These regulations should incorporate lower taxes compared to commercial businesses and exempt taxes on donations made as part of the social mission of the enterprise. This is particularly crucial in the aftermath of a crisis to

aid in rebuilding destroyed infrastructure and supporting communities. (2) Provide investment for the development of support structures: Establish social incubation and acceleration centers nationwide. Organize international and national SE conferences to strengthen collaboration, as proven effective during the second phase in our model.

Additionally, organizations in the development sector and their donors should consider redirecting available resources from charity and donations towards creating impact investment funds. The positive role of private firms in times of crisis has been reported (Ballesteros et al., 2017), so instead of providing money to projects without conditions and follow-up on impact, impact investment funds can benefit the national economy and market sector. While such practices have begun to be implemented recently, more impact investment options are necessary to foster a thriving SEE in developing country contexts. As we have seen, local disasters enhance the inflow of resources, but these resources should be used to invest in social enterprises to strengthen the financial sustainability of the local economy to escape aid dependency.

We have observed the cultural influence that development agencies have had on the competitive mindset of Nepal's citizens, and other countries heavily dependent on aid may face similar implications. We therefore propose that development agencies rethink current practices and move towards collaboration-encouraging practices. This can be achieved by funding project proposals submitted or presented by groups of organizations, where each has a role to play, rather than funding individual project execution. In addition to providing financial resources, substantial impact can be achieved by facilitating knowledge and technology transfer across countries.

Lastly, our findings demonstrate that the involvement of private sector conglomerates and corporations in promoting SE and other initiatives towards social and environmental innovation is crucial for the development of an SEE. The private sector should be encouraged to create supporting mechanisms, such as corporate social responsibility (CSR) initiatives. For instance, in Nepal, corporations are legally mandated to invest at least 1% of their revenue into CSR activities. Other nations can learn from this positive example.

Limitations and Future Research Directions

We acknowledge the limitations of our study and would like to outline potential future research directions as we encourage future investigations to follow our line of research. While we have

explored the effects of environmental disasters such as the 2015 earthquake and health crises like the COVID-19 pandemic on the SEE in Kathmandu, Nepal, other types of disasters and crises may yield different implications and effects on the ecosystem. For example, financial or economic crises (Grewal & Tansuhaj, 2001) may not lead to favorable outcomes for the ecosystem but could instead impede its development. Similarly, armed conflict or civil war (Brück et al., 2016), such as the one Nepal experienced from 1996 to 2006, may result in negative rather than positive effects (Menon and van der Meulen Rodgers, 2015). Therefore, we encourage future studies to investigate the effects of various types of disasters and crises on SEE in different institutional contexts.

Cross-country comparisons could also be conducted to explore the diverse effects of disasters and crises on SEE development, facilitating a deeper understanding of and harnessing potential positive effects of such events for ecosystem development. While disasters and crises have supported an accelerated development process, there remain gaps that need to be addressed within the SEE. Although the SEE is evolving organically, Kathmandu still has a long way to go to become a hub for social and green innovation, as some informants aspire. Additionally, regarding cultural factors that affect the ecosystem, our study has not accounted for additional factors that influence historically ingrained hierarchical thinking, such as the caste system, gender discrimination, or age, which may contribute to hierarchical thinking. Taking a cultural-cognitive perspective (Scott, 2013) could be worthwhile. Future studies should investigate inclusion and exclusion in EE research, as this was beyond the scope of our study.

We also acknowledge potential gaps in observations due to data collection starting in 2022, with data until that point being retrospective. Additionally, like all qualitative inquiries, our study may be subject to participant and researcher bias (Collier and Mahoney, 1996). We attempted to address biases by obtaining feedback from and involving participants in the paper development process through focus group discussions with most participating social enterprises. Furthermore, the study results were shared with organizations familiar with the Kathmandu context to verify and challenge the findings.

Finally, as we only considered formal social enterprises, future research could investigate how informal social enterprises operate within this ecosystem or if a separate ecosystem for informal social enterprises exists (Thapa Karki and Xheneti, 2018). We also recognize potential criticism regarding why the SEE did not develop more rapidly before the investigated crises as crisis have affected Nepal for decades. The scope and scale of the 2015 earthquake, as well as

the subsequent international attention and media coverage, directed significant funds and donations towards the rebuilding of Nepal, supporting many activities related to the SEE. In contrast, the armed conflict crisis from 1996 to 2006 may have hindered SEE development, suppressing potential progress. Additionally, SE was framed as a solution to disaster only after the 2015 earthquake, which drew more attention to SE compared to earlier periods when this framing was absent from public discourse.

Our findings hold particular relevance in developing country contexts, where ecosystem development is slower compared to well-funded EE in developed countries. Disasters have accelerated development by redirecting funds and highlighting the potential of social enterprises to be valuable during crises, solving emerging problems. It can be assumed that in non-crisis situations, SEE development would have been slower in such contexts.

4.7 Conclusion

This paper responds to a call for a deeper understanding of the ways in which SEEs emerge and evolve in response to external shocks (Chen et al., 2020), enriching our comprehension of how SEEs take shape and adapt amidst the influence of disasters and crises such as earthquakes and pandemics (Mithani, 2020; Roulet and Bothello, 2023). Our analytical model offers process-oriented insights into the three phases of SEE development and illustrates how local and global disasters and crises have steered development processes within the interactions among ecosystem actors, formal institutions, and cultural perceptions of society. In line with previous scholarship, we emphasize the impact of external enablers (Davidsson, 2015; Davidsson et al., 2020) on entrepreneurial opportunities and contribute to understanding the dynamics that disasters and crises bring about in transforming SEEs (Shepherd and Williams, 2014; Williams and Shepherd, 2016). Understanding these dynamics is crucial given the escalating threat of natural disasters to communities resulting from the climate crisis, and deriving guidance for policymaking to address this grand challenge (Ferraro, Etzion, and Gehman, 2015; Howard-Grenville, 2021; Howard-Grenville et al., 2017) is an integral part of global agendas.

Understanding the formation and transformation of the SEE and the institutional context that affects it, is important to be able to comprehend the environment in which social enterprises operate and strive for legitimacy. Thus, the next chapter explores the legitimation process of social enterprises taking into account the institutional environment.

5. The Processes of Social Enterprise Legitimation: An Institutional Approach in a Developing Country Context

5.1 Introduction

"Acceptance and understanding has always been a huge hurdle for us to cross. It still exists, but we've definitely come a long way."

- (Transcribed from an interview with SmartPaani on their process of legitimation)

Although the notion of SE as a solution to societal problems has spread across the globe, a majority of social enterprises continuously need to advocate for the legitimation of this business model (Kerlin et al., 2021; Lehner and Nicholls, 2014; Nicholls, 2010). The liability of novelty (Gümüsay and Smets, 2020) and the underlying duality of the concept (Battilana and Lee, 2014) are some of the reasons for limited legitimacy. However, legitimacy is considered necessary for ventures to acquire critical resources (Aldrich & Fiol, 1994; Lounsbury & Glynn, 2001; Zimmerman & Zeitz, 2002). Especially in developing countries, institutional inefficiencies are causing major challenges for private businesses operating in the social and economic sectors (Mair and Marti, 2009). Social enterprises – for-profit ventures with a core mission to solve a social problem (Mair and Martí, 2006) - often lack legitimacy among different stakeholders, amplifying the issue of resource constraints (Sarma and Mishra, 2021). Against this backdrop, it becomes especially relevant to study the issue of social enterprise legitimacy in these contexts. Social enterprises are regarded as effective vehicles to achieve the UN Sustainable Development Goals (SDGs) with their innovative solutions to social problems (Park and Bae, 2020) and to contribute to solving the grand challenges of present times (George et al., 2016).

Extant literature has explored strategies through which social enterprises achieve legitimacy (Spanuth and Urbano, 2024), for instance through social and financial reporting (Abedin et al., 2021) or through signaling place attachment (Lang and Fink, 2019). Other studies have explored discursive governance as a way to achieve legitimacy (Mason and Doherty, 2016) or working with intermediaries (Kerlin et al., 2021). However, the majority of existing studies does not apply a process perspective to understand the process that social enterprises go through and the strategies that they apply to create and increase legitimacy throughout time - a limitation of earlier research, which we are addressing. Using Fisher et al. (2016)'s framework on organizational legitimacy, institutional environments, and identity within an organization's

life cycle, this paper zooms into each life cycle stage and identifies legitimation strategies that are implemented and the activities that are executed in each stage. Breaking down the legitimation process into its individual stages, as this paper intends to do, allows uncovering the precise actions that create and increase legitimacy. Thereby, we explore how each strategy addresses the main challenges to social enterprise legitimacy. Additionally, by looking at the legitimation process from an institutional perspective, we are able to account for institutional influences that can accelerate or brake the legitimation process within the given or similar contexts. The findings can guide social enterprises on their way to legitimation, which makes this study highly relevant. Drawing on the legitimacy-as-process notion (Suddaby et al., 2017), our paper explores the dynamic process associated with obtaining legitimacy by social enterprises in the developing country context of Kathmandu, Nepal. We take an institutional approach to identify what role certain formal and informal institutions (North, 1990) play in the legitimation process. Thereby, our research is motivated by the research questions: *How do social enterprises create legitimacy within society over time?* and *How do institutional factors influence the process of social enterprise legitimation?*

We chose Nepal as the research setting, which represents a unique and fascinating context for understanding the legitimation process of social enterprises in a dynamic developing country context for several reasons. Nepal has undergone a dynamic transformation within the past two decades. From being regarded as a "failed state" by the Found for Peace Index up until 2010 (Estes, 2011), it is now facing strong development potential (World Bank, 2021). Since 2015, the term SE gained increasing attention and new organizations like a School for Social Entrepreneurship, Social Business Incubators and investments into social enterprises have been established (ShareSansar, 2021; Edusanjal, 2015). This development of the SEE (de Bruin et al., 2022) took place despite the rising challenges that the country is facing, from natural disasters such as earthquakes, the COVID-19 pandemic, to societal inequality (World Vision, 2015). How is it possible for newly established social enterprises to legitimize themselves within this challenging environment? Which institutional factors influenced this process and how? Very few research studies have been conducted in Nepal (Basnet, Timmerman, and van der Linden, 2020), which makes our data unique and offers new insights to existing literature.

Our findings allow us to make the following important contributions to the literature and theory. First, we create an analytical process model of social enterprise legitimation, thereby extending existing knowledge on how social enterprises can gain legitimacy by overcoming legitimacy challenges. We show (1) that co-creating addresses the lack of closeness and trust

to the audience, (2) that confirming helps to overcome business model scepticism, (3) that consolidating helps to overcome issues of hybridity, and (4) that collaborating helps to overcome issues of tensions towards NGOs and commercial businesses. Second, we extend existing theory on legitimacy by integrating the life cycle model (Fisher et al., 2016) with the social enterprise legitimation process contributing to an understanding of during which life cycle stage the legitimation strategies and activities are implemented. This is especially relevant for practitioners and guides social entrepreneurs on their way to achieving legitimacy. Third, we extend knowledge on the influence of formal and informal institutions on social enterprise legitimation.

In the following, we present our theoretical context by outlining social enterprise legitimation and its challenges and report on existing institutional context considerations in the field of SE. We then continue with a detailed outlining of the research setting and methodology. Following this, we present and discuss our findings and their relevance to existing theory and create an analytical framework showing the process of social enterprise legitimation, surrounding institutional factors, and how they influence this process.

5.2. Theoretical Context
5.2.1 Challenges for Social Enterprise Legitimacy
SE is an essentially contested concept, with many definitions and perspectives to describe it (Choi and Majumdar, 2014; Dees, 1998; Kistruck and Beamish, 2010; Short, Moss, and Lumpkin, 2009). For the purpose of this study, we view social enterprises as for-profit ventures with the core mission of solving a social problem (Mair and Martí, 2006; Stevens, Moray, and Bruneel, 2015). Based on this perspective, only ventures that generate profit from offering products or services are considered social enterprises, as opposed to non-profit organizations that depend solely on donations. However, this unique organizational model, which combines both social and profit purposes, faces distinct challenges due to the perceived newness of the concept (Singh, Tucker, and House, 2016) and the duality, also referred to as hybridity, of pursuing a for-profit business strategy while having a social value-oriented business goal (Battilana and Lee, 2014; Moss et al., 2011), which is often regarded as paradoxical (Smith, Gonin, and Besharov, 2013). Nevertheless, paradoxes, which are "persistent contradictions between independent elements", can foster creativity and sustainability when they are understood and managed effectively (Smith and Tracey, 2016). In SE, the paradoxical tensions of the hybrid business model are foremost expressed in competing stakeholder demands (Bunduchi et al., 2023). These tensions are often visible when actors such as investors want to

see a competitive financial return, while, other actors such as the community want to see that social impact was created (Ramus and Vaccaro, 2017). Although enterprises with traditional business models can also experience competing stakeholder demands (Smith and Tracey, 2016), tensions between doing social good by creating social impact versus financial profit motivation are even more complex and therefore more difficult to manage (Gümüsay and Smets, 2020). The challenge of hybridity and the underlying paradox not only creates competing stakeholder demands but also further legitimacy challenges for social enterprises (Spanuth and Urbano, 2024).

The aforementioned definition proposed by Suchman (1995) defines legitimacy as "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions" (Suchman, 1995: 574). In general terms, it means gaining approval from different stakeholders (Siwale et al., 2021) and filling cognitive cultural voids of trust and authenticity that would otherwise not allow the enterprise to grow (Peprah et al., 2022). Legitimacy research in the realm of SE has identified several challenges to social enterprise legitimacy and the different stakeholders that social enterprises need to address to overcome these (Spanuth and Urbano, 2024). These challenges can be related to resource acquisition, both tangible, such as financial resources (Kistruck et al., 2015; Lang and Fink, 2019; Lent et al., 2019; Molecke and Pinkse, 2020), and intangible, such as community support and trust (Bolzani, Marabello, and Honig, 2020; Finlayson and Roy, 2019; Sabella and Eid, 2016). Closeness to the local community that the social enterprise is trying to serve is necessary to be accepted and legitimized and to create social impact (Seelos et al., 2011). Challenges can also arise from competition with NGOs and commercial businesses, which becomes necessary due to the social enterprise's hybrid structure. In the minds of stakeholders, social enterprises are not as social as NGOs because they do not provide their offerings for free, but they also cannot compete with the price and quality of commercial businesses (Kibler et al., 2018; Zollo et al., 2022). This perception, often a misconception, weakens the competitive advantage of social enterprises on both sides. Additionally, the absence of an agreed-upon definition and regulations for social enterprises and sociocultural understandings leads to institutional legitimacy challenges. How social enterprises are framed in public discourse is crucial for legitimacy building (Bhatt, Qureshi, and Riaz, 2019; Kerlin et al., 2021; Rao-Nicholson, Vorley, and Khan, 2017). For a venture to be perceived as legitimate, it must align with institutional structures, practices, and behavior (Fisher et al., 2016) or achieve institutional change to legitimize a venture under newly created

institutional conditions (Jones and Massa, 2013). The wording of the legitimacy definition allows us to see that institutional theory and legitimacy theory are intertwined as legitimacy judgments are made by actors within the institutional context (Bruton et al., 2010). We, therefore, need to consider the institutional setting when analyzing any legitimacy inquiry.

5.2.2 Institutional influence on social enterprise legitimation

Organizations operate within, are influenced by, and influence existing formal institutions (such as laws, regulations, infrastructure, markets, organizing bodies, and formal networks) and informal institutions (including culture, role models, and informal networks). These institutions, which make up the macro-environment, are often referred to as "the rules of the game" for any interaction (North, 1990). Extent literature has investigated the influence of institutions on social enterprises (Estrin, Mickiewicz, and Stephan, 2013; Stephan, Uhlaner, and Stride, 2015). Cultural factors, in particular, play a critical role in starting and running an enterprise, as all individual and collective practices depend on cultural understandings (Spigel, 2017; Thornton and Ocasio, 2008; Urbano et al., 2019). Therefore, institutional theory sees organizational legitimacy as a key concept (Suchman, 1995; Bitektine and Haack, 2015) and as the means by which organizations obtain and maintain resources (Dart, 2004). Institutions can facilitate or constrain SE (Urbano et al., 2010). While all organizations are influenced by the external environment, social enterprises are more dependent on the local context due to their aim to create solutions that solve local social problems (Lashitew, Bals, and van Tulder, 2020) and the interest that the community holds in them (Newth, 2016). They therefore face a stronger need to be embedded in and legitimized by the local community (Seelos et al., 2011). Research has shown that variations in social enterprises are partially due to their embeddedness in the socioeconomic context. These contexts shape social enterprises, their actions, and their legitimacy perceptions in different countries (Defourny and Kim, 2011; Kerlin, 2013). Whether an entity is regarded as legitimate or not is subject to change based on changes in the external environment of organizations and the reactions of social actors, who construct and maintain an image of what is regarded as legitimate, to these changes. Based on this perspective, we view legitimacy from a process lens, in which legitimacy is considered a constant effort and a source of discussion, creation, and negotiation.

As proposed by Zimmerman and Zeitz (2002), legitimacy is not a dichotomous concept but a continuous variable, meaning that a venture can range from high to low legitimacy, whereby legitimation is conceptualized as a process that evolves over time (Zimmerman and Zeitz, 2002). Rather than an outcome (Siwale et al., 2021) that can be achieved at one point in time

and kept, it is regarded as an asset that needs to be developed over time and can increase but also decrease. The legitimacy-as-process view (Suddaby et al., 2017) understands legitimation as a process of constant interaction and language use, which ultimately constructs reality. Thus, legitimation is a cultural account from a larger social network and an outcome of a series of interactions (Berger and Luckmann, 1967). What is regarded as legitimate or not lies in the eyes of the beholder and is contingent upon historical, temporal, spatial, institutional, and social-contextual conditions (Welter, 2011).

After reviewing the literature on social enterprise legitimacy, we came to understand the scarcity of research inquiry in developing country contexts (Spanuth and Urbano, 2024), although especially in these contexts social enterprises can contribute strongly to societal well-being (Bacq and Janssen, 2011). Evidence shows that legitimacy strategies are sensitive to local contexts and that disregarding context can lead to unintended outcomes of organizational activities (Venugopal and Viswanathan, 2019). At the same time, institutions are bound to change, and especially in developing countries, such dynamics can happen more frequently (Estrin, Mickiewicz, and Stephan, 2013). In this line, scholars have called for the importance of contextualized and process oriented perspective in entrepreneurship research (Welter, Baker, and Wirsching, 2019). We, therefore, heed the call to investigate social enterprise legitimation from a process perspective to understand the process and order of legitimation strategies of social enterprises over time in a developing country context (Spanuth and Urbano, 2024). In the following sections, we introduce the research context and then provide an overview of our research methodology.

5.3 Research Context: Social enterprises in Kathmandu, Nepal

Our research is set within the institutional context of Kathmandu, Nepal. With a population of 29 million (World Bank, 2021), Nepal is ranked 146th out of 193 countries based on the Human Development Index (HDI), with a rating of 0.601, making it one of the least developed countries globally (Kathmandu Post, 2024). From both informal and formal institutional perspectives, Nepal is a unique yet academically mostly unexplored setting (Basnet et al., 2020). Next to India, Nepal is the only Hindu nation globally. Although the caste system was officially abolished with the fall of the monarchy, differences in social classes still play a role in many aspects of life (Arora, 2022). Nepal is one of the very few countries in the Global South that has never been colonized, although the impact of colonialism in the rest of South Asia has also affected Nepali institutions (Chene, 2007). This aspect alone makes Nepal a unique context from anthropological, historical, and institutional perspectives.

Nepal is affected by regular natural disasters like floods, land erosion, and earthquakes, with the earthquake in 2015 being the most disastrous, killing 9,000 people and leaving more than 22,000 injured (World Vision, 2015). Moreover, the ten-year-long civil war that ended in 2006, leading to a transformation in the political system, created changes in various institutions. Nevertheless, a historic transformation has been taking place in Nepal since the formation of the constitution and the new federal political order implemented in the beginning of 2018. Despite positive achievements of political stability, advancements in social inclusion and economic development, the country is facing structural constraints such as slow domestic job creation, high vulnerability to natural disasters, and infrastructure gaps. Additionally, the Covid-19 pandemic has created a surge in debt, and it remains to be seen if the advantages of the federal decentralized government will hold up to the hopes of inclusive growth and sustainable development of the country (World Bank, 2021).

Nepal ranks 110th out of 190 nations regarding the ease of doing business due to many formal barriers like lengthy bureaucratic processes, unfavorable legal frameworks, corruption, and a lack of funding opportunities (World Bank, 2021). Despite the difficulties, an increasing number of entrepreneurs are setting up businesses in pursuit of improving the economic sustainability of the country. During the last five to seven years, the term entrepreneurship has received increasing attention as a source of economic and social development in Nepal. Moreover, the concept of SE has entered Nepal's business sector as an emerging trend. In 2015, the Center for Innovation & Entrepreneurship Development in King's College Nepal organized Nepal's first International Conference on Social Entrepreneurship (Edusanjal, 2015). In 2020, the government announced the establishment of a SE Fund aiming to make social organizations self-reliant. The Social Welfare Council was appointed to coordinate the program across all regions in Nepal (The Rising Nepal, 2020). Following in 2021, the first School of Social Entrepreneurship was launched in Nepal aiming to produce social entrepreneurial capabilities across Nepal (ShareSansar, 2021). Although the SEE is still in a nascent stage, these and other developments have created a hopeful pathway for socio-economic growth. Between tradition and innovation, social enterprises, mostly led by Nepali youth, aim for social and economic development.

Nepal has undergone a dynamic transformation in the past two decades. From being regarded as a "failed state" by the Found for Peace Index up until 2010 (Estes, 2011), it is now facing strong development potential (World Bank, 2021). The recent and somewhat rapid changes in the socio-economic and political environment, combined with some deeply rooted traditions,

make Nepal an extreme case and provide interesting ground for conducting research regarding SE, institutions, and legitimation. Few other settings would allow such investigation, as political and socio-economic changes usually take decades instead of a few years. Nepal offers an opportunity to (1) explore rapid changes, making process analyses feasible, and (2) investigate the effect of exogenous factors on the social enterprise legitimation process within (3) a unique institutional setting. In this sense, it meets the criteria of an "extreme case" with high theoretical and practical interest (Eisenhardt, 1989).

5.4. Research Methodology

Qualitative multiple case studies reveal the difficult-to-observe processes of interaction and behavior (Yin, 2003). Being in the setting (Geertz, 1988), visiting social enterprises, stakeholders, local communities, and getting exposure to local realities helped us analyze data, derive implications, and contribute to theory. This form of engaged scholarship by being on the ground and co-creating findings with the observed participants in their setting enabled more reliability of data and results. Due to our unfamiliarity with the context, we were able to "see" and experience the importance of contextual factors as opposed to contexts that we take for granted (Welter, 2011). Methods for data gathering and analysis were flexible and emergent based on data from various sources (Gioia et al., 2013). Figure 5.1 shows the process that we underwent for data collection and analysis as we explain in this section.

Figure 5.1 Overview Data Collection and Analysis
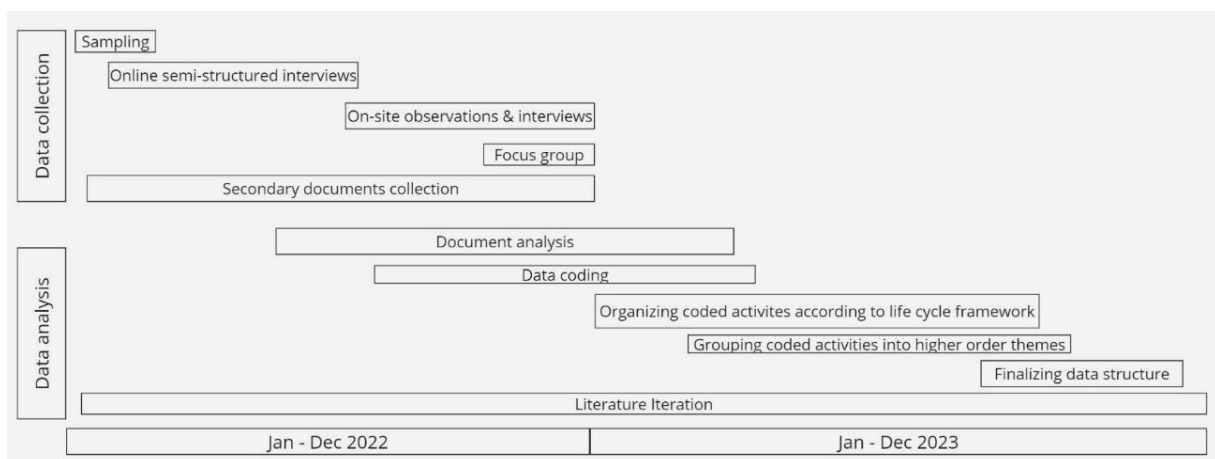
5.4.1 Data Sources and Collection

We conducted purposeful sampling to help boost the reliability of our study. We followed Yin's (2003) suggestion of a two–stage screening procedure for case selection. No official legal framework for social enterprises exists in Nepal, which is why no official register exists that

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could act as a database for this study. We therefore conducted a Google keyword search to create our own social enterprise database. After running a keyword search in Google with the terms *social entrepreneurship Nepal*, *social enterprise Nepal*, *social innovation Nepal*, we noted down all social enterprises that appeared in the first 20 pages (a total of 600 search results) on Google. This led to a total of 106 mentioned social enterprises. In the first stage, 25 social enterprises were chosen for further consideration, as they were mentioned in more than one source. This, although not an exclusive method, is an appropriate way to find out which social enterprises are more known and therefore possibly more legitimate than others, because several pages based on different sources like blogs, newspapers, business incubators, and other organizations in the EE mention them. In the second stage, we chose and contacted 20 of the 25 enterprises by either email or through Facebook depending on which contact option was mentioned on the firm's website. Based on our definition of social enterprises, the criteria for inclusion of a business was a for-profit model with a social core purpose. Five enterprises were excluded because they were either operating based on a non-profit model, or associated with sustainability entrepreneurship rather than SE. Of those 20, eight social enterprises responded and agreed to participate in the research. During the field visit, we conducted snowball sampling and added one more social enterprise to the sample. Nine is an appropriate number for multiple case studies according to Eisenhardt (1989) as it is high enough to generate theory but not too much to prevent difficulties in coping with the data amount. Additionally, we interviewed actors that are part of the SEE: NGOs, INGO, an intergovernmental organization, and an entrepreneurship forum, which promote education and entrepreneurship within the country. Table 5.1 provides an overview of the included social enterprises and organizations.

Table 5.1 Overview of Organizations included in the Study

Company/Institution	Sector	Social impact	Type of organization	Founding year	Product vs service	B2B vs B2C	Number of interviews	On-site visits	Additional data source
Anthropose	Consumer goods (sunglasses)	Provide cataract surgeries (reduce disability)	Social Enterprise	2014	Product	B2C	2 + focus group participation	1	-
Community	Tourism	Providing income to remote villages	Social Enterprise	2017	Service	B2C	3 + focus group partic	1	Researcher used their offering to get in

Homesta y		through homestays					ipatio n		touch with beneficiari es – 4 day observatio n
Doko recyclers	Recycling	Reducing environmental pollution and empowerment of informal waste workers	Social Enterprise	2017	Service	both	9	2	Visited office and recycling facility
Seeing Hands clinic	Massages	Providing employment for the visually impaired	Social Enterprise	2017	Service	B2C	1	0	-
Smartpaa ni	Water & Sanitation	Providing clean drinking water	Social Enterprise	2013	Product	both	2 + focus group partic ipatio n	1	-
Bikas Udhyami	Data & Informatio n	Providing employment for marginalized groups (lower caste)	Social Enterprise	2016	Service	B2B	2	1	Researcher participate d in business meeting and acted as advisor to one project; several informal communic ation rounds via whatsapp
Educase	Education	Providing study place for pupils	Social Enterprise	2019	Product	B2B	2	1	-
Pad2Go	Sanitation	Providing menstruation products	Social Enterprise	2018	Product	B2B	2	1	-
Samsara Creation	Consumer goods (accessorie s)	Upcycling materials	Social Enterprise	2019	Product	B2C	2	1	-
FulBright	Education	Education and international exchange	Intergover nmental	1961	-	-	1	0	-

			organizatio n						
NYEF	Young Entreprene urs Forum	Providing resources to entrepreneurs	Entreprene urship Forum as part of the ecosystem	2003	-	-	2	0	-
Impact Hub Nepal	Co-working and incubation, FabLab	Providing resources to social entrepreneurs	Co-working; Internation al Communit y	2022	-	-	1	0	-
Antarprer ana	Funding provider, mentorship and incubation	Providing resources to social entrepreneurs	Funding provider and incubator	2015	-	-	2	3	Researcher participate d in internal meetings and advised on one project
IdeaStudi o	Social Business Incubation	Providing resources to social entrepreneurs	Incubator	2015	-	-	1	3	Researcher observed pitch series filming and college pitch event
Nepal Private Equity Associati on	Investor	-	Private Equity Associatio n	2017	-	-	1	1	-
True North Associate s	Investor	-	Venture Capitalist	2017	-	-	1	1	-
Blue Waste for Value	NGO	Reducing environmental pollution and empowerment of informal waste workers	Waste Manageme nt NGO	2014	-	-	1	1	-
CREASI ON	NGO	Reducing environmental pollution and empowerment of informal waste workers	Waste Manageme nt NGO	2019	-	-	2	1	-
Minister of Industry	Governme nt	-	Ministry	-	-	-	1	Meeting during event	-

Kings College Kathmandu	Academia	-	College	2009	-	-	1	1	-

All social enterprises were found between 2013 and 2019 and operate in different sectors, from tourism, recycling and upcycling, education, sanitation, water management, and inclusion of people with disabilities. Some organizations provide a product while others offer a service. At the same time, we have B2B and B2C businesses in our sample. With this, we cover a broad range of sectors and business types making the findings reliable and transferable.

In a developing country like Nepal, observations and in-depth interviews are the most promising data sources for qualitative studies because the gaps between formal institutions and informal actions often differ substantially. This makes written data sources and commitments less trustworthy, as confirmed by local informants. We strategically sought data that could provide us with information to create novel theoretical ideas (Vaccaro and Palazzo, 2015). Consistent with other studies on strategy processes (Hengst et al., 2020), a longitudinal qualitative case study research design was used, including periods of ethnographic observations between September 2022 and December 2022, and sources for triangulation (interviews, archival and documentary material) for the timeframe between 2013 and 2022, as the oldest social enterprise in our sample was founded in 2013. To give an authentic representation of the organizational processes from the perspective of social entrepreneurs and stakeholders involved, our primary data source is semi-structured interviews, complemented with documentary data and ethnographically informed participant observations following other qualitative study designs (Shepherd and Williams, 2021).

Interviews. Initial pilot interviews took place between January 2022 and March 2022 online via zoom calls. This enabled us to get to know the study participants and gain their trust. The interviewed individuals were mostly social entrepreneurs, employees of social enterprises and organizations, investors, and members of supporting institutions like incubators, Universities, and NGOs. We found that all individuals belonged to the local youth population – aged below 40 - and to a societal higher class. The majority have studied abroad in India, UK, or USA and their perception of SE is compliant with the Western model of the concept as taught in Universities. We adopted an open-ended and semi-structured interview style to capture the interviewers perspectives. The interview guide (see Table 4 in the appendix) targeted data on

three levels: general introductory questions, legitimation process questions, institutions/ecosystem questions. The interviews began with broad questions such as "Please explain about your social enterprise and the entrepreneurial journey that you took so far." And "Tell me something about the ecosystem that surrounds your social enterprise." As the interview progressed we probed specific points of information via more structured questions like "What activities did/do you undertake to become accepted within the community?". The pilot interviews were conducted with founders or co-founders involved in the ventures since the foundation. The interviews lasted around one hour, conducted online, in English language, and were audio recorded and later transcribed with the transcription software *otter.ai*. During the field visit, further interviews were conducted to collect perspectives from employees and other important stakeholders. In total, 30 semi-structured interviews with 26 informants were conducted. Interviews took place until theoretical saturation was reached and new interviews did not add new insights.

Field notes and observations. Between September 2022 and December 2022, on-site visits took place during which the first author observed work processes, meetings, events, internal discussions, and conducted more interviews with staff, customers, and community members. Furthermore, during the visits, internal processes were observed and documented, communication with stakeholders took place, and participation in events and meetings, such as a social business pitch event and a social business TV show filming, occurred. Interviews and observations also targeted community members to gather their perspective concerning the legitimacy of the participating social enterprises and the interaction between stakeholders and social enterprises. Whenever possible, the observed information of what was heard, seen, and experienced was documented in a diary. This ethnographic approach to data collection enabled the study of the subjects' social context as closely as possible. The ethnographic grounding allowed for closeness to data. At the end of the field trip, a focus group was organized with the participating social entrepreneurs, where initial findings were reviewed, and perspectives from the interviewees on the data analysis were obtained to capture their views and refine the findings. Initially, the researcher presented the preliminary findings of the study. At the end, the participants were asked for general feedback and then specific questions on the individual legitimation strategies, their occurrence as presented over time, and about external factors that influenced this process. The focus group lasted one hour. The session was audio recorded and later reviewed to refine the study findings.

Documentary Data. Another source of data we used for our study are company internal data like business plans, emails to stakeholders, and other documented information. Published material like online posts and blogs were also used. We gathered articles published in the main Nepali newspapers (*Kathmandu Post, Himalayan Times*, and *Nepali Times*), and from other public sources (social media postings on Instagram, Facebook, LinkedIn).

Data gathering ended when the acquisition of new information confirmed previous insights without gaining new relevant insights for the development of novel theory.

5.4.2 Data Analysis

We adopted established procedures for inductive theory-building research following the grounded theory approach by Glasser and Strauss (1967) for theory building. As we are taking a process perspective on the legitimation of social enterprises, we laid out the activities that were executed by the social enterprises over time. To organize these activities over time, we utilized the organizational life cycle framework (Fisher et al., 2016), which helped us depict the legitimation process along the enterprise's life cycle. Fisher et al. (2016) were among the first authors to view legitimation as a process connected to the life cycle stages of a firm, which must pass several legitimacy thresholds when moving from one life cycle stage to another. Drawing on identity theory, institutional theory, and life cycle theory based on Kazanjian's (1988) life cycle model (conception, commercialization, growth, stability), they investigated how firms survive and grow over time with a focus on the effect that the institutional environment has on firms and their legitimation process across life cycle stages. The authors proposed that when moving from the conception to commercialization phase, the required legitimation strategies change; for instance, the nature of symbolic mechanisms that used to rely on founders' human capital and pre-existing ties now rely on the venture's own accomplishments.

We used this framework as a tool to create temporal brackets (Langley, 1999) to structure the legitimation process over time. Figure 5.2 illustrates the activities of the individual social enterprises organized according to the life cycle stage in which they occurred. This allowed us to understand and compare the processes between enterprises and between life cycle stages.

Due to the mostly retrospective nature of the data sources, we are aware of potential retrospective bias in our data. However, as we use documentary data to reflect a wider time horizon retrospectively in combination with real-time interviews and onsite observations to

study the process of activities that have taken place to facilitate legitimacy, we were able to triangulate and verify the trustworthiness of the data.

Figure 5.2 Social Enterprise Activities by Life Cycle Stage
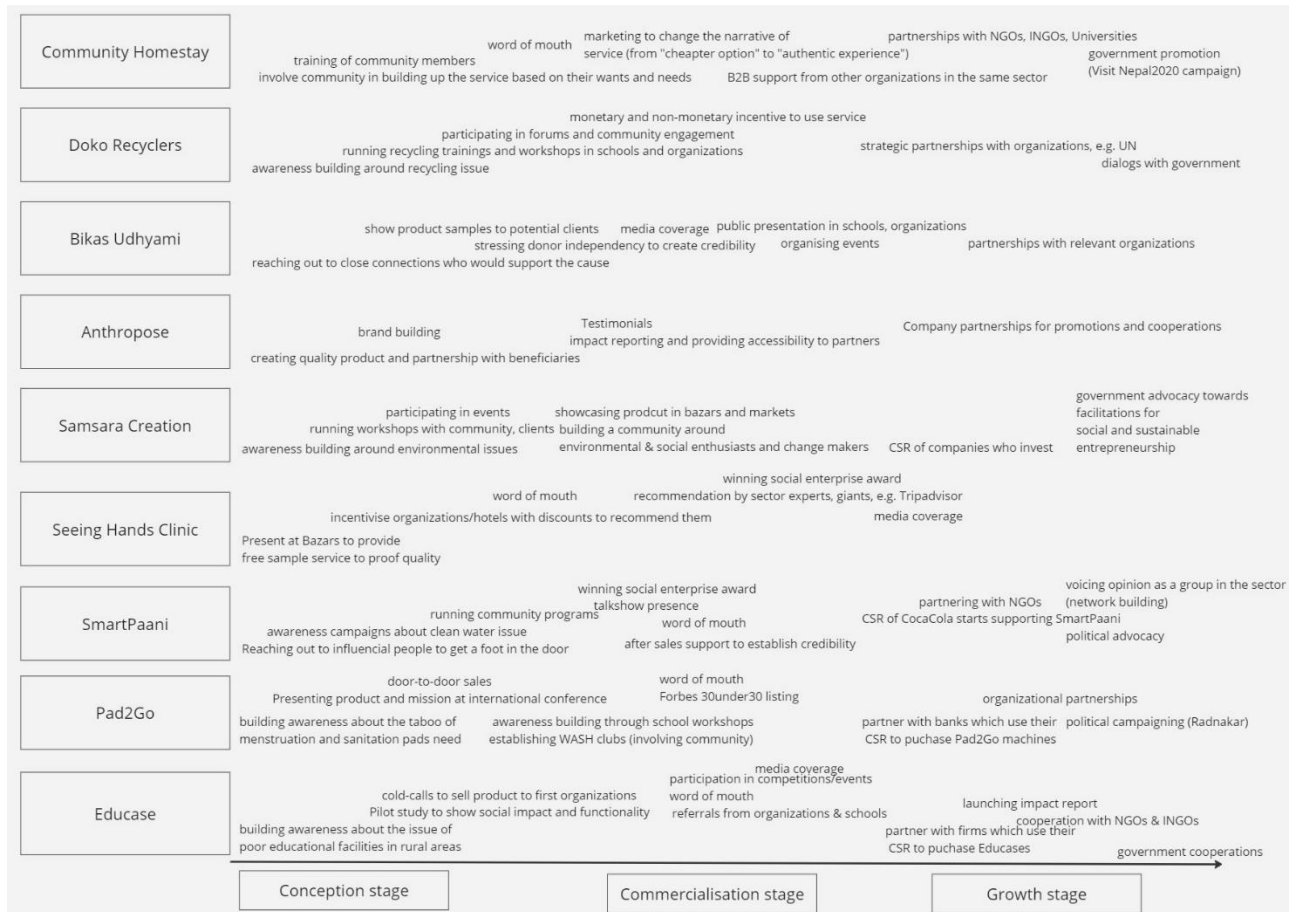
We used the software MaxQDA to create the coding structure and conduct data analysis. Our approach to data analysis was guided by the research objectives. First, we aimed to identify concrete legitimation strategies and underlying activities, both intentional and unintentional, that social enterprises were performing. Second, we sought to explore the process as described by the social entrepreneurs and how it evolved over time within the community. In doing so, we iterated between data and literature to understand how each strategy addressed legitimacy challenges identified in the literature as core challenges – namely, closeness to audience and trust, skepticism towards the hybrid business model, and tensions towards NGOs and commercial businesses. Third, we aimed to determine which institutional factors affected the legitimation process of social enterprises. During and at the end of the data collection period, we asked our informants for assistance with managing perspectives and theorizing to address the issue of culturalism in qualitative inquiry. Participants reviewed findings during a focus

group session, and their feedback was considered in the development of the study, allowing us to check for potential biases on both sides.

We combined methodological techniques based on recommendations by Pratt et al. (2020) to enhance the trustworthiness of data analysis and adjusted the techniques for our use. We added the methodology introduced by Gioia et al. (2013) for data structure and visualization, which helps to create rigor. We structured our data to show the chain of evidence from first-order concepts to second-order themes to aggregated dimensions (see Figure 5.3). We identified patterns of activities (first-order codes), which we grouped into process steps, such as "building awareness" and "incentivizing customers" (second-order themes). For example, CSR activities, or support from the organization's social responsibility, were grouped into "incentivizing organizations". In the last step, we grouped these process steps into higher-order themes called co-creating, confirming, consolidating, and collaborating (aggregated dimensions).

Figure 5.3 Data Structure
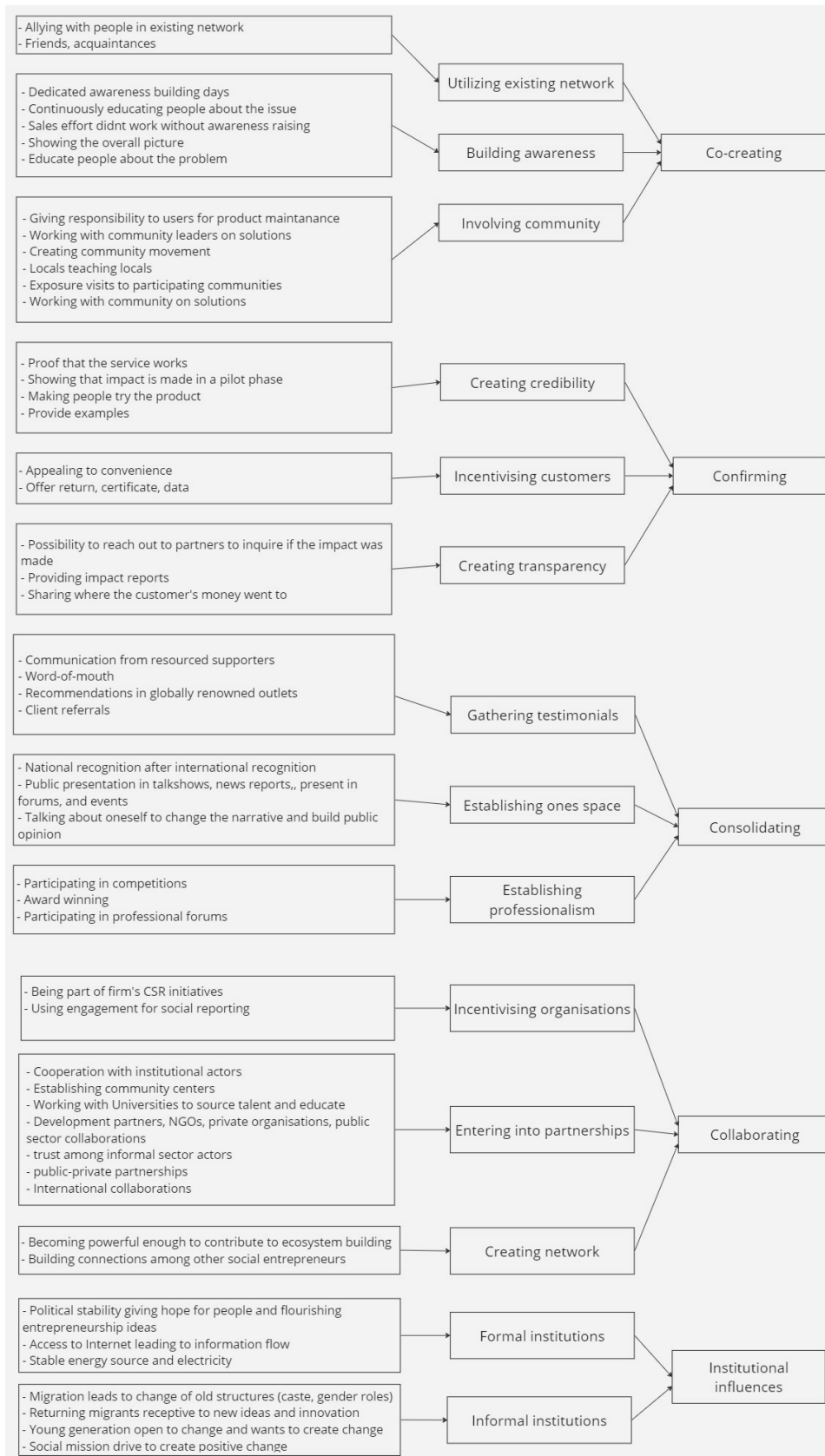
5.5 Findings

Our data shows the legitimation process that social enterprises in Kathmandu, Nepal undergo. The legitimation strategies – *Co-creating*, *Confirming*, *Consolidating*, and *Collaborating* – consist of various activities that social enterprises execute at different stages in their life cycle to obtain and increase legitimacy within the society. In the following, we outline each process step in detail with illustrative quotes from interviews and observations.

Co-creating

Utilizing existing network. Obtaining legitimacy from community members is difficult, especially for social enterprises, which most often provide a product or service that is innovative, therefore unknown or not considered useful at first. Products and services can also be controversial and therefore not legitimate if they address tabooed topics like menstruation, AIDS, or LGBTQI. One informant of the social enterprise Pad2Go, which provides menstrual products and awareness around the tabooed topic of menstruation and LGBTQ said: "[…] And despite of that, there were so many taboos and stigmas in our culture in our society in the within the people that we knew we were in the educated circle, if you think about it, and we couldn't even imagine what the case was for women who were uneducated, or for menstruating individuals in the rural sector where there is no like, you know, affordability or accessibility or even availability of products and services regarding menstruation." (Interviewee Pad2Go).

Another challenge of social entrepreneurs in Nepal is the social standing and acceptance of marginalized groups. Certain groups, like people with disabilities, people of a low social class or caste, and women face socio-cultural challenges in becoming accepted as an entrepreneur. As an initial key process step to overcome these issues, social entrepreneurs approach existing networks of colleagues, acquaintances, friends, or family to support. Doing so allows them to set foot into the community having the backing of a small network of likeminded people, as described by one interviewee: "We also went to a lot of people we knew from our network, [...] who would give us more time to explain them what we were doing. So that is how I think any entrepreneur journey starts, that you reach out to the closest that you can, and the easiest of people that you can explain to. So that is how we also started our journey." (Interviewee, SmartPaani)

Building Awareness. Having approached one's network, the second step of the process is to make a wider group of people in the community understand the issue that the social enterprise is trying to solve, and the general structure of social businesses. The concept of social

enterprises as being a hybrid organization that has a social mission as its core objective, and simultaneously operates based on a for-profit model is new to Nepal and only a small group of people are aware of this type of business model. Social enterprises therefore need to build awareness about their model as illustrated by an interviewee's experience: "And I was like, "No, I mean, I have to spend a lot of money making them as well. So I can never give it away for free." So we do have to explain our business model a lot of times saying that, you know, we work in impact, but we are still a business like you know, we still are in social business trying to be sustainable." (Interviewee Educase)

Others reported the need to stress their difference from NGOs or traditional businesses in order to show its unique identity and way of positioning. At the same time, social businesses need to build awareness about the social issue that they are addressing. All interviewees stressed the importance of awareness building as being a first priority. Some social enterprises intentionally build campaigns to educate children about the issue and its solution, as they are easier accessible to information. Building awareness was found to be a continuous effort along the business journey: "We spend a lot of time in doing the awareness part, that is a very regular activity that we do. [...] So in last four or five years, we must have conducted more than 400 workshops. [...] If you won't have done that, if you would have just relied on our service or online advocacy, it wouldn't have worked." (Interviewee Doko Recyclers)

During awareness building, social enterprises address both the technical or biological aspects of the cause as well as its social implications for society. For example, Pad2Go uses its efforts to address the culturally deeply rooted taboo on menstruation by understanding people's perspective on it and trying to change accordingly for the next generations to move away from the inclined taboo.

Involving Community. A final strategy of the *Co-creating* process is community involvement. Even after community members are educated about the social issue and potential solutions, it is difficult to convince people to change their habits, accept new ways of doing things, or thinking about a matter. Involving the community in co-creating solutions or implementing them in the community, was found to be an authentic way of legitimizing the social enterprise and its product or service. The social enterprise Community Homestay is bringing together existing and potential new clients so they can learn from each other. They are involving them in all decisions concerning pricing of their service, so the community can decide about their benefits from the service: "So we try to involve as much as community members as possible,

so that no one will feel left out or because our intention is not to create the disharmony among the people. So what we do is take the new communities, to the old communities, like organize exposure visit, so that the people will help them, like the host from another community help them so I think the peer to peer communication is such a powerful tool." (Interviewee Community Homestay)

Another strategy is to reach community leaders, who have the power to influence other members in a community. Reaching acceptance by a community leader leads to easier and faster acceptance among other community members. An interviewee reports: "So we reached out to a lot of people who are influential, whose voice would matter in the community whose voice would be appreciated and heard, and worked with them, made them understand." (Interviewee SmartPaani)

Pad2Go involved the community by letting beneficiaries themselves be part of the solution and let them guide the tokens for their token-based menstrual pad vending machines. By doing so, beneficiaries are part of the system, which lead them to value the cause more.

Confirming

Creating credibility. To create credibility, social enterprises need to give their product to use. Other than in the case of traditional enterprises, the credibility for social enterprises must come from customers and beneficiaries, as they are not always the same. To show their offerings, product examples were used. They were either presented in events or directly brought to potential clients to try them out. Pilot studies were used to prove that the product or service is worthwhile using and that is has the social impact that it relies on having. Once people were assured about the quality it automatically made them recommend the product or service. The fact that social businesses take money to solve a social problem can despite earlier awareness building and involvement, still be an obstacle at this stage. However, as explained by one interviewee the benefits of having a proper business model and sufficient resources, which a non-profit organization would not be able to have, are valued by customers: "And I think one thing, majorly, that helps is, if anything comes for free, no one's coming back to you to ask whether it's working or not, or making sure that you have helped to make it work. But we've made sure that we go back to everyone we work with, and give them the kind of support to ensure that it works. So I think that has played a huge role in people believing in us that these guys are here to stay, and they will help us make sure that whatever they're giving us will function for a long term." (Interviewee SmartPaani)

Social enterprise Bazaar's like the Bazaar organized as part of the Surya Nepal Asha Social Entrepreneurship Award and in cooperation with ChangeFusion Nepal, allowed social enterprises to showcase their products and services so that potential customers could try the offerings as reported by Pad2Go: "So because it was a new and innovative product for the Nepali market, it really didn't take us a lot like a hard time. You know, for example, if you were only talking about menstruation, then people were very scared. But once we got the machine in front of them, they were like, Okay, wow, is the new thing. Let me try it." (Interviewee Pad2Go).

Incentivizing customers. Getting people to try innovative solutions in the first place is one hurdle that needs to be overcome. To do so, social businesses were using incentives that would potential customers convince to a first trial. For instance, Doko Recyclers has implemented a pawn system so that people who recycle their waste would get a return for the recyclables: "We also offered them an incentive as a, let's say, return for all the recyclables that we collect from them. So they could they could check on a real-time basis, how much waste they are generating, what kind of waste they are generating and how much earning they're making out of the recyclables." (Interviewee Doko Recyclers)

As reported by Anthropose, most of the time social enterprises compete on the market along with traditional for-profits and thereby need to use the same market logic. The legitimation process step *incentivizing customers*, targets exactly this aspect, where products need to be more convenient, cost-effective, or provide a special brand image next to pursuing the social mission, to be attractive to customers. Next to a monetary incentive, another factor works in convincing people to try new things: convenience. Stressing that the solution is not only having a positive impact but is also increasing convenience for the user is a central convincing argument: "But in a larger scale, still people want it to be convenient. They want the service to be very... how do you say like how waste is being collected on a daily basis from your home. It should be as simple as that." (Interviewee Doko Recyclers)

Creating Transparency. A final strategy of the *Confirming* process is creating transparency. This is specifically important for social enterprises and next to product or service attributes like quality or convenience, the offering must have a positive social impact. In order to be legitimized in a community or society a social business need to prove that they are really benefiting the society. A way to do it is by reporting the impact: "[..] I think the legitimation process now becomes more about impact and the accountability that we shared with our

customers. And like I said, for the same, we've always focused on providing detailed reports."
(Interviewee Anthropose)

Another way is to provide access to partners, to beneficiaries, and bridge the gap between the customer and the provided social benefit. An interviewee of Anthropose, who enable cataract surgeries for visually impaired people with the revenue that they are creating, explained that they connect customers and partners, who do the surgeries in order to create transparency about the impact that is created: "[..] with easy access to our giving partner that they could get in touch with and then verify if we'd actually made you know the impact and the surgeries that we say we've done so far." (Interviewee Anthropose)

Consolidating

Gathering testimonials. All interviewed social enterprises reported that gathering testimonials and referrals from customers and beneficiaries added value to their credibility and helped strengthen and spread a positive opinion about their enterprise. Recommendations and testimonials from resources supporters with a wide reach like TripAdvisor and Lonely Planet in the case of the social enterprise Seeing Hands Clinic strengthened the positive image and sense of professionalism, which made the community's trust in their venture grow. The interviewee says: "And then after a year or two, we started to be recommended in globally renowned guide books such as Lonely Planet, Trip Advisor, rough guide, and so on." (Interviewee Seeing Hands Clinic)

Hearing from users and seeing online that there are multiple supporters, who trust this organization and consider them as valuable, has also helped SmartPaani increase legitimacy in the mind of people: "It definitely does help like instead of hearing it from me or my team's that, oh, these systems are good, if someone who's using it says that, you know, I've been using it and this really works, that adds value to our credibility. So it always helps that if you can convince one group of stakeholders or clients and then they you know, refer you to the other that works." (Interview SmartPaani)

Establishing one's space. Establishing one's space in the minds of the community or larger society has worked best through public presentations, participation in forums, and media coverage in the case of all social enterprises covered in this study. This activity refers to the creation of a certain perception of the social enterprise in public opinion. As an interviewee from Bikas Udhyami reported they visited colleges, organized a series of events, and various

talk shows to be publicly present. Through regular media coverage in various sources, the social enterprises were able to establish themselves in the public and a wide range of people started hearing and knowing about them consciously and subconsciously. This made approaching new clients easier and also led to people approach them: "We've had, like few newspaper articles published about us, and you know, a few things on the media. So next time we call people, they're just like, Okay, I think I heard of something like this, instead of it being like, extremely, you know, new." (Interviewee Educase)

Here it is important to mention the feedback loop towards building awareness, as while being covered in the media, social enterprises took the chance to talk about their mission and the social issue. At this stage, a wider public could be reached within the society and outside the community that they had addressed at first. Publicity supported establishing their image, their space in the minds of people. One interviewee explained: "[...]. And sometimes it's also misconceived as being the cheaper alternative to the travelers, and not like experienced authentic, but what we tried to do was change the narrative, not make it as a cheaper alternative, but also have it as a very authentic experiential experience, just more than the accommodation […]." (Interviewee Community Homestay)

Participating in conferences both national and international has helped increase public awareness of the enterprises. Several social enterprises noted that the biggest milestone was being listed by international organizations. Only then did society recognize them and sales started to increase. One interviewee reported: "Something interesting was, you know, for Nepal, we realized until and unless an international organization did not recognize us we weren't very recognized by our country. So we've been we were, like, you know, like people knew what we do in Nepal but we did… like the government really never focused on us. So once we got listed as Forbes 30 under 30, in 2020, that's when you know, like, the Nepali community also realized. And we did get a lot of sales, a lot of boost in sales, and accordingly was more impact we did that year." (Interviewee Pad2Go)

Establishing professionalism. Next to being covered in public media, social enterprises in Nepal benefited from winning prizes like Social Entrepreneurship Awards and other national and international awards. Being decorated with prizes increased legitimacy as it conveyed a sense of professionalism to the communities, like an interviewee of Seeing Hands clinic reported: "In 2012, we won a Social Entrepreneurship Award. So that brought the rapid change,

that means the media really covered our news. And then they really made us establish the professionalism of massage, so that made it easy." (Interviewee Seeing Hands Clinic)

Being nominated, awarded, or simply invited to forums and summits helped establish the professionalism of the social enterprises. At this stage, other players and institutions in the public and private sectors also started to raise interest, which ultimately led to the final stage in the legitimation process.

Collaborating

Incentivizing organizations. One strategy that has helped social enterprises receive support, especially from bigger private firms and organizations, has been to incentivize firms by offering them to use their branding on products and campaigns while they support the social business as part of their CSR activities. In this way, firms benefit from marketing exposure and by fulfilling their CSR quota and social enterprises benefit from having the logo of known organizations shown as their partners, which increases legitimacy. Interviewees report: "So you know, and they get branded by the organization's logo, or the person funding it, or even CSR initiatives by private companies, a lot of times like banks, or like these big companies that have to do CSR. So they distribute a lot of school supplies and furniture, or books or school bags to students. And again, it's like a branding opportunity for these organizations as well as like, it goes into their CSR Quota." (Interview Educase)

Also SmartPaani reported a positive experience with getting funds as part of CSR initiatives by bigger companies. In their case, the Coca-Cola Company partnered up to work towards resolving groundwater depletion: "And we also have a lot of corporate partners, who want to invest a little bit from their CSR into different water aspects of it. So we partner with the Coca-Cola company here to work towards groundwater replenishment in Kathmandu Valley, which is a huge problem that our groundwater is depleting massively." (Interviewee SmartPaani)

Entering into Partnerships. Apart from collaborating with private organizations based on CSR incentives, our data has shown that various types of partnerships were used whenever possible to increase legitimacy towards the society but also towards other players in the private and public sector. Social enterprises reported to have approached Universities for collaboration in order to retrieve talent. They have also partnered up with other firms nationally and internationally within the sector to benefit from each others knowledge, skills, market linkage, and network. Social enterprises in Nepal partnered with NGOs and INGOs like the UN, which

was difficult at first due to the non-profit nature of NGOs and their sceptics towards the for profit model of social ventures. However, interviewees reported that mindsets are shifting and in recent times, NGOs became more open towards collaborations with the private sector to work towards a shared mission: "They actually wanted a private sector to be included, since they, they saw our work and they really saw as a private sector, we could be able to bridge the gap, that development or inter governmental agency might be lagging like marketing. [...] And so they really saw the potential maybe we could work together." (Interviewee Community Homestay)

Also including the national government into initiatives helped being recognized as an important stakeholder. Nevertheless, social enterprises are not recognized as a separate legal form in Nepal and getting recognition from government bodies is challenging. Most interviewees reported having little to no direct support from government side, but through various partnerships with organizations and being present in national and international forums gradually increases legitimacy and will ultimately lead to having sufficient power to get heard by the government: "So that's why I think it's good for these new enterprise forums and things like that to be around because at least they can be talking about challenges that affect them and how things.. so there's a possibility of becoming lobbyists and you know, things like that. So yeah, I definitely believe collective action is going to be required of like minded people around projects." (Interviewee Fulbright & Teach for Nepal)

Creating Network. Finally, having reached the wider society and different institutions through various channels and legitimized ones position as a social enterprise and their product and service as desirable and appropriate to solve social issues in the country, social enterprises are able to utilize their power to build networks or whole ecosystems in their business sector. At this stage, important ecosystem actors like Universities, public and private administration, community leaders and members, local government representatives, and potentially other partners are part of the social enterprise's network, which can be expanded to include more and more actors and build the ecosystem. One interviewee reports: "However, the people who are already involved in it like me, I have a friend who's doing it so we are trying to create like... not create our network, but slowly slowly just connect with each other or something like that, and there are few people who are trying to take steps to create social entrepreneurship as a concept." (Interviewee Educase)

Institutions influencing legitimation

Many aspects of the formal and informal institutional setting in Nepal are barriers to social enterprise legitimation and growth. One of the main barriers that was reported by all informants is the lack of a legal framework for social enterprises. To be able to receive investments and distribute profits to shareholders, the only option is to register as a regular commercial business. Another barrier that comes from a missing legal framework is the lack of clarity on the concept of SE. Resulting misunderstanding and vagueness are hindering stronger collaboration and the development of the SEE. The financial sector is another barrier, as very few funding opportunities exist, especially for social enterprises as most investors are looking for high and fast returns and banks take high collaterals. Impact investing is slowly entering the financial market in Nepal. Formal investment mechanisms were found to be ineffective.

Informal institutions play a big role in Nepal. Informants reported that the family's opinion matters a great deal when making decisions. The risk-averse older generation does not approve of entrepreneurial activities at times, so social entrepreneurs may face difficulties from social pressure when running their business. Another difficulty is the cultural diversity of Nepal's provinces. This was especially reported by the social enterprise Pad2Go, which realized after a while that menstruation as a stigma is being perceived very differently depending on the region. This required a change in the awareness program content to become more specific and address the issues region-specific.

However, we found also positive institutional influence on the legitimation of social enterprises. Migrating in pursuit of education, skilled and unskilled labor was reported to be very common in Nepal. All interviewees mentioned that many people have gone abroad and that this changes a lot in Nepal in many aspects of life. The youth, who leaves Nepal to study abroad, returns full of new aspirations, broader perspectives, and ideas to create positive change. This has led to cultural change concerning topics that were tabooed in the past but also to generally accepting innovative ideas faster. A general increase in the drive to create social impact and contribute to the development of the country after being exposed to foreign solutions has led to the popularity of social entrepreneurship. One interviewee reports: "That's why people are more aware, there is a huge amount of young generation who have gone abroad. So they come back with the kind of mindset to their families, that these are important things. So acceptance has increased a lot." (Interviewee SmartPaani)

Another is the access to technology, especially social media, which all interviewees reported to have had a huge influence on public acceptance. The constant exposure on social media, and the fact that people are able to see similar solutions being available and beneficial in other countries, increases the legitimacy of similar local solutions: "It's also that you know, the access of Internet has increased massively. And because of that, it gives people a lot of opportunity to learn from others who are doing similar thing across the globe." (Interviewee Seeing Hands Clinic)

5.6 Discussion: Theorizing Social Enterprise Legitimation Strategies within the Institutional Context

We set out to explore the questions *How do social enterprises create legitimacy within society over time?* and *How do institutional factors influence the process of social enterprise legitimation?* Based on our research among social enterprises in the mostly unexplored research setting of Nepal we were able to identify processes that lead to the legitimation of social enterprises and institutional factors that act as accelerators or brakes to the legitimation process. These findings mark the contribution of our paper. We develop our findings into an analytical process model of social enterprise legitimation presented in Figure 5.4, where we situate the four aggregated theoretical dimensions and the underlying activities in a social enterprise legitimation process framework and offer a model that details how social enterprises undergo these processes throughout the organizational life cycle stages. It also explains how factors in the institutional environment can accelerate or brake the process of legitimation.

Figure 5.4 Analytical Framework of the Social Enterprise Legitimation Process
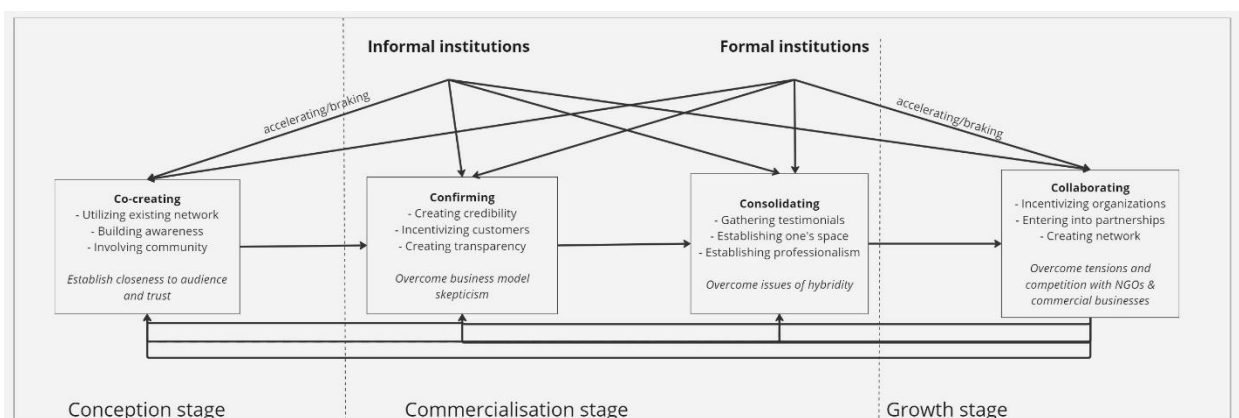
We view social enterprise legitimation as a four-step legitimation strategy process. Our data has shown that social enterprises engage in *Co-creating*, *Confirming*, *Consolidating*, and *Collaborating* in order to achieve legitimation within their community and later the overall

society, and reach a state where they are strong enough to build their own ecosystem with the help of several collaborating partners. These findings are depicted in our analytical framework. At first, organizations utilize existing networks to enter their community. This is in line with Fisher et al. (2016), who proposed that enterprises engage in symbolic mechanisms made from reliance on founders' human capital and pre-existing ties before moving to the commercialization stage where they need to rely on the venture's own accomplishments. Social enterprises engage in awareness-building processes to inform communities about existing social issues and how the social enterprise can contribute to solving it (Lent et al. 2019). We have found that these processes initially take place during the conception stage since enterprises need to build awareness about the social issue and their solution before commercializing the venture. Like this, legitimacy is increased gradually throughout the legitimation process. The created legitimacy in one stage acts as a *legitimacy buffer* for the next stage (Fisher et al. 2016). During *confirmation*, social enterprises ensure to deliver quality products and services and communicate transparently about their impact. During *consolidating*, the social enterprises focus on closing unawareness gaps in the minds of the people about what a social enterprise is and how they specifically solve the problem by delivering competitive products and services. They consolidate their position in the market. Reaching this stage allows them to form collaborations in the subsequent stage, which is a strategy utilized during the growth stage. Their established image allows them to form partnerships and work with organizations, as without having secured their position in the market, other players would not have aspired to collaborate with them.

As we have outlined the activities over time, we present the legitimation strategies according to their execution in each organizational life cycle stage. It's important to note that these activities are not executed solely in one stage and then stopped, but rather they take place continuously throughout subsequent stages. The process model illustrates when the strategies are initially implemented, while the feedback loops indicate that strategies are reiterated as the process progresses over time. For example, activities associated with the co-creating strategy begin at the conceptualization stage, as it is essential to build trust and bridge the gap between the social enterprise and the community from the outset. These activities must be undertaken early on, as without them, the social enterprise will struggle to effectively build and sell its offerings. However, activities aimed at raising awareness also occur throughout subsequent life cycle stages to continuously strengthen their legitimacy. Similarly, consolidation can only occur once the social enterprise has demonstrated the viability of its business model and earned

the trust of the community. Only then can they solidify their position and establish professionalism. Activities associated with this strategy continue throughout subsequent stages to continually enhance legitimacy. Likewise, collaboration strategies cannot be pursued in the initial stage of the organizational life cycle, as other players will be hesitant to collaborate until the social enterprise is trusted and established in the market.

In the following sections, we examine each of the four strategies and discuss their relevance in the legitimation process for social enterprises as they address the unique challenges faced by such enterprises.

Overcoming mistrust and achieving closeness to the audience through co-creating

Value co-creation plays a pivotal role in the process of achieving legitimacy for social enterprises (Massi, Rod, and Corsaro 2021). Co-creation enables stakeholders, particularly community members in our case, to participate in the development process of new products or services. This involvement of customers and/or beneficiaries is crucial for social enterprises for several reasons. Firstly, as the primary goal of social enterprises is to create social value and aid local communities through innovative solutions (Mair and Martí 2006), it is imperative to engage closely with the community and make them feel part of the solution. By involving community members in the co-creation of social products or services, they become invested in the process and are more likely to accept and utilize the solutions, as opposed to receiving top-down proposals that may not align with their needs or desires (Venugopal and Viswanathan 2019). This bottom-up approach empowers local communities, enhances engagement, and bolsters legitimacy. Closeness to the audience has been identified as a critical factor in social enterprise legitimacy (Spanuth and Urbano, 2024).

Secondly, co-creation strategies, which include awareness-building efforts, help alleviate mistrust toward innovative products or services. As confirmed by informants, simply presenting the product to the audience would not have sufficed; it was necessary in almost all studied cases to conduct awareness-building campaigns before launching a product or service to the market. Trust and awareness are paramount factors for social enterprises. Compared to commercial enterprises, social enterprises require a higher level of trust because beneficiaries need to trust the enterprise claiming to support them (Seelos et al. 2011). Awareness-building campaigns and local involvement facilitate trust-building and bridge the gap between community members and social enterprises.

Overcoming skepticism towards hybrid business model through confirming and consolidating

Another central challenge for social enterprises is the lack of awareness and skepticism surrounding their business model. Beneficiaries, especially in a developing country setting, are accustomed to receiving support in the form of donations without having to pay for goods and services that claim to be socially beneficial. This presents a barrier for social enterprises that must demonstrate their value added to society. The strategy of confirming aligns with existing literature on transparency, accountability, and reporting (Lall 2019; Molecke and Pinkse 2020). Social enterprises demonstrate in this stage that their offerings can compete with those of commercial businesses in terms of quality, after-sales support, and other aspects, while simultaneously providing high social impact and addressing local problems that benefit society. They establish that their business model combines the strengths of both non-profits and for-profits, challenging existing sociocultural understandings of these organizational types and fostering new perspectives (Berger and Luckmann 1967).

The unique characteristic of social enterprises is their hybrid structure, which also contributes to the liability of newness (Gümüsay and Smets 2020) and the lack of awareness among stakeholders. Societies are not accustomed to businesses that prioritize social value over financial profit or give it equal importance. For this reason, the consolidating strategy aims to address the need for social enterprises to present themselves and increase their visibility with their organizational model to gain recognition in the minds of societal members.

Overcoming tensions and competition with NGOs and commercial businesses by collaborating

Our data confirms previous findings in the literature regarding the tensions that social enterprises face with both NGOs and commercial businesses, which present challenges for legitimacy (Kibler et al. 2018; Zollo et al. 2022). Our informants corroborated that when social enterprises enter the market, NGOs may not support them because they believe social issues should not be addressed by extracting money from beneficiaries. Similarly, commercial businesses may not recognize social enterprises as legitimate businesses due to their prioritization of social mission over financial profit.

However, our data demonstrates that, after engaging in co-creation, confirming, and consolidating strategies, social enterprises reach a position where they can offer incentives and

benefits for collaboration to both NGOs and commercial businesses. Social enterprises have reported that over time, NGOs have begun to recognize the value of collaboration, as they can benefit from the business expertise and efficient operational approaches of social enterprises. Similarly, commercial businesses see the advantages of working with social enterprises, as it enhances their corporate social responsibility (CSR) image and fosters positive partnerships. Collaborations were found to be mutually beneficial. Particularly when collaborating with organizations already legitimized in the given context, social enterprises derive legitimacy from these partnerships.

These findings align with existing research (Díez-martin et al. 2021; Weidner et al. 2019) and underscore the importance of collaboration as a strategy for social enterprises to enhance their legitimacy and effectively address social challenges.

Institutional factors as explanatory elements within the social enterprise legitimation process

Institutions play a significant role in influencing the legitimation process of social enterprises, both accelerating and hindering their progress throughout the organizational life cycle stages. Davidsson (2015) describes external enablers as circumstances that facilitate entrepreneurship by providing opportunities, which can accelerate the legitimation process. Positive developments in infrastructure, electricity provision, and political stability in Nepal, for example, have accelerated knowledge dissemination and enabled the spread of new ideas. Additionally, cultural factors such as mindset shifts and openness to innovation, as well as the traditional social mission drive and collectivistic society, support the idea of doing good for society.

However, institutions can also act as brakes to the legitimation process. Cultural factors may slow down the legitimation process for social enterprises that do not conform to existing cultural norms. Ventures that challenge cultural norms, such as those related to menstruation, recycling, water usage, and disability acceptance, may face greater challenges and require more effort to execute legitimation activities. Furthermore, political developments can either benefit or hinder social enterprise legitimation. Increased awareness towards environmental preservation, for example, benefits ventures in the environmental sector, while political agendas may not support other ventures. Institutional factors can explain variations in legitimacy development, with each institutional context providing a different starting point for social enterprises, influencing the acceleration or braking of legitimation. Moreover, the

legitimation process may vary depending on individual entrepreneurs' situations. Entrepreneurs with high social capital and strong networks may find it easier to legitimize their ventures and may be able to skip certain stages of the process. Conversely, marginalized entrepreneurs, such as migrants, women, or individuals from low social classes, may face greater challenges and need to follow each step of the process more diligently. Other factors including caste based discrimination, age, and other intersectional biases can influence legitimacy of social entrepreneurs and their ventures. In such cases, collaboration efforts might be unsuccessful if privileged actors do not want to collaborate with marginalized actors. This is related to the intersectionality of identities that determines power and privilege and can influence the legitimation process. As we outline, enterprises engage in symbolic mechanisms made from reliance on founders' human capital and pre-existing ties. In the context of Nepal, this is made difficult when for instance, founders who are originally not from Kathmandu Valley, found their business in Kathmandu where they lack social ties, and face a lack of power and privilege due to their migration status.

Another condition that can act as a barrier to the legitimation process, relating to the discussion in Chapter 4 on the influence of foreign donors, is the relation of the social enterprise's mission to current international agency's agendas. Certain social or environmental issues receive more attention at certain times when international donor agencies provide grants or investments for organizations working on these issues. Social enterprises who either apply for those grants or collaborate with international agencies on these topics will benefit from their support handles, which increases public attention and accelerates the legitimation process. However, other social enterprises that work on topics that are less prominent in aid agenda's will lack attention and support, resulting in disadvantages to move forward in the legitimation process.

Additionally, awareness building and legitimation of certain topics may be easier than others. Ventures addressing tabooed topics closely tied to cultural accounts, such as menstruation in Nepal, may encounter greater resistance and require more time to build awareness and establish partnerships. In summary, institutional factors, including socio-cultural, economic, and political influences, play a crucial role in shaping the legitimation process of social enterprises. Understanding these factors is essential for social entrepreneurs to navigate the challenges and opportunities associated with legitimation in diverse contexts.

Contributions to theory and practice

Our study addresses the limitations of past research on social enterprise legitimacy. Prior work has tended to neglect to look at social enterprise legitimacy from a process perspective (Spanuth and Urbano, 2024). Thus, our first contribution lies in unpacking the legitimation strategies that address the prevailing challenges that social enterprises are facing by laying them out over time. For this we utilize the organizational life cycle framework (Fisher et al. 2016) to situate strategies and activities as they are executed subsequently. We show how social enterprises initially use co-creating to establish closeness and trust to their audience through utilizing support from existing social ties, conducting awareness campaigns among community members, and involving beneficiaries in the product development process. This allows social enterprises to reach embeddedness in the local community (Seelos et al. 2011). Confirming and consolidating is used to overcome scepticism towards the hybrid business model by creating credibility through product quality, convenience, and other customer incentives. Transparency is provided through means of impact reporting which facilies a positive perception of the dual business model that is competitive to both commercial businesses and non-profit organizations. The issues of hybridity and the underlying liability of newness problem in the eyes of the wider society is addressed by the social enterprises through public presentation and advocacy to change the perception of societal members on how a business that does social good and solves social problems can take profit. While confirming strategy targets proving ones own products and services, consolidating targets the bigger picture of societal perceptions on SE. Lastly, collaborating helps to overcome the tensions between social enterprises, NGOs, and commercial businesses by providing a win-win situation for all parties through incentives and common goals. In summary, we sought to understand the legitimation strategies of social enterprises, how they address prevailing challenges to legitimacy, and how they evolve over time.

This study also provides practical strategies that social enterprises in developing countries can use to obtain and increase legitimacy systematically. Social enterprises can use this framework to guide their hiring and workforce strategy. The framework proposes that at the conceptual stage, social enterprises can focus on hiring employees with skills in community management, awareness building, and education. During the commercialization stage, the attention should be on delivering excellent service and products to improve credibility. Finally, in the growth stage social ventures can focus on building a good partnership management team to start developing a strong network and ecosystem.

Limitations and future research avenues

As with any research, there are limitations to our study. We tried to account for variations and developed a model that potentially can be applicable across contexts, although we are aware that generalizability in qualitative research always comes with challenges. Future studies, can conduct a cross-country comparison analysis and see if our model is applicable in other contexts, too. By investigating formally registered social enterprises, we do not account for the multitude of unregistered social businesses, which are quite common specifically in emerging and developing country settings (Thapa Karki and Xheneti 2018). Their legitimation process requires other or additional strategies and activities. Future studies should explore legitimation of informal enterprises, as this is a so far under-researched field. Likewise, we have studied social enterprises that are founded by and are known within a rather privileged class in Kathmandu. Informal conversations with marginalized societal groups that were conducted by the first author have shown that these social enterprises are not known among those groups but rather known and legitimized among the privileged classes. We see this as a limitation to our sample and understand that despite the efforts, the social enterprises are not yet fully known or legitimized in the whole of Nepal's society, but only in a privileged percentile.

Further, next to institutional factors we found the influence of crisis and disaster such as the big earthquake in 2015 and Covid19 acts additional explanatory factors for accelerated legitimation. All interviewees mentioned that these events influenced the acceptance of social businesses in a positive manner. Disaster and crises have seemed to have created an urge to engage in social activities and to support positive change, like one interviewee reports: "A lot of youth, they were engaged in the whole social aspect of, you know, helping the society. So that kind of was a transformational thing [earthquake] that people tend to anticipate it would happen, [….] Second is COVID. Right now, COVID actually made people… the whole situation also played out to support things like this, to get interested in things, which are, you know, beyond the day to day life. […] It has led to gain more dialogues, in terms of sustainability in terms of the overall the site." (Interviewee Doko Recyclers)

Disasters and crises have seemed to increase people's openness to innovation, which made acceptance and legitimation easier. The social enterprise SmartPaani confirmed that the earthquake came as an opportunity to them because it accelerated conversations around construction, around the water system and a disaster of that scale put the priority on such topics from which enterprises like SmartPaani benefited. Also, Covid19 has expedited development in certain areas, for example, women's technological literacy increased and experts suggested that it would not have happened in the same manner without the pandemic (Ghimire 2022).

This is opposed to previous findings that have reported a negative effect of environmental disasters on female entrepreneurship (Hameed et al. 2020). Williams and Shepherd (2016) show how resilient organizations identify opportunities to alleviate suffering after the event of an earthquake. Organizing in times of crisis is a resilient capability, which gained stronger importance due to augmented crises in recent times as a result of climate change and political conflicts (Daskalaki 2018). Future research can take this finding as a starting point to look into further strategies to foster SE in disaster relief measures (Shepherd and Williams 2014), investigate how disaster and crisis can act as external enablers (Davidsson 2020; Kimjeon and Davidsson 2022), and hope crisis pose opportunities and challenges to SE and its legitimation.

Finally, like all qualitative inquiry, our study might be subject to participant and researcher bias. We tried to account for biases by obtaining feedback from and involving participants into the analysis process. A focus group with the participating social entrepreneurs was conducted to discuss and develop findings based on the practitioner's insights. We encourage quantitative studies to use the proposed model to create testable hypotheses and test if the proposed processes and context factors are indeed leading towards legitimacy creation and in what way.

5.7 Conclusion

Given the growing interest in how SE can contribute to solving grand societal challenges (George et al. 2016) it is important to understand the conditions that allow social enterprises to create and foster legitimacy within their society. Especially in developing country contexts, social enterprises can contribute to solving local social ills and providing social needs. By using an ethnographic informed case study approach and combining multiple data sources, we have studied social enterprise legitimation processes in the institutional setting of Kathmandu, Nepal. The unique research setting allowed us to draw new insights that inform social enterprise legitimacy and institutional theory. We hope to have inspired readers to engage in future research on social enterprise legitimation and to explore this topic in other institutional and geographic contexts and under dynamic conditions. Both theory and practice can utilize the findings to advance the promises that SE holds to solve socioeconomic challenges globally.

At the same time, social enterprises do not only aim to create legitimacy for their business but often also work towards legitimacy and empowerment of peripheral individuals in their society. Specifically, one of the social enterprise of the sample, Doko Recyclers, work towards uplifting the marginalized group of informal waste collectors in Kathmandu. Thus, the next chapter deals

with the societally important topic of how social enterprises facilitate legitimacy building for marginalized groups in society.

6. Legitimation of Marginalized Groups with and through Social Entrepreneurship: An Institutional Approach in a Developing Country Context

6.1 Introduction

"They say "the waste picker has come". So the waste we give to them like… people were throwing the waste towards them. I have seen that one and then currently, people give respectfully, like okay, take the waste that kind of behavior change I have seen."

- Transcribed from an interview with Doko Recyclers staff

Bibi Maya has been working as a waste collector in Kathmandu for 10 years. Coming from a low economic background, Bibi's parents were unable to pay for her and her siblings' education. Like many in the same situation, Bibi struggled to find employment and began collecting waste on the streets of Kathmandu. While collecting recyclables from the streets, people passing by used to call her "khate," a Nepali term for a trash collector or rag picker. Even worse, people used to throw garbage, make disparaging faces, and cover their noses while passing by. Bibi concealed her profession from friends and acquaintances and didn't inform anyone at her daughter's school that she worked in the waste sector, fearing that other kids would humiliate her daughter. Nevertheless, Bibi feels that the situation has changed. People now show respect and no longer talk behind her back. They understand that Bibi is doing her best to earn money to send her daughter to school and provide a better future for her.

Unfortunately, Bibi's experience is not an exceptional case, as many informal waste workers (IWWs) suffer from societal exclusion, low living standards, and illegitimacy in society due to their work with waste (Parajuly et al. 2018). Research has connected marginalization with theories on identity, meaning-making, and values thereby investigating how marginalized individuals can create a positive sense of self. Insights on how people engaged in "dirty work" enhance their self-esteem and provide positive meaning to their work (Shepherd et al. 2022) or how homeless people create an identity of self-worth in society (Snow and Anderson 1987) have allowed us to understand how people in marginalized contexts achieve to keep a positive sense of oneself and their value in society. However, when it comes to building legitimacy within society and thereby escaping marginalization, recent research found that marginalized individuals without normative and cognitive support from powerful actors struggle to achieve it (Granados, Rosli, and Gotsi 2022). The question of how actors can effectively support marginalized groups to become legitimized in societies is yet to be explored. To build on that,

our study investigates the potential of social enterprises to act as facilitators in legitimizing marginalized groups in society. Social enterprises, with their integrated mission of achieving social and economic benefits for societies, can play a vital role in addressing the significant challenge of societal marginalization in subsistence marketplaces (Raghubanshi et al. 2021). Investigating this is societally relevant to achieve inclusion of historically and culturally excluded groups to create more just societies, like the Sustainable Development Goal (SDG) 10 "reduced inequalities" addresses.

Further, it is theoretically relevant to explore the legitimation of marginalized groups from a process perspective. Legitimacy is a fundamental concept in organizational analysis (Aldrich and Fiol, 1994) linked to broader cultural and societal perceptions and the institutionalization of social phenomena (Deephouse et al., 2017; Erkama and Vaara, 2010; Meyer and Rowan, 1977; Suchman, 1995). While much of the literature is written on legitimacy as a property, viewing legitimacy as a resource or asset, fewer investigations have examined legitimacy from a process perspective (Cannon, 2020; Suddaby, Bitektine, and Haack, 2017). The legitimacy-as-process perspective considers multi-actor, multi-level phenomena often led by groups of individuals or organizations seeking to create social change. Studies utilizing legitimacy theory have examined how organizations that address social issues can gain legitimacy by employing persuasive stories and rhetoric to manipulate public perceptions, values, and norms (Golant & Sillince, 2007). Furthermore, storytelling has been explored as a strategy for legitimacy acquisition (Aldrich and Fiol, 1994; He and Baruch, 2009; Lounsbury and Glynn, 2001) alongside other strategies such as impression management (Ashforth and Gibbs, 1990), strategic collaborations, stakeholder engagement, or discursive government processes (Spanuth and Urbano, 2024). Thus, the focus has been on how organizations or industries gain legitimacy with their stakeholders (Bourgoin, Laszczuk, and Langley, 2020; He and Baruch, 2009), or how legitimacy is acquired for new product offerings, structures, or practices of firms (Erkama and Vaara, 2010; Suddaby and Greenwood, 2005). However, relatively little is known about legitimation processes where the starting point is the illegitimacy of individuals or groups (Cannon, 2020) and how the legitimation process unfolds over time. This process lens adds important insights, as legitimacy building is a process that takes time until new social structures manifest as new realities (Alvord, Brown, and Letts, 2004; Berger and Luckmann, 1967).

Thus, our research is motivated by the following question: *How do social enterprises facilitate legitimation for marginalized groups in societies?* To address this complex issue, we conducted an ethnographically informed case study, focusing on Doko Recyclers, a pioneering waste

management social enterprise located in Kathmandu, Nepal. Our research methodology combines participant observations, semi-structured interviews, and documentary data, providing an in-depth understanding of the processes underpinning the legitimation of IWWs, a marginalized group in our research context. It is estimated that within the Kathmandu Valley, a substantial population of approximately 7,000 to 15,000 waste collectors is actively engaged in the informal waste management sector (Karki et al. 2022). We find that the social enterprise facilitated legitimation for IWWs by executing and reiterating the 3R strategy – *reconditioning, reframing, representing*. These strategies were able to address the underlying attributes that foster marginalization – social, cultural, and financial capital and internal and external judgments of one's value in society. Through these findings, we show how legitimate actors can support marginalized groups in the process of legitimacy building.

We contribute to legitimacy theory within the realm of legitimacy as a process in two main ways. Firstly, we demonstrate that legitimation in the context of marginalized groups can be facilitated by legitimate actors through strategic use of capacity-building, rhetoric, and collaborative activities aimed at addressing the specific attributes on which marginalization relies (social, cultural, financial capital, internal and external judgement of value). Secondly, we elucidate legitimation as an ongoing process that passes through stages of conditional legitimacy during continuous iterations of strategic activities. In contrast to existing theory, where legitimacy has traditionally been the sole targeted outcome, we argue that conditional legitimacy must be regarded as a phase within the process deserving more attention. Particularly in the case of the legitimacy of marginalized groups, where societal change is necessary, attempting to comprehend the entire process from illegitimacy to legitimacy is challenging and simplistic. By dissecting smaller components of the process and examining how conditional legitimacy can be attained, we can gain a deeper understanding of the intricacies and nuances of the legitimation process. Furthermore, the insights gained into the circumstances and potential remedies for marginalized workers in the waste sector in Kathmandu, Nepal hold global relevance, offering valuable practical implications for policymaking to improve the circumstances of marginalized groups across various sectors worldwide.

The paper is organized as follows: First, we present the relevant theoretical background on legitimacy, SE, and marginalization. We then introduce our study setting and case, focusing on the waste management issue in Kathmandu, Nepal, and the waste management social enterprise, Doko Recyclers. This is followed by an overview of our research methodology. The

subsequent section presents findings and discusses them in light of existing literature. We conclude by presenting contributions to theory and practice and proposing future research perspectives.

6.2. Theoretical Context
6.2.1 Legitimation and the Role of Social Enterprises

The legitimacy definition that we refer to in this thesis, defines it as "*a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions*" (Suchman 1995: 574), is usually achieved by either aligning with institutional structures, practices, and behavior (Fisher et al. 2016) or through achieving institutional change to create new institutional conditions (Jones and Massa 2013). Drawing from the legitimacy-as-process lens (Suddaby et al. 2017) we conceive legitimacy as an interactive, dynamic process involving multiple actors. This perspective illustrates how organizational practices and outcomes transition from one state to another, drawing from the concept of social construction through constant interaction and language use (Berger and Luckmann 1967). Legitimation, the process through which legitimacy is constructed, is not a state of equilibrium but must be continually created, recreated, and established. This process is understood as a multi-level process or a collective process in which leaders, followers, and stakeholders alike participate in the process of meaning-making (Neilsen and Rao 1987). Following traditional understanding, legitimacy has been regarded as a dichotomous concept, categorizing an entity or activity as either legitimate or not and where legitimacy is an outcome of various interactions as one moves from the state of illegitimacy to legitimacy as the only attainable outcome. Nevertheless, and in line with the process lens, recent work by Siraz et al. (2023) calls for the acknowledgment of legitimacy as a continuum and theorizes the "grey area" that exists between illegitimacy and legitimacy. The intermediate states of legitimacy, conceptualized threefold as conditional legitimacy, unknown legitimacy, and conditional illegitimacy, refer to potential partial approval, partial disapproval, or an evaluator's inability to pass judgment on an entity or activity as being legitimate or not. Changes in the legitimacy judgments of evaluators result in instability and dynamics in reference frameworks (Ashforth and Gibbs 1990; Bitektine and Haack 2015; Deephouse et al. 2017). Such dynamics can be initiated by supporting agents who provoke unauthorized exceptions from the state of illegitimacy, leading initially to conditional legitimacy by gaining a certain level of acceptance based on mitigating factors before the ultimate goal of full legitimacy can be achieved (Siraz et al. 2023).

Such agency within the interactions of social actors plays a significant role in the process perspective. Therefore, legitimacy is not solely attained by a single actor; rather, it is a socially constructed state resulting from the collaborative efforts of multiple societal actors, often through collaborations (Suddaby et al., 2017), or through the implementation and execution of various strategies such as framing (Benford and Snow, 2000) or rhetoric for constructing legitimacy. Legitimacy has also been closely associated with organizational narratives constructed through storytelling (He and Baruch, 2009). Symbolic resources have been shown to persuade communities to embrace new social perspectives through language selection, common metaphors, and the use of shared referents (Suddaby and Greenwood, 2005). Organizational legitimacy has been extensively studied in entrepreneurship and management literature, examining how organizations can attain legitimacy, enabling them to secure financial resources from investors, earn customer trust and support for selling products, and enhance employee engagement and motivation (Aldrich and Fiol, 1994; Lounsbury and Glynn, 2001; Zimmerman and Zeitz, 2002). In contrast, the literature lacks theoretical and empirical understanding of how marginalized groups achieve legitimacy in their societies.

Prior literature has shown that legitimacy pursuits of marginalized groups, who lack support from powerful, legitimized actors, are likely to fail (Granados et al. 2022). Social entrepreneurs can act as those agents who introduce new norms, values, patterns of behavior, or expectations while eliciting opposition to existing evaluations. Social enterprises aim to achieve social good while maintaining financial viability and are instrumental in driving social change (Alvord et al. 2004) and addressing significant societal challenges (George et al. 2016). Social enterprises are well-positioned to uncover innovative solutions for addressing social needs related to poverty and marginalized members of society (Seelos et al. 2011). Established social enterprises have access to support structures and resources such as business incubation, funding, investments, mentoring, and technology. Although social enterprises themselves can encounter challenges related to the legitimacy of their hybrid business model (Granados and Rosli 2020; Spanuth and Urbano 2024), social entrepreneurs often hold high status in the socioeconomic context, as many of them originate from educated and privileged backgrounds (Abebe et al. 2020). This positions them to advocate for their social causes and wield influence over organizations and institutions. Yet, there is limited knowledge regarding the potential of social enterprises to support the process of legitimation of marginalized groups (Koehne et al. 2022). Understanding the strategies that social enterprises can employ to facilitate the

legitimation of marginalized groups has the potential to transform the circumstances of millions of people worldwide.

Despite significant advancements in understanding different types (Suddaby et al., 2017), states (Siraz et al., 2023) of legitimacy, and the various strategies (Benford and Snow, 2000; Spanuth and Urbano, 2024; Suddaby and Greenwood, 2005) employed by organizations to build legitimacy, there remains vagueness regarding how legitimacy is developed over time and how different strategies are employed to transition from a state of illegitimacy to conditional or full legitimacy. Even scarcer is our understanding of how legitimate actors can facilitate legitimation for marginalized, illegitimate actors (Granados et al., 2022), as the focus of legitimacy studies has primarily been on organizational activities, forms, and practices (Cannon, 2020). To introduce a new perspective to legitimacy theory, we investigate how social enterprises facilitate the legitimation of IWWs.

6.2.2 Marginalization in the institutional context

To examine the situation of IWWs, it is essential to understand how marginalization emerges to then be able to find strategies that facilitate legitimation of marginalized groups in societies. Marginalization, also referred to as social exclusion, often combined with discrimination (Duchak 2014), arises from a lack of equal opportunities and barriers to participation in key societal activities (Mowat 2015). Social exclusion, in its narrower sense, is characterized by its economic dimension, resulting in income poverty. However, social exclusion is multidimensional, and poverty encompasses much more than just income poverty. Sen (2000), drawing on Adam Smith's perspective of the freedom to live non-impoverished lives, defines poverty as the ability "to appear in public without shame" (Smith 1776) and introduces the dual concept of poverty: (social) capability poverty and income poverty. Poverty as capability deprivation has a deep-rooted history. Aristotle describes an impoverished life as one without the ability to undertake chosen activities. Sen (2000) further highlights the cycle of deprivation, which leads to additional limitations such as exclusion from employment or the inability to access credit, resulting in economic impoverishment, which can further lead to deprivation, including homelessness.

Hence, income poverty and capability poverty are two components of a vicious cycle. Capability poverty, which leads to exclusion and marginalization, is often rooted in informal institutional norms related to gender, ethnicity, caste, age, disability, sexual orientation, or migrant status (Raghubanshi et al., 2021) and the belief in the appropriateness of these groups

for equal participation. This ultimately deprives certain groups of the freedom to participate in societal activities. The imposed illegitimacy of societal groups impoverishes their participatory capabilities. Adding a sociological perspective, the deprivation of participation manifests itself in society based on two aspects: Social capital theory attests that individuals are marginalized if they lack social networks. Cultural capital is perceived through the lens of power and privilege, which individuals can exercise through knowledge, skills, and qualifications (Bourdieu 1972). Combined, these attributes make up capability poverty, referring to the lack of capabilities to participate in society.

Sen (2000) outlines that capability poverty and income poverty ultimately deprive individuals of access to the formal labor market. Easy access to the informal sector drives people to engage in informal work, traditionally defined as "activities unregulated by law but governed by customs or personal ties" (Godfrey 2011), and associated with low and unstable wages, lacking social security, and consequently, they find themselves in a situation of income poverty and social exclusion, thereby perpetuating the vicious cycle of marginalization. It is important to recognize that marginalization is not only a state but a feeling about a state. It is a feeling that one does not belong to a community and is not able to make a valuable contribution to the community. Marginalization is both an external judgment of belonging by outside actors within the community and the individual's judgment of their own situation (Mowat 2015).

Important in the debate on marginalization are contextual factors. Who is perceived as marginalized and who is not depends on the institutional, political, historical, and cultural context (Welter 2011) and varies between different countries or regions. Marginalization is concerned with the relationship between individuals and society and the dynamics of that connection (Duchak 2014). Therefore, marginalization does not exist without its relation to the society in which individuals are embedded and the judgments of others within the local context. These judgments are based on the informal institutional factors (norms, values, beliefs) of a society (North 1990) and perceptions of legitimacy. Institutions, defined as the rules of the game, come with both formal and informal constraints that define existing opportunities (North 1990).

In summary, marginalization is multidimensional and manifests as a combination of factors including a lack of economic capital (income poverty), social capital (social networks), cultural capital (knowledge, skills, qualifications), power, and privilege. These elements collectively contribute to an individual's lack of access to opportunities and inability to participate fully in

social life (capability poverty). Furthermore, marginalization can be experienced both from the individual's perspective (internal judgment) and from society's perspective (external judgment), often resulting in a sense of being unable to contribute value to society.

In the following section, we take the example of the marginalized group of IWWs in the context of Nepal to explore how social enterprises facilitated the process of legitimation for IWWs in society.

6.3 Research Context: Informal Waste Workers in Kathmandu, Nepal

About half of the world's poorest population resides in South Asia. While socioeconomic development varies among the countries in this region, Nepal has one of the lowest GDP per capita (Navaneetham and Dharmalingam 2012; World Bank 2021). A decade of civil war and institutional instability is a major reason for the large informal sector in Nepal, as it has significantly damaged infrastructure, led to increased rural migration, and created a lack of financial opportunities. Approximately 70% of the economically active population works in the informal sector (Menon and van der Meulen Rodgers 2015; Thapa Karki and Xheneti 2018). Although the informal sector can serve as a means of social mobility for socially excluded and marginalized communities, it is also characterized by precarious working conditions and stigma (Thapa Karki and Xheneti, 2018).

One major informal work sector in Nepal is the waste management sector. Recent studies estimate that 7,000 to 15,000 IWWs are operating in Kathmandu (Karki et al., 2022). While the collection and recycling activities of these workers make significant contributions to society's sanitation and environmental conditions, waste workers are traditionally stigmatized and their work often goes unrecognized (Karki et al., 2022). Traditionally, in regions influenced by Hinduism, lower social classes, known as *castes*, were responsible for waste management. The same has been the case in Nepal. Nevertheless, IWWs make significant contributions to reducing waste in landfills, dumping sites, and on the streets, playing a crucial role in the circular economy of waste and the state of sanitation in the city.

Approximately 90% of IWWs in the Kathmandu Valley are of Nepali origin, while the remaining 10% are Indian migrants. Many individuals enter the waste-picking sector as they cannot find other employment. Almost all IWWs are internal migrants who grew up in villages and came to Kathmandu in search of better job opportunities, engaging in waste picking until they find a better opportunity. Additionally, waste pickers represent various ethnic groups and former castes. The majority belong to indigenous groups of the Janjati, followed by Madhesi,

originating from the Terai flatland region, and high-ranked castes such as Brahmin and Chhetri. Contrary to common beliefs, the Dalits, traditionally associated with working in the waste sector, comprise one of the smallest groups of waste pickers. Most IWWs come from a low economic background and have not completed primary or secondary education (Bajracharya et al., 2022). The diverse demographic background indicates that reasons for marginalization are various including caste, and migrant status, but also the bare fact that they engage in waste work, which is still associated with caste and untouchability. This adds a multidimensional aspect to the context. Although the caste system was formally abolished, the perception of waste work and its association with untouchability persists in the minds of people. This is rooted in taken-for-granted values, beliefs, and practices in the social context (Thornton and Ocasio 2008), as well as legal regulations that consider informal waste collection as illegal. Both the formal and informal institutional environment surrounding waste work pushes people toward marginalization when engaging in this profession. Not all informal activities result in marginalization, but particularly, engaging in waste work within the religio-cultural context of Nepal introduces an additional layer to and reinforces the state and perception of marginalization among those employed in the waste sector. This sense of marginalization is experienced on economic, social capital, cultural capital, capability deprivation, and, in this specific context, religio-cultural grounds. Given this multidimensional array of factors, IWWs traditionally belong to one of the most marginalized groups within the Nepalese context.

Nonetheless, local municipalities are more focused on ensuring regular waste collection than on improving the social status of waste workers. Some NGOs and INGOs are dedicated to providing support for IWWs. Organizations established by IWWs for IWWs, such as Samyukta Safai Jagaran (SASAJA), have been created to empower workers through capacity building and entrepreneurship opportunities (Bajracharya et al., 2022).

6.4. Research Methodology

To address our research question, we gathered detailed qualitative process data to comprehend how a local social enterprise can facilitate the legitimation of marginalized societal groups. To achieve this, we chose the case of the IWWs in the Kathmandu Valley region of Nepal. IWWs represent one of the most marginalized groups in the context of Nepal due to the religio-cultural perception of untouchability associated with working with waste. Therefore, we have chosen this group as the focus of our study on legitimation, as it exemplifies institutionally contextualized marginalization and represents an "extreme case" regarding the societal issue of marginalization (Eisenhardt, Graebner, and Sonenshein, 2016).

We have adopted a single case study design based on the boundaries of the setting. In Kathmandu, there are three formally registered social enterprises in the waste management sector that fit our definition of SE, which involves for-profit ventures with a core mission of addressing a social issue. Among the players in the waste sector in Kathmandu, Doko Recyclers offers the most comprehensive range of services and is particularly active in providing various forms of support to IWWs alongside waste collection. Being the first waste management social enterprise established in Nepal, Doko Recyclers possesses the most extensive historical data, making it a suitable case for our study, which aims to analyze the building of legitimacy over time.

While our primary focus is on Doko Recyclers' efforts to support the legitimation of IWWs, we also conducted interviews and gathered material from other stakeholders in the waste management sector in Kathmandu, including another social enterprise (Blue Waste 2 Value) and NGOs (CREASION and SASAJA), to support our findings and create a holistic perspective of the sector. This allowed us to get a better picture of all activities that took place in the waste management sector in the observed timeline and because Doko Recyclers collaborates in various initiatives with these organizations, it supported our data to not only rely on one company's account of the activities. Being immersed in the field and gaining exposure to local realities (Geertz, 1988) enabled us to analyze the data and draw implications for both theory and practice.

6.4.1 The Case: Doko Recyclers

Doko Recyclers is the first formal waste management social enterprise in Nepal. It was established in 2017 and, at the time of the research, employed 19 workers. Based in the Kathmandu Valley, its mission statement is to provide waste management services to a diverse range of clients and work together to improve environmental health by segregating waste and changing consumption behavior through increased awareness, consequently turning waste into resources. Doko Recyclers identified the poor waste management system in the valley, resulting from waste burning and open dumping. This leads to waste entering the Bagmati and Bishnumati rivers, resulting in water contamination that causes life-threatening diseases like cholera or diarrhea. Especially after the 2015 earthquake, the waste problem in the streets of Kathmandu intensified. Doko Recyclers started to reach out to households to collect dry waste, including plastic, paper, glass, and metals. Since 2018, a composting system that allows households to manage organic waste has also been part of the service options. In the same year, Doko became the first and so far the only provider of shredding services in Nepal. Additionally, Doko launched an online shop called Tatwa, where upcycled products are sold to move towards

a zero-waste circular economy. Furthermore, Doko is the first enterprise in Nepal that collects e-waste since 2019. As there is no legal framework on how to treat e-waste in Nepal at this point, and the export of e-waste is forbidden by international law, Doko is repairing and refurbishing as many items as possible to resell them in the market. All non-repairable items are being kept in the Doko facilities until a respective law is implemented. All materials that cannot be recycled or upcycled in Nepal are sold to scrap centers in India.

By organizing waste education training and workshops and offering waste management consultancy services across Nepal, Doko is working hard to build awareness among local communities about the waste issue, its implications for society, and how the problem can be solved. In schools, eco-clubs have been established for children to learn while engaging in fun activities. City clean-up campaigns have been run in collaboration with local NGOs and INGOs. This unique approach to waste management and awareness building has positioned Doko as a respected leader within the sector. In 2020, Doko was awarded the Janak Das Memorial Award from the Confederation of Nepalese Industry (NCI) for its valuable contribution to solid waste management in Kathmandu. Until 2022, Doko has recycled 14 million kg of waste in the Kathmandu Valley (Doko, 2022).

6.4.2 Data Sources and Collection

We combine archival and real-time data sources from interviews and observations. Data were collected in the form of semi-structured interviews, direct observations, and longitudinal secondary data (see Table 3) using an ethnographically informed methodology. We strategically sought information that would allow us to unearth novel insights and information about the legitimation of the marginalized group of IWWs to contribute to theory (Glaser and Strauss, 1967).

Interviews. We conducted interviews with fifteen IWWs and one waste worker employed by Doko Recyclers during the field visit between September and December 2022. Three IWWs were associated with SASAJA, 11 worked at Kathmandu's largest dumping site called Sisdol, and one worked on the streets within Kathmandu (see Table 6.1). These interviews were conducted in the Nepali language, and a local Nepalese, whom the researcher had trusted, acted as a translator during the interviews. Table 5 in the appendix shows the interview guide that was used to conduct interviews with the IWWs. We asked about their background, how long they have worked as IWWs, what they did before, and why they chose to work as IWWs. We also inquired if they experienced disrespect and whether they saw any change in society's

perception of their work. We then asked whether they had taken any actions to advocate for their recognition in society or if they were aware of or associated with SASAJA or Doko Recyclers. We interviewed 16 waste workers, aged between 21 and 60 years old, both male and female workers from different cities and villages in Nepal, as well as two Indian migrants. Some had been in this field for only a few months, while others had worked for over 10 years. The majority owned land and had worked as farmers before, while some had worked in construction, sewing, or cleaning. Almost none of the interviewees had pursued formal education and explained that they did not have any skills to work in any other occupation. Many interviewees reported, "Sometimes I think about working in something else. But I don't have any skills, so I cannot find another job." (Interview with Nirmana).

We stopped interviewing the IWWs once we realized that new interviews did not yield additional information. Furthermore, we conducted several interviews with one of the co-founders and six staff members of the social enterprise Doko Recyclers across departments such as communication manager, client manager, business development and growth manager, material manager, and research associate. Additionally, we interviewed the research and knowledge manager of the NGO CREASION Nepal, the IWW NGO SASAJA (an organization founded by IWWs for IWWs working towards uplifting IWWs in Nepal), as well as the founder of the waste management social enterprise Blue Waste 2 Value. We also spoke to a local activist and educator, who now is part of the advisory team to the local municipality, about the waste management sector in Nepal. Furthermore, we informally spoke with local citizens to understand their perception of IWWs and the waste issue in general. This contributed to building an understanding of whether IWWs indeed experienced growing legitimacy among the public and to what extent social exclusion still exists. The interviews lasted between 10 and 90 minutes, were audio-recorded, transcribed, and analyzed using the software MAXQDA. Interviews with Doko Recyclers, CREASION, and Blue Waste 2 Value were conducted in English.

Table 6.1 Overview Interviews IWWs

Name	Gender	Age	Education	Earlier occupation	How long working as IWW	Reason to work as IWW
Dilmaya	female	29	9 grades	agriculture	8 years	Paying for children's education to enable them a better life

Nirmana	female	41	no	sewing	10 years	Cannot find other job
Raghendra	male	55	no	construction	4 years	Contractor run away with money and he did not find other job
Gana	male	55	no	agriculture	12 years	Took loan to pay for children's education and needs to repay it
Suman	male	21	High school (12 grades)	student	4 months	Wanted to join the army but was not selected
Sanakanja	male	32	no	agriculture	6 years	Paying for children's education to enable them a better life
Kanjimaya	female	60	no	agriculture	6 months	To survive
Suman	male	36	no	agriculture	6 months	Paying for children's education to enable them a better life
Sudin	male	40	No	agriculture	1 year	Paying for children's education to enable them a better life
Rojina	female	30	No	nothing	1 year	Believe to earn more in this job than somewhere else
Bimala	female	36	No	agriculture	1 year	Easy to enter this job
Kurnamaji	male	32	No	construction	2 months	To survive; wife ran away with child and he has no place to stay
Bibi Maya	female	34	No	Nothing	10 years	Paying for children's education to enable them a better life
Sabden Singh	male	35	No	Waste work	always	Their father has worked in the same job in India and he is doing the same
Deepak	male	34	No	Waste work	always	Their father has worked in the same job in India and he is doing the same
Alisha	female	38	No	Cleaner in restaurant	5 years	To be a role model for her daughter and

						to enable her a better life

Ethnographic observation. We used direct observations to better understand local realities by being exposed to the daily lives of the informants and to explore the social context from within (Mair et al., 2016). The field visit took place from September to December 2022. During this time, we visited local waste dumping sites, and the informants' workplaces, and experienced the waste situation in the streets of the Kathmandu Valley firsthand. We immersed ourselves in the setting, which allowed us to gain an understanding of the formal and informal environment. Additionally, we spent time with local citizens and used informal conversations to ask questions about the waste situation and their perception of IWWs. The researcher observed the everyday work of both IWWs and the employees of the social enterprise. Observations and particularly interesting information that was shared or the emotions evoked were recorded in a research diary. We ended up with 50 pages of observational notes created during 320 hours of observations in the field.

Secondary data. We analyzed publicly available data published in Nepali newspapers. We used the three biggest online newspapers in Kathmandu and across Nepal (*Kathmandu Post, Himalayan Times*, and *Nepali Times*). This data was selected by searching for the keywords "waste workers", "waste pickers", and "recycler" across those newspaper's websites. Interviews and direct observations were complemented with secondary data consisting of social media entries and online newspaper articles through publicly available sources. Secondary data also included interviews with IWWs conducted and published by journalists in local newspapers and NGOs. The multiple data sources allowed us to reconstruct the process of the legitimation of waste collectors within society. The first newspaper article we consider dates back to 2015. We also used internal annual reports to understand organizational sense-making and program development. The data was compared to the Doko Recyclers website and reports from international organizations and development agencies on the waste collection issue.

Table 6.2 Data Sources

Data sources	Details
1. Interviews	15 5-15 minutes interviews with IWWs between November-December 2022 in Sisdol dumping site and in the streets of Kathmandu (in Nepali) One 1 hour interview with the manager of SASAJA (in English)

	Four one-hour interviews with one of the Co-founders of Doko Recyclers (in English)
	30 minutes to 1.5-hour interviews with 6 Doko staff members (in English) and one 15 minute interview with a Doko waste worker (in Nepali)
	Three 30 minutes to 2-hour interviews with the research and knowledge manager of CREASION Nepal (in English)
	One 1 hour interview with the founder of the social enterprise Blue Waste 2 Value (in English)
	One 1 hour interview with the NGO Teach for Nepal (in English)
	Informal conversations with local Nepalese on their view on waste workers social standing (in English)
2. Observational material	Field notes: 50 pages
	Hours of observation: 320
3. Documentary data: Website Material	Doko Recyclers Waste Management Solution
	The website includes information on Doko's history, past and ongoing projects, clientele, and educational material.
	CREASION
	The website includes information on past and ongoing projects, blogs, and stories of CREASON's work and contributions.
	SASAJA
	This website includes information on past and ongoing projects, history, mission statement, and organization goals.
	Blue Waste 2 Value
	This website includes information on the social enterprise, its projects and products.
4. Documentary data: Published cases and articles in newspapers	River pollution and waste pickers struggle for recognition
	The article highlights the situation of waste pickers in Kathmandu and explains the waste situation and its environmental impact on the region. (2015)
	Sanitation workers demand dignity, recognition
	This article reports on waste workers frustration on missing recognition for their work in the society. (Oct, 2015)
	Unsung heroes
	This article portrays Nepal's waste workers as environmental heroes who clean up the city to make it liveable to everyone. (Aug, 2016)
	Kabaadi at your doorstep: A digital approach to cleaning
	This article reports on a mobile solution to connect to the nearest waste collector. The app connects waste producers and recyclers for proper waste management. (May 2018)
	Ensuring safety and livelihoods of waste workers
	This article reports about CREASION's support of informal waste worker during COVID19 by providing them with health and safety equipment and training. (2020)

	Waste management in the post pandemic scenario
	This article highlights the situation for waste workers and waste management in Kathmandu after the pandemic. It highlights safety concerns of workers and the need to start managing waste disposal properly to eliminate health concerns. (Mar, 2021)
	Plights of working women in smart cities
	Article about the issue of waste work, uses the term "informal recycler" instead of waste worker, which shows that the positive image has spilled over to mass media. (May 2022)
5. Documentary data: Other online sources	UNDP policy paper on the inclusion of informal waste workers in the transition to sustainable waste management.
	Banchare Dada – a series to create awareness on the waste management situation in Kathmandu.
6. Documentary data: Legal documents	Contributions Based Social Security Act, 2074 (2017).
	Aims to improve social security provision for Nepalese citizen, including the informal workers.

Table 6.3 Chronological Overview of Activities by Doko Recyclers and Stakeholders

Year	Activities by Doko and stakeholders
2017	Founding Doko Recyclers
2020	Campaign *Samman Yogya Mero Kaam* "Dignity in my Work" for dignity and safety of waste workers
2020	First Health & Safety training for IWWs by Doko and CREASION individually
2020	Financial literacy and entrepreneurship training for IWWs by Doko CREASION individually
2021	Doko Campaign "A day in the life of a waste worker" to raise awareness and empathy towards IWWs
2021	Doko Campaign "Both are frontline workers, both deserve respect" portraying medical and waste worker on equal level
2021	Bank for IWWs established by Blue Waste 2 Value and SASAJA to enable them to get loans without collateral and low interest
2022	Banchare Data Movie to raise awareness on IWW work in mass media
2022	Collaboration Doko & CREASION "Preventing Plastic in Nepal Rivers by boosting the informal sector." RiPL project (4 year project horizon); To share stories of IWW and create interest to forming waste based enterprises
2022	First National Workshop for Founding National Network of Waste-Pickers Organizations by CREASION and SASAJA
2023	Collaboration between Doko and SASAJA to create recycling hubs run by IWWs
2023	CREASION campaign Sharing IWW stories under the motto "The walk of life" giving IWWs the voice to share their stories about how waste work is, presenting IWWs as (recycling) heroes, changing reference term from IWW to "informal recyclers"

2023	Under RiPL project, Doko, CREASION, and SASAJA conduct workshops for IWWs on Solid Waste Management, Circular Economy, Occupational Health and Safety, Gender-based violence and harassment, Self-Empowerment and leadership and financial empowerment

Due to the mostly retrospective nature of the data sources, we are aware of potential retrospective bias in our data. However, as we use documentary data to reflect a wider time horizon retrospectively in combination with real-time interviews and onsite observations to study the process of activities that have taken place to facilitate legitimacy, we were able to triangulate and verify the trustworthiness of the data.

6.4.3 Data Analysis

To make sense of the data, we continuously went back and forth between the data and emerging theoretical constructs (Glaser and Strauss 1967; Corbin and Strauss 1990). A combination of techniques is used based on recommendations by Pratt, Sonenshein, and Feldman (2020) tailored to our research study. Applying methodological pluralism allows us to draw from a combination of methodologies that contribute to an in-depth examination of the data and arrive at novel insights.

In the beginning, we openly coded practices observed during ethnographic fieldwork, interviews, and website and newspaper content. We analyzed the interviews that were conducted with IWWs to understand their reasoning and motivation behind engaging in the job and their perspective toward advocacy for the improvement of their situation in the waste management field. Based on the interviews, we came to understand that most IWWs engage in this work out of the aspiration to provide a better life for their children. Although many IWWs did not pursue school education themselves, which is the reason they cannot take up any other employment and income generated from their farmland is not sufficient, they additionally work as IWWs to enable their children to go to school and have a better life in the future. Some interviewees reported that they hide their occupation from family and friends because they think they would treat them differently if they knew. However, none of the interviewees at the dumping site tried to advocate for IWW rights. They are concerned with surviving, and paying the bills for their children's education and do not think that they can do anything to change the work conditions, so they continue to work in this field in silence. The ones who are associated with SASAJA are there because they heard about the initiative and wanted to benefit from the social security that they provide. They did not enter the organization to advocate explicitly, but they are taking the chances that are given to them.

Knowing this, we focused on analyzing the activities that Doko Recyclers in cooperation with other organizations in the waste management sector executed to advocate for IWWs, as a stronger agency lies in the work of the supporting actors to enable legitimation. We arranged the documentary data chronologically (Langley 1999) to understand the development regarding the legitimation of IWWs. As our research aims to investigate a process, we have employed this method as it enables us to comprehend activities as they unfolded over time. We have integrated documentary, interview, and observational data. Initially, we organized the activities chronologically that were carried out by Doko and the stakeholders (CREASION, SASAJA, Blue Waste 2 Value). Table 6.3 presents an overview of these activities. Subsequently, we arranged the data from media sources chronologically, documenting articles in Table 6.2. By comparing the activity data with the publicly available newspaper accounts, we noted a shift in narrative over time. The narrative evolved from initially highlighting the lack of recognition and frustration of waste workers in Kathmandu to portraying them as heroes of society. Later articles discussed the challenging work environment of IWWs and how CREASION supported them during the COVID-19 pandemic by providing safety equipment. Moreover, it was acknowledged that IWWs are essential personnel for society. The article in 2022 notably replaced the term "informal waste worker" with "informal recycler," a terminology shift also reflected in CREASION's communication.

Analyzing the sequence of activities, we observed a trend in focus. From 2020 to 2021, the emphasis was on providing training and benefits to IWWs, while the focus shifted in 2022 towards communication campaigns and storytelling to reshape the narrative about IWWs. Moving from 2022 to 2024, there was a concentration on collaborations and network-building support. We also noticed repetitions, with workshops for knowledge-building recurring after 2022, and continuous launches of communication campaigns. We noted these as feedback loops in the process. We corroborated this with interview data to triangulate the online findings with interviews and observations. Interviewees reported a similar sequence: initial focus on workshops and capability training for IWWs, followed by communication campaigns to promote a positive image, and subsequently, collaboration and network-related activities to help IWWs establish connections and advocate for themselves.

Finally, we sought to understand how these activities could address the issue of marginalization. We revisited the literature and connected strategies to attributes such as cultural or social capital, considering how these efforts might mitigate the factors contributing to marginalization.

Different rounds of coding helped to spot flaws. Emerging categories and theoretical themes (see Table 5) have been organized according to established procedures for working with qualitative data for data categorization and presentation (Gioia et al. 2013). This method allows to show the progression from raw data to theoretical themes and dimensions, which helps to demonstrate the rigor and trustworthiness of the analysis (Gehman et al. 2018). Table 6.4 shows the coding structure. For instance, quotes such as "we gave leadership training and basic financial training" and "we provided training based on different aspects not just health and safety" were coded to "building skills and knowledge". Other quotes like "providing them insurance, accident insurance", "they get some sort of PPE or equipment, gloves, or the whole set, mask like and other things" and "1000 informal waste workers are now the member of the cooperative bank. So they have some savings accounts" were coded to "formalizing employment". Looking at the codes and synthesizing them into aggregated themes, we found both to belong to the theme that we call *reconditioning*, which describes the changing conditions of the work for informal waste workers as supported by the social enterprise. The same technique led to the other themes to emerge.

In the end, we identified six second-order themes and three aggregated dimensions representing the process of how strategies are used to support legitimation. The aggregated theoretical dimensions are the 3R model of legitimation: *Reconditioning, Reframing, Representing*.

6.5 Findings

We report our findings following established procedures for working with qualitative data (Corley & Gioia, 2004) and organize the emerged themes as they appeared in our data analysis (see Table 6.4). We show how the social enterprise Doko Recyclers enabled (1) a change in working conditions of IWWs (*reconditioning*), (2) reframing the occupation of waste workers as environmental heroes through the use of rhetoric (*reframing*), and (3) collective action in the form of partnerships between IWWs and NGOs, influencers, and private sector organizations to support the alliance building of IWWs (*representing*). Table 6.5 summarizes the strategies and effects that they have on legitimation.

Table 6.4 Data Structure

Aggregated dimension/ 2nd order theme	Brief explanation	1st order concepts/ Illustrative quote
Reconditioning	Strategy applied by social enterprises to change the employment conditions and perceptions of marginalized groups	See illustrative quotes below

| Building skills and knowledge | Building skills and knowledge of marginalized groups that help them escape the low socioeconomic status through workshops and trainings on useful skills, i.e. finance, management, health. | "Already we gave through this project, we gave leadership training and basic financial training and management training, how NP operation training, how to run and we develop the guidelines for them and in the training we teach. Yes, we trained them. And definitely we all do. And in the health sector, also we orient on different topics. Like from personal hygiene to how we're hand washing and to occupational health and other, many healthcare waste, waste place management in different topics we oriented them." (Interview SASAJA)

"During the COVID time, we did an extensive project with the informal waste workers, where we were we reached out to 800 Waste workers to help them in COVID time as in to prepare them with PPE and all the protective gears that might require them to do the work efficiently during COVID time. That was one, we provide training based on a lot of different aspects, not just health and safety, but also on how to increase your revenue income. So we did a lot of trainings." (Interview Doko Recyclers)

"I am grateful for the opportunity. The first thing I learned is to be self-confident. If anyone tries to domineer me, I should be able to take a stand for myself. Secondly, is about importance about savings […] and lastly the benefits of health insurance and the importance of documentation, like having citizenship." (IWW in RiPL project) |
| Formalizing employment | Creating a formalized appearance of marginalized groups through social security, work contracts, work clothing and behavioural training to improve outward appearance | They are also not very much... as per their appearance, you know, the way of working, way of living even you walk or even you talk you know, how you talk. So, we have to train them, we train them you know, even you are... today you have very less money, but again, you have to talk in a proper way, you have to wear a dress in a proper way. So, we train them." (Interview Blue Waste 2 value)

"We've been doing an annual... what do we call that... Consultation with doctors." (Interview CREASION)

"You can find it... find that the occupational center is... the these are that have kind of, they have a lot of risk, safety and health risks. So we've been working towards making those places a bit more safe. So we've been recently working in one of the center's we've been building toilets, changing rooms, and also shower rooms for the betterment..." (Interview CREASION)

"The things that we've been doing is like providing them insurance, accident insurance to be specific. And along with that, during the COVID period, we also provided them with food rations for about three, four months, which could feed family of four people." (Interview CREASION) |

		"So the waste workers that are.. that I have interacted with, they say, like, they could... they do get benefit from these organizations, because only at that, whenever these organizations are involved, they get some sort of PPE or equipment, gloves, or the whole set, mask like and other things and also, like, doctors facility which they usually won't get without these organization." (Interview CREASION)
		"Almost like 1000 informal waste workers are now the member of the cooperative bank. So they have some savings accounts. So they have a habit of saving. They don't need to ask for the scrap dealers or some you know, big merchants and then with the high interest costs, to borrow their emergency funds to use in their life. Now that they have own bank, they have static interest. It's very comfortable, they have their family members or community clusters they have assigned it only for that. They don't need to put collateral like house, you know, these things, because they don't have house. But they all understands and that's our own bank. And because of that, they took the loan, they started shops, you know, then they want to skip the waste management business now. Some open the... some took the loan, you know, to the car... there and earning and basking in the sun taking and paying of the interest and everything, you know, the mortgages, you know, they are having smaller mortgages schemes there. And even when some people died, they have some facilities to create some fund... deposit, even for the children's, their kids education in separate bank schemes, savings schemes, so that's there. So lots of things are there." (Interview Blue Waste 2 value)
Reframing	Strategy applied by social enterprises to improve the imagine and perception of marginalized groups in the society, through the use of rhetoric communication tools	See illustrative quotes below
Building awareness	Building awareness of the importance of marginalized groups for the society, communities, and environment across stakeholders (schools, NGOs, firms)	"Like, it is the advocacy that matters, when in the society where there's nothing, there's no infrastructure for this management in Nepal, right? So it's the awareness that matters, the perception of people that matters, I myself kind of got aware in so many aspects of this." (Interview Doko Recyclers)

"Especially teaching children and changing their behavior will have a big impact. Because by seeing the children what what are they doing, adults can also learn and adapt to do that, and children will force adults to do that, the parents to do that. So we're specifically targeting, targeting only likes children's for that." (Interview Doko Recyclers)

"No, I'd say we do a lot of such work because it is a byproduct of our... whatever activity we do, it somehow links to creating the awareness part. And whenever we give awareness, trainings, workshops, |

| | | then we then we make everyone understand the entire value chain of waste." (Interview Doko Recyclers)

"One thing is... because of the... the activities I want to say to some extent, the effect of these activities... Yes, because of those activities also their mind is changed, because in previous project also and in this present project on which we are implementing, there are many awareness-raising activities like that, yes. And through those activities... we try to change we advocate. Yes, on the roles of waste workers, that they are they are working for environment, those and I think because of those cases it changed." (Interview SASAJA |
|---|---|---|
| *Changing the narrative* | Framing marginalized groups as heroes in its context to change the narrative from outcaste to role model to achieve inclusion and legitimation | "We just see waste as a waste, like we don't see as resources, we don't see as our responsibility to do something towards it, because it's our waste right. So like, at first, it's about the perception of people towards waste management. That's a major challenge right now. And yeah, people are changing, like, common psyche is changing, like people are becoming more responsible towards their own waste. So yeah, scenario changing." (Interview Doko Recyclers)

"So I kind of got praised I think like you are doing something for the society, its something for the society because I presented that so right. And it is like that also working in Doko Recyclers is like working to change waste management scenario in Nepal I think seeing the bigger picture." (Interview Doko Recyclers)

"...keep Environment and Sustainability at its center. So yeah, we've been..., we have been doing advocacy for waste management here in Kathmandu. So people people are being on boarded, like, like keeping Doko recyclers imagine as like a formal sector company which is doing really good to the society." (Interview Doko Recyclers)

"And then we explain yes we work with recyclables but its difference we are working with the environment and once we explain then they appreciate, yes that's the good work. In the first view, in the first sight "you are doing this?!?!" but whenever we explain that we are doing like this, we are protecting our environment, then they appreciate yes you are doing the great work so, it needs to be explained... in one word... in one course it seems like hesitation but when we explain them oh nice its great work." (Interview Doko Recyclers)

"But for the recognition one of the things that about recognition is the vaccine COVID vaccine. So waste workers were one of the few sectors that had vaccine in the first phase so we were not allowed to get vaccines only the army, those waste workers, and doctors only they were allowed to get vaccinations, |

		vaccinated in the first phase." (Interview CREASION)
		"So one thing that I found that like, the pandemic made the recognition a bit... they highlighted the recognition because during the pandemic, the only the army army personnel, the doctors and the waste workers were allowed to work free." (Interview CREASION)
		"Doko recyclers [....] they're really sort of shifting the model. Whereas in our society, waste was always or dirt was always like, looked at really, as a low lying job and handling garbage, to the point that our entire caste system was indicated in that and so cleaners were untouchables. Right? So, so these, it was horrible. So as a result of the caste system, a lot of people ended up not addressing waste well, because waste was dirty, you know. But now the whole narrative has changed around, you know, global pollution and climate change, and young people are more educated. So some of these entrepreneurs that are now sort of flipping the whole narrative and saying, No, these are the guardians of our community. Now, you know, they are the ones who clean up our community, and people are suffering out of the dirt, right, like of the mess of the garbage. So when the social enterprise came up and said, you know, every one of these scavenging, garbage collectors are going to be part of our network of people who do the recycling, who bring in the waste. And now we're going to create a social enterprise that, you know, up upscales, garbage, and things like that. These young entrepreneurs are really applauded by the Society for really flipping the whole narrative and doing something exciting and people want to participate, you know, the reach is not so widespread." (Interview with local activist and educator)
Representing	Strategy applied by social enterprises by using collective action mechanisms to advocate for marginalized groups to achieve legitimation	See illustrative quotes below
Building alliances	Enabling international and national alliances of marginalized groups across the sector to exchange best practices and advocate as a collective on a political level	"We are trying to make an association or network of our waste workers organization in Nepal. And so through that... because as of now, with all those waste workers, they are like working, they're not working in association or working as an alliance. So we're trying to build an alliance with them." (Interview CREASION)

"We are working with Doko in one project that also focuses towards recognition of the informal waste workers and also with WIEGO, so we are trying to form alliances. So the main work of alliance or the network is to recognize those workers in terms of.. |

| | | terms of their work at the government level." (Interview CREASION)

"But when we try, when we invite them, when we go and talk to them or want to talk with them, then they appreciate and they come and join our program. And they try to listen to us. That is so. But before that, that much also they don't do like that they didn't do before this SASAJA. They didn't want to listen the waste workers voice, waste workers issue like that, but at least this is also a sign of development. Yes. And now when we go and try to talk and at least they response and they welcome us and they listen our issues, our problems and even they solve or not that is another... but they come in to try to solve like that yes." (Interview SASAJA)

"[…] in the international alliance of waste pickers what we… one of the most important thing what we learn there and different waste workers from different countries share their stories, they share their situation, share there the benefits, what they get from their countries. Yes. And some countries they have really good things good… they get from government facilities. Yes. And some countries are worse than other country. Yes, definitely. And from that we can get learnings. Yes. And those countries also, whatever they get facilities from government, that is also not easily, they get for that also there is a story, there is a struggle. Yes. And we get a chance to learn how they get how much struggle they do. And in what condition the government gave the rights. Yes." (Interview SASAJA) |
|---|---|---|
| ***Building partnerships*** | Building partnerships with stakeholders across sectors and fields (influencers, NGOs, firms) to signal coherence and advocate on a political level | "And through a lot of, like our engagements, post engagements and all of our awareness posts, that we do a lot of email campaigns that we keep on doing and we do hike and trail campaigns. So where we go, and clean up hike trails. And that is basically so for this also, we tie with social organisations, or we do it on our own. And we offer the CSR activities to organizations also, which helped their, their cause, because it's like a fun activity plus they do it for cause kind of a thing." (Interview Doko Recyclers)

"Yes, yes. So the approach to this campaign was that we reach out to the influencers, because they have a good number of followers and everything. And that's like a direct entrance for us into people. A lot of mass people basically." (Interview Doko Recyclers)

"Yes, I think so. Yes, because people now... not just us, but of course, maybe a few... few effort goes to the government also because during the COVID and everything, so there was constant messaging constant reach out to the mass from the government level also." (Interview Doko Recyclers)

"We have started and with lobbying, our personal contact yes with the hospital like that, then we had |

| | | worked and we wanted to make success to give vaccination and in that case also in the first round only 10, 15 Informal waste workers we get success to provide vaccination." (Interview SASAJA) |

Table 6.5 Legitimation Strategy Activities and Effects

Legitimation strategies	Activities	Effect on Legitimation
Reconditioning	*Building skills and knowledge* • Functional training and workshops, e.g. health & safety training • Integrational training and workshops e.g. financial literacy, opening bank account, leadership, management, entrepreneurship training • Providing ownership e.g. enable leading community projects *Formalizing employment* • Outward aspects e.g. uniformed work clothing • Employment benefits e.g. work contract, equipment, insurance, food allowance • Support structure e.g. access to loans	-Distinction from existing negative perceptions of marginalized group -Signaling professionalism -Equipped with skills and knowledge to take part in societal activities = triggers cultural and financial capital building
Reframing	*Building awareness* • Formal educational activities e.g. workshops in schools, organizations, firms, consultancy • Informal educational activities e.g. convey the message in movies, songs, shows *Changing the narrative* • Rhetorical tool: narrowing the gap between oneself and marginalized group e.g. "team that loves trash" • Rhetorical tool: positive connotations e.g. environmental hero, informal recycler • Experiential e.g. clean-up campaign for society • Rhetorical tool: creating valuation e.g. waste as a resource not loss • Sharing stories e.g. on website, in presentations	-Distinction from existing negative perception of marginalized group and activity - New positive connotation provoked by legitimate actors through awareness-building - Creating empathy in society through experiencing situation and shared stories = addresses the feeling of inability to be valuable to society (internal and external judgment)
Representing	*Building alliances* • Political advocacy e.g. gathering voices, sharing best practices *Entering into partnerships* • Cross-sector partnerships e.g. with media, influencers, organizations, hospitals	-Signaling unified support across sectors and powerful groups towards support for marginalized group -Reaching politics beyond society to build legitimation on formal level beyond informal level = triggers social capital (network) building

Lastly, we highlight how each strategy addresses a component of marginalization (social capital, cultural capital, financial capital, internal and external judgment of bringing value to society), which all together contribute to (conditional) legitimacy as we discuss subsequently. Our analysis allowed us to understand the situation and the changes that occurred for IWWs in society over the past years. Formally, IWWs are not considered official workers, which means that they do not receive any facilities such as health insurance, social benefits, work clothes, gadgets, or a work contract. Collecting waste from landfills or streets is illegal by law, but the government tolerates it because it works in their favor. However, in case of accidents on landfill sites or other incidents, no support is provided by authorities. Informally, waste workers face low social status and exclusion by society. As one informant reports: "…the things I faced in that time, too because somewhere people know me about like, 'he's a waste picker or something like that'. Because I just pick up the things and… picking waste and managing it in a proper way. So people used to call me, maybe I have heard from a few people again, he's a waste picker. So, like this is the disrespected, disrespected thing from that." (Interview Doko Recyclers)

All informants, including IWWs and those stakeholders engaged in the waste sector, confirmed during interviews that there has been severe improvement in the way IWWs are treated in society. In informal interviews with local informants, appreciation towards IWWs was expressed. Recalling from one conversation, an interviewee mentioned: "Definitely, we have to salute them, yes, definitely they are working for environment, they are working for… if they don't work, how our city will look like, how our dumping site will, look like. Definitely we have to recognize them in my thinking." (Informal conversation with local informant).

One informant explains that earlier, the connotation with waste work as low caste work and untouchability led people to exclude waste workers, to not invite them into their house, to throw the trash on them, basically to treat them like trash. Now, people call them "dai" and "didi" (the Nepali words for brother and sister) and support them when they come to collect the trash from households or even invite them to celebrations. The interviewee says:

"When we go for collections… people used to throw their garbage from the roof, you know, from the window. There will be a vehicle roadside, you know, some of the particles it goes to our head somewhere. […] I will never because these guys are you know saying that "oh, you.. they cannot even respectfully you know ask the people you know, who are coming for collections. We had issues of like… disrespect, I mean like this the certain… caste you know,

we do have… they work only for the waste and toilets cleaning you know cleaning like that. And they live in a different area. So, and they have some poor sort of, you know, living. And then in this city main area, you know, there's living a lot… high standard people, they go to Europe, have their clothes, they have good money. And these people are not respecting them. They're just like dominating. And sometimes you have a feast and then they'll say "Oh, why don't you come and have…" but they cannot enter their house… that kind of disparity is always, was always there. At that time… nowadays not, this changed. People understand now, you know, they have to respect and then they say like dai (brother in Nepali), you know, that's all like brothers, sisters like that. So, this is how it's changed now." (Interviewee Blue Waste 2 Value)

Due to the marginalization of IWWs in society and the limited educational background of most IWWs, they struggled to make their voices heard and advocate for themselves effectively. The situation only began to improve when NGOs and social enterprises became actively involved in providing support. Thus, the facilitating activities and support from recognized actors was found to be important for legitimacy building. One informant from the IWW organization SASAJA says: "Yes, this is actually this organization is for… is run by the waste workers, and with the waste workers and this organization works for the waste workers, but, you know, while saying these things… but one thing is that waste workers, you know, that their education background, their other capacities…. Yes. So they need some others persons support. Yes, like I'm…, that's why I'm from the beginning of that registration. Formally, informally, voluntarily, I was with them and for running for implementing this project also I'm here, so, definitely they need but for there core members, general members, all are waste workers only." (Interview SASAJA)

The following strategies show how social enterprises engage in the legitimation process of IWWs.

Reconditioning

Building skills and knowledge. Since 2020, Doko Recyclers has provided support to waste workers by conducting training sessions on health and safety, financial management, and various other topics. They offer education on saving, opening bank accounts, and entrepreneurial opportunities to help waste workers enhance their working practices. This support includes training in leadership, management, and operations, which is also facilitated by the IWWs organization SASAJA: "Already we gave through this project, we gave

leadership training and basic financial training and management training […]." (Interviewee SASAJA)

Many efforts were directed towards skills and knowledge building of IWWs. Knowledge appeared as an integral part of legitimation because it allowed IWWs to present themselves in a more sophisticated manner and escape the image of waste workers as being uneducated and invaluable to society. The representative of SASAJA highlighted the significance of their finance, hygiene, and leadership training programs for the development of IWWs. The collaboration between social enterprises like Doko Recyclers and IWWs, represented by SASAJA, has led to the organization of training sessions and workshops. Initially, the social enterprise educated SASAJA leaders on how to conduct educational events. Subsequently, SASAJA has been able to independently host workshops for their members. This form of education is considered essential in the process of legitimizing IWWs, as it enables them to present themselves more proficiently and demonstrate their capabilities to society. Furthermore, a recent project that started in 2022, called RiPL (Preventing Plastic from Nepal Rivers by boosting the informal sector", involve Doko Recyclers, CREASION, and SASAJA working together to establish a waste collection hub in a suburban community near Kathmandu. This hub's purpose is to facilitate recycling at the local level and is managed by local IWWs. While Doko Recyclers provides training and sets up the system, the IWWs take the lead in day-to-day operations. This collaborative effort empowers IWWs to assume leadership roles, which signals professionalism and competence to society, contributing to their legitimation.

An informant reports: "They were not confident to do it due to financial illiteracy. Informal waste workers were not confident… they are taking time to adjust to the new set up of being an owner of a project. They never worked in a fixed salary model, it was always based on how much work they did, but now its based on fixed salary. Now they have health insurance, social security, stable environment and are motivated because of that." (Interview Doko Recyclers)

Additionally, IWWs as part of the RiPL project report their enthusiasm about the project and how it supports them. One IWW who was interviewed for the initiative says: "I am grateful for the opportunity. The first thing I learned is to be self-confident. If anyone tries to domineer me, I should be able to take a stand for myself. Secondly, is about importance of savings […] and lastly the benefits of health insurance and the importance of documentation, like having citizenship."

Formalizing employment. Formalizing takes place in various ways. One way concerns the formal way of appearing. IWWs as they come from lower socioeconomic and educational backgrounds usually do not think about appearing clean and formal as relevant: "They are also not very much… as per their appearance, you know, the way of working, way of living even you walk or even you talk you know, how you talk. So, we have to train them, we train them you know, even you are… today you have very less money, but again, you have to talk in a proper way, you have to wear a dress in a proper way. So, we train them." (Interview Blue Waste 2 value)

Social enterprises that operate in the waste management sector alongside IWWs provide various benefits to improve their working conditions and professional appearance. These benefits include health and safety measures such as insurance, safety uniforms comprising caps, gloves, masks, and boots, formal work contracts, and food allowances. In addition, the savings earned by waste workers are deposited into bank accounts, and they gain financial literacy through their involvement with or employment at these social enterprises.

These initiatives not only enhance the safety and well-being of IWWs but also signal professionalism and formality to external observers, contributing to their legitimate standing within society. Doko Recyclers created a formal appearance for IWWs by providing uniforms, employment contracts, and access to social security. One informant acknowledged the contributions of social enterprises, emphasizing the positive changes brought about by these initiatives: "So the waste workers that are.. that I have interacted with, they say, like, they could... they do get benefit from these organizations, because only at that, whenever these organizations are involved, they get some sort of PPE or equipment, gloves, or the whole set, mask like and other things and also, like, doctors facility which they usually won't get without these organization." (Interview CREASION)

Traditionally, IWWs have been excluded from the banking system, as the process of opening a bank account or getting access to loans is very bureaucratic and for IWWs who in many cases are not comfortable in or able to write and read long contracts, this has been a challenge. Social enterprises and organizations like SASAJA established savings and credit cooperatives, to facilitate access to banking via own banks for IWWs. Having access to small loans enabled IWWs to own land, cars, or even open a shop and get out of the waste sector, as reported by one informant: "Almost like 1000 informal waste workers are now the member of the cooperative bank. So they have some savings accounts. They don't need to ask for the scrap

dealers […] with the high interest costs, to borrow their emergency funds to use in their life. […]. They don't need to put collateral like house, you know, these things, because they don't have house. […] And because of that, they took the loan, they started shops, then they want to skip the waste management business now." (Interview Blue Waste 2 value).

Triggering cultural and financial capital building. Initially, IWWs lacked cultural capital, which encompasses knowledge, skills, and qualifications, often stemming from their limited educational backgrounds. Many had not completed primary education. However, with the assistance of Doko Recyclers and their stakeholders, various activities were implemented to address this deficiency in cultural capital and financial capital. These initiatives included establishing loan programs and cooperatives, as well as providing training sessions to enhance financial literacy, entrepreneurial skills, and knowledge related to health and safety. By engaging in these activities, the process of legitimation was supported as they contributed to alleviating the lack of cultural and financial capital, which are attributes associated with marginalization. Through these efforts, IWWs were empowered to enhance their skills, knowledge, and financial resources, thereby enhancing their status and recognition within society.

Reframing

Building awareness. Although initially Doko Recyclers was concerned with waste management and not directly with the advocacy for IWWs, since 2021, a series of targeted campaigns have been launched and awareness building around IWWs has become a core part of the activities. For instance, Doko's Campaign "A Day in the Life of a Waste Worker" aimed to raise awareness and empathy towards IWWs by sharing stories of IWWs' lives, their work with waste, and how it affects them and their appearance in society. Another campaign launched in the same year during the Covid19 pandemic was called "Both are frontline workers, both deserve respect" and portrayed medical and waste workers as being equal in their contribution to society.

The series "Banchare Dada," produced by famous actors Madan Krishna Shrestha and Hari Bansha Acharya, played a significant role in raising awareness about the work of IWWs in Nepal. The series portrayed the challenges and difficulties faced by waste workers, including injuries resulting from the unregulated waste sector. It also highlighted the negative social perceptions of waste workers. However, the series aimed to convey the value of the work performed by IWWs for the community and the environment and encouraged the audience to

treat waste workers with respect. Local responses to the series and conversations with residents indicate that awareness practices have been successful. For instance, in the movie, it is shown how residents were throwing waste from the window when waste collectors came to collect household waste. As reported by an informant, this behavior has stopped and residents give the waste respectfully to the workers when they come for collection. Many locals also expressed their appreciation for the work of IWWs and their contributions to society and the environment. This demonstrates a positive shift in public perception and attitudes toward IWWs, contributing to their legitimation in society. One resident reported: "Definitely, we have to salute them, yes, definitely they are working for environment, they are working for… if they don't work, then even how our city will… how our dumping site will look… definitely we have to recognize them in my thinking." (Interview local Nepali)

The data shows that awareness-building activities contributed to mindset changes in Nepalese society, which an interviewee from the IWW perspective also confirms: "One thing is… because of the… the activities I want to say to some extent, the effect of these activities… Yes, because of those activities also their mind is changed, because in previous project also and in this present project on which we are implementing, there are many awareness-raising activities like that, yes. And through those activities… we try to change, we advocate. Yes, on the roles of waste workers, that they are they are working for environment, those and I think because of those cases it changed." (Interview SASAJA)

Changing the narrative. Traditionally, waste and workers who work with waste have been associated with negative connotations, being seen as dirty, worthless, and untouchable. This perception is rooted in historical social systems, such as the caste-based system, where the lowest caste was responsible for waste work. However, social enterprises working in the waste management sector are respected by society for their efforts in addressing environmental issues, such as pollution resulting from practices like open dumping and waste burning. These enterprises are seen as contributing to environmental sustainability and public health by promoting responsible waste management practices. As a result, they enjoy a more positive image and social standing, which can have a ripple effect on the perception of IWWs, ultimately contributing to their legitimation in society. When workers present their work in a prestigious manner, the society around them takes this perception and values it accordingly. Instead of saying to be working with waste, individuals say that they work for the betterment of society. This makes people focus on this fact, rather than the material that the work contains. One respondent says about how the community perceived their work: "So I kind of got praised

I think like you are doing something for the society, its something for the society because I presented that so right. And it is like that also working in Doko Recyclers is like working to change waste management scenario in Nepal I think seeing the bigger picture." (Interview Doko Recyclers)

A local expert explained the situation: "Doko recyclers [….] they're really sort of shifting the model. Whereas in our society, waste was always or dirt was always like, looked at really, as a low lying job and handling garbage, to the point that our entire caste system was indicated in that and so cleaners were untouchables. Right? So, so these, it was horrible. So as a result of the caste system, a lot of people ended up not addressing waste well, because waste was dirty, you know. But now the whole narrative has changed around, […] global pollution and climate change, and young people are more educated. So some of these entrepreneurs that are now sort of flipping the whole narrative and saying "No, these are the guardians of our community." Now, […], they are the ones who clean up our community, […] So when the social enterprise came up and said, you know, every one of these scavenging, garbage collectors are going to be part of our network of people who do the recycling, who bring in the waste. And now we're going to create a social enterprise that, […], upsells garbage, and things like that. These young entrepreneurs are really applauded by the society for really flipping the whole narrative and doing something exciting and people want to participate." (Interview local activist and educator)

This perception paradox in the minds of the people is coming to the advantage for Doko Recyclers and allows them to use their privileged position to change the perception of IWWs. This they do by using rhetoric strategies. On their website, Doko Recyclers call themselves "the team that loves trash" (Doko Recyclers 2022). This expression has a humorous underpinning and at the same time conveys the image of young, educated, well-appearance individuals who engage in waste collection, something that the wider society would only connect to dirty, smelly workers with a poor appearance.

Through a variety of activities like clean-up campaigns, Doko is letting communities experience the work of IWWs by themselves, which allows their clients to understand the struggles of workers. This contributes to the perception change. By framing waste as a resource rather than a loss product, people working with waste are perceived as people working with a valuable resource. Likewise, this changes the perception of the workers: "We just see waste as a waste, like we don't see as resources, we don't see as our responsibility to do something

towards it, because it's our waste right. So like, at first, it's about the perception of people towards waste management. That's a major challenge right now. And yeah, people are changing, like, common psyche is changing, like people are becoming more responsible towards their own waste. So yeah, scenario changing." (Interview Doko Recyclers)

In 2023, CREASION launched a campaign sharing IWW stories under the motto "The walk of life" giving IWWs a voice to share their stories about how and why they work with waste, presenting IWWs as (recycling) heroes. They also changed the reference term from IWW to "informal recyclers" in their communication. As part of the RiPL project, the challenges that IWWs still face are mapped with the aim of recording and sharing stories to strengthen their legitimacy and advocate for better conditions. On their social media platforms, Doko regularly shares impressions of waste workers collecting and sorting waste and highlights the importance of the work for society and the environment.

During our visit at Doko, we witnessed the interaction between Doko management staff and their waste collectors. These interactions appeared respectful and equal to all. We could also feel the gratefulness that was felt towards the collectors, as they do work that others would not prefer to do. At the same time, waste workers seemed satisfied with their work. To the question of why they started working with Doko Recyclers, the waste worker reported that her friend was already working there and they shared that it is a good working environment, and that they are appreciated and well treated. That's why the informant also joined Doko.

Triggering internal and external judgment of bringing value to society. The previously identified attributes of marginalization encompass the sense of being unable to contribute value to society. This sentiment is experienced both from the perspective of the marginalized individual (internal judgment) and from society's perspective (external judgment). Reframing activities aimed to challenge both the external judgment of society regarding the value of IWWs by highlighting their significant contribution to society and the environment, positioning them as heroes within society. Additionally, these activities aimed to address the internal judgment of the IWWs themselves, fostering a sense of appreciation and value among them. By undertaking these reframing activities, another attribute of marginalization was tackled in the process, bringing them a step closer to legitimacy. As both external perceptions and internal beliefs regarding the value and contribution of IWWs began to shift positively, the process of legitimation was advanced.

Representing

Building alliances. In 2022, the first National Workshop for Founding National Network of Waste-Pickers Organizations by CREASION and SASAJA took place, starting a phase of increased attention toward including IWWs in networks and collaborations with important stakeholders. As part of a collaboration between Doko Recyclers and the NGO CREASION, they set the goal to build an alliance that works towards the official recognition of IWWs at the governmental level. The waste sector is strongly divided, and most IWWs still operate individually, often viewing others as competition. An alliance can bring the actors of the waste sector together, putting them in a stronger position to advocate for their rights. A CREASION informant says: "We are working with Doko in one project that also focuses towards recognition of the informal waste workers and also with WIEGO, so we are trying to form alliances. So the main work of alliance or the network is to recognize those workers in terms of… terms of their work at the government level." (Interview CREASION)

Furthermore, the alliance enables knowledge sharing, and the use of best practices, and allows for better advocacy through the collective voices of many working in the waste management sector. Informants expressed during the interviews that it became easier to approach the government and get their attention compared to earlier times, before an official organization of IWWs like SASAJA was created: "But when we try, when we invite them, when we go and talk to them or want to talk with them, then they appreciate and they come and join our program.[…] But before that, they didn't do before this SASAJA. They didn't want to listen the waste workers voice, waste workers issue like that, but at least this is also a sign of development. Yes. And now when we go and try to talk and at least they response and they welcome us and they listen our issues, our problems and even they solve or not that is another.." (Interview SASAJA)

Additionally, an international IWW alliance has been formed to exchange best practices across countries and learn from each other's struggles and accomplishments. This exchange brings new ideas that can be applied in the context of Nepal, as reported by an interviewee from SASAJA: "[…] in the international alliance of waste pickers what we… one of the most important thing what we learn there and different waste workers from different countries share their stories, they share their situation, share there the benefits, what they get from their countries. Yes. And some countries they have really good things good… they get from government facilities. Yes. And some countries are worse than other country. Yes, definitely. And from that we can get learnings. Yes. And those countries also, whatever they get facilities from government, that is also not easily, they get for that also there is a story, there is a struggle.

Yes. And we get a chance to learn how they get how much struggle they do. And in what condition the government gave the rights. Yes." (Interview SASAJA)

Building Partnerships. For legitimacy and social inclusion of IWW to be achieved, different actors need to collaborate and advocate together to signal power. For this, social enterprise work in partnerships with NGOs, social media influencers, and private sector organizations: "And through a lot of, like our engagements, post engagements and all of our awareness posts, that we do a lot of email campaigns that we keep on doing and we do hike and trail campaigns. So where we go, and clean up hike trails. […] We tie with social organisations and we offer the CSR activities to organizations also." (Interview Doko Recyclers)

Forming partnerships with different stakeholders comes at a benefit to the legitimacy of IWWs. Partnerships strengthened the public outreach and awareness spread faster: "Yes, yes. So the approach to this campaign was that we reach out to the influencers, because they have a good number of followers and everything. And that's like a direct entrance for us into people. A lot of mass people basically." (Interview Doko Recyclers)

Working together with a hospital allowed access to vaccines during the COVID pandemic. Without lobbying from actors in the waste management sector, IWWs would not have been prioritized for vaccines, even though they have been daily exposed to the threat of infection after handling used hygiene products in landfills. An informant says: "We have started and with lobbying, our personal contact yes with the hospital like that, then we had worked and we wanted to make success to give vaccination and in that case also in the first round only 10, 15 informal waste workers we get success to provide vaccination." (Interview SASAJA)

Receiving vaccines as essential personnel was a significant achievement for the sector because it represented the first signals from the government to legitimize IWWs' contribution to society on an official level. The representative of SASAJA emphasized that all these activities have led to changed thinking in society, even if not full recognition for IWWs has been achieved yet a step in the right direction has been set:
"But when we talk with societies, then they say yes, we now understand their values and their roles as well… […] but some community members definitely their behavior is also changed that is one, but because this community is very big, yes. And so, it takes maybe takes time and social change, we know that social change is not so easy, like political change. So, it takes time that is the main thing." (Interview SASAJA)

Triggering social capital building. The absence of social capital, characterized by a deficiency in social networks, represents a final attribute of marginalization that was addressed by Doko Recyclers and their stakeholders. They facilitated alliances and network building with external actors to counteract this challenge. Workshops and roundtable discussions, attended by government representatives among others, provided platforms for IWWs to amplify their voices and advocate at a political level. By fostering the development of social capital through these initiatives, the process of legitimation was supported. Strengthening social networks and facilitating collaboration with external stakeholders not only expanded the opportunities available to IWWs but also enhanced their visibility and influence within the broader social and political landscape.

6.6 Discussion: Theorizing Legitimation With and Through Social Enterprises

In our ethnographically informed case study of Doko Recyclers, a waste management social enterprise in Kathmandu, Nepal, we explore how social enterprises can facilitate the process of legitimation for marginalized groups in society. We advance legitimacy theory by revealing how social enterprises play a role in this process, employing capacity building, rhetoric, and collective action as key tools. We also show how each of the three strategies addresses attributes of marginalization with the objective of building capabilities to escape marginalization. Furthermore, we expand the notion of the continuum between illegitimacy and legitimacy by demonstrating the ongoing nature of the legitimation process over time and its various stages.

Figure 6.1 illustrates the process of legitimation for marginalized groups, showcasing how strategies of reconditioning, reframing, and representing support marginalized groups in improving their social status. Table 6 provides a detailed breakdown of these strategies, their components, and their effects on the legitimation process.

First, we found that Doko Recyclers contributed to changed conditions for IWWs by formalizing, and building skills, and knowledge. By these means, they created a new formal appearance and identity that changed the way IWWs were perceived outwardly by signaling professionalism. This professionalism and skills help legitimation by changing underlying perceptions of the groups of IWWs as uneducated and worthless. It equipped them with skills and knowledge to take part in societal activities, such as banking. This triggered cultural and financial capital building. A lack of these attributes enforces marginalized positions and by addressing these aspects, marginalization can be fought.

Secondly, we found that rhetoric was used to contribute to a changed image of IWWs in public opinion. Extent research has shown that framing has been used effectively by organizations to build legitimacy with stakeholders both internally and externally (Benford and Snow 2000; He and Baruch 2009; Montgomery, Dacin, and Dacin 2012). Positive connotations between IWWs and environmental preservation changed society's perception of the workers, creating a new image as environmental heroes and informal recyclers instead of the negative connotation that comes with the words waste collectors. These connotations were provoked in awareness-building workshops, via newspaper articles, television shows, and public campaigns. The organized clean-up campaigns created empathy in society through experiencing the hardship of the everyday work of IWWs. Our interviews and documentary data has shown that respect and favorable treatment towards IWWs increased. The garbage is not thrown on them anymore, but given in a respectful manner and people do not perceive IWWs as "untouchable" anymore and invite them to their homes. As reported by one interviewee, in earlier times, people would never let a waste collector enter someone's house, but now they get invited for festivals and on occasion. This triggered the internal and external judgment of IWW's contribution to society. It allows IWWs to feel better about themselves and not to feel as excluded as before and the judgment by outside actors is more favorable now – both aspects that form part of marginalization.

Thirdly, collective action is used by forming international alliances and building partnerships to include stakeholders in advocating for IWWs rights and for creating regulations on the policy level. Cross-sectoral partnerships can be a form of collective action toward a social good (Montgomery et al. 2012). The more organizations support the waste management sector and with it the legitimacy of IWWs, the more powerful this ecosystem becomes. This unified support across sectors and powerful groups signals strong support for the marginalized group making it even possible to reach politics beyond society to build legitimation on a formal level beyond the informal level. Finally, this triggered social capital, which refers to the network that marginalized groups usually lack. By including marginalized groups to be part of networks, another marginalization attribute is addressed and its impact is reduced.

Figure 6.1 The Legitimation Process of Marginalized Groups
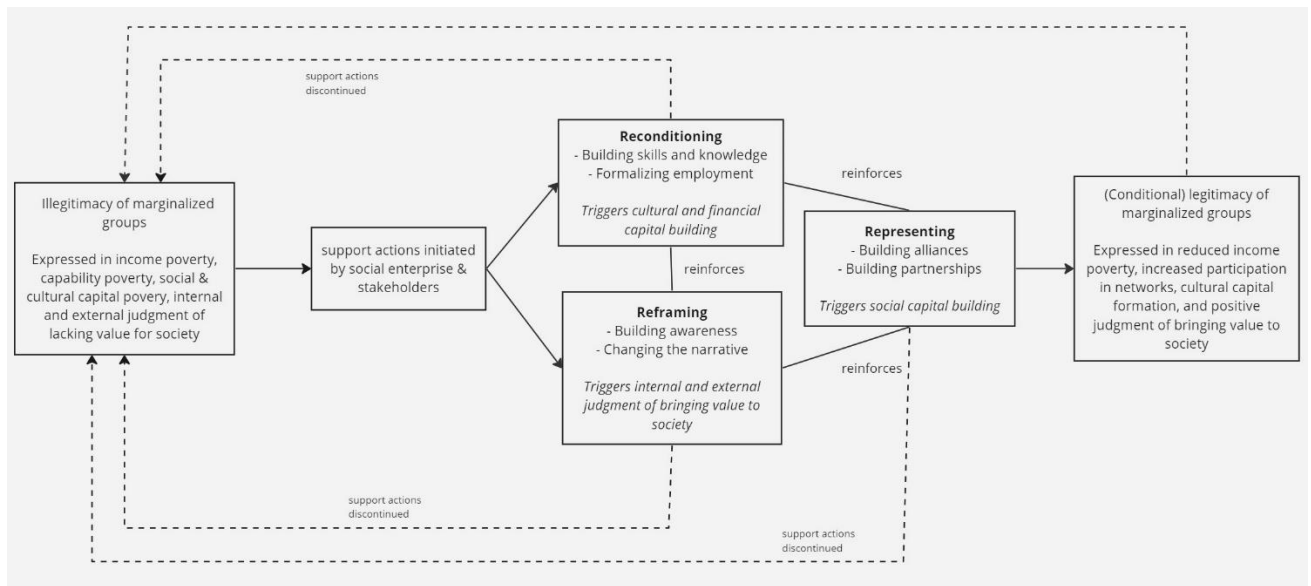
Facilitating the social construction of legitimacy

Legitimacy is not an objective judgment but a subjective perception rooted in culturally inherited values shaped by upbringing and education, where personal preferences become the basis for social evaluation (Bourdieu, 1984). Legitimacy is a socially constructed concept that develops over time. To understand this process, it is essential to grasp how "any body of knowledge comes to be socially established as reality" (Berger and Luckmann 1967). Our research presents evidence that social enterprises play a significant role in the social construction of legitimacy through the strategies of reconditioning, reframing, and representing. By employing these strategies, social enterprises contribute to the creation of a distinct image of IWWs. This transformation sets them apart from the traditional perception that associates waste work with dirt and untouchability, ultimately leading to increased respect for their profession. It's important to note that respect and recognition are not primarily driven by economic factors but rather by the distinct societal perception of a particular group or profession (Bourdieu 1984; Veblen 1900). To illustrate, consider the social perception of university professors, one of the most highly esteemed professions in many societies, even though public university professors may not earn as much as employees in the private sector. In the case of IWWs in Kathmandu, the provision of skills and an improved appearance, the reframing of IWWs as environmental heroes and recyclers, and the facilitation of collective actions were instrumental in redefining their image from untouchables to respected recyclers.

The social construction of legitimacy is a dynamic process that unfolds over time, as supported by our model. This process characterizes legitimacy as a continuum, ranging from illegitimacy

to full legitimacy, with intermediate stages in between. Throughout this progression, marginalized groups may reach a point where there is no universal consensus on their legitimacy within society. Evaluators may be unwilling or unable to make definitive judgments regarding the legitimacy of an entity (Siraz et al., 2023). Our model illustrates this ongoing process and the fluidity within this gray area until full legitimacy is established in society. With this, we call for future empirical investigations of the phases that exist between illegitimacy and legitimacy. Especially when considering the legitimacy-as-process perspective, we must acknowledge that constructing new realities for legitimacy to be achieved takes time and requires a continuous effort and a mix of strategies.

Culturally inherited perceptions of waste work as untouchable, led to the marginalization of IWWs, not just in economic terms but also socially (Gurung 1970). Social enterprises function as catalysts for reshaping the meaning and social construction of waste work. While social enterprises are instrumental in driving the legitimacy-building process, this occurs through a collaborative effort with marginalized individuals. An essential consideration for social enterprises to effectively facilitate the legitimation process for marginalized groups is the level of legitimacy held by the social enterprise itself within its local context. If the social enterprise lacks legitimacy within its community, its efforts to foster legitimacy for others are likely to be unsuccessful (Granados et al., 2022). Additionally, specific contextual factors, such as the youthful demographic profile of Nepal and the increasing influx of returning migrants, play a significant role. The youthful population of Nepal and the experiences of returning migrants contribute to shifting perceptions, as young individuals are more inclined to form new beliefs and are open to change (Shrestha, 2020). Furthermore, returning migrants often bring back altered perspectives on traditional caste structures and the value of waste work, having developed their thinking abroad. In contrast, in settings with an older population and less exposure to international experiences, changing mindsets would be more challenging and require a longer period. Context-specific considerations are therefore important when assessing the potential success of strategies (George and Uyanga, 2014). Moreover, a boundary condition for this model to work is that there is no law in the institutional context that specifically poses restrictions on the marginalized group. In the setting of Nepal, no law constrains the work of IWW, instead, it is a legal vacuum where there is no law to regulate informal waste work. However, in other contexts where there is severe opposition from the legal side against marginalized groups (Granados et al. 2022), social enterprises could face challenges following the legitimation mission.

The missing capability of IWWs to independently develop strategies and advocate for themselves gives substantial agency and influence to social enterprises in designing solutions to address marginalization, despite not being directly affected by it. Engaging marginalized groups in the legitimation process is vital to develop effective measures and empower them to voice their preferred societal image, instead of letting others dictate how they should be perceived. Fostering ownership of their societal status is a crucial step toward inclusion. The interplay between the powerful actor and the marginalized group is vital for the co-creation of legitimacy. However, powerful actors need to act as facilitators in enabling marginalized groups to take agency and for marginalized groups not to have to solely accommodate the hierarchical social order that allowed marginalization in the first place. Marginalized actors should be enabled to challenge the status quo and establish their own resilient and agentive qualities (Hein and Ansari 2022).

Escaping marginalization through legitimation

The 3R model of legitimation for marginalized groups aims to illustrate the process of transition from illegitimacy to (conditional) legitimacy. As introduced initially, marginalization is a state or feeling of individuals of lacking value brought upon based on attributes such as lack of social capital, cultural capital, and financial capital (Mowat 2015). The combination of these attributes results in capability poverty, as the lack of freedom and opportunities, and is rooted in informal norms and values around attributes such as gender, race, caste, age, and others (Raghubanshi et al., 2021; Sen, 2000). Breaking this cycle necessitates altering the negative perceptions and norms around those attributes that lie at the core. Social norms that create distinctions in how people's worth is perceived based on these factors perpetuate capability poverty and marginalization. Therefore, legitimation strategies must target the initial sources of marginalization to disrupt this cycle.

Based on Suchman's (1995) definition of legitimacy, an entity, in our case the group of IWWs, which is marginalized, hence not considered appropriate or desirable, can only escape marginalization if it gains legitimacy. Thus, achieving legitimacy requires the social construction of acceptance within existing or newly formed values and belief systems. Based on our findings, we argue that this can only be accomplished if all attributes that contribute to marginalization are effectively addressed. Our model illustrates how the 3R strategy tackles these attributes, thereby fostering partial legitimacy. For the legitimation process to succeed, all three components of the 3R strategy must be integrated. Each component addresses a

specific attribute of marginalization, including social, cultural, and financial capital, as well as the internal and external judgments of value to society.

Failure to incorporate all aspects of the 3R strategy into the process would result in some dimensions of marginalization being left unaddressed. This would diminish the effectiveness of the process, leaving room for negative societal judgments towards the marginalized group and hindering the development of capabilities necessary to overcome the marginalized status.

In the specific case of IWWs in Nepal, marginalization is not limited to marginalized groups based on social class or caste but also pertains to the activity of waste collection due to its association with low-caste status and historic untouchability, which pushes people into marginalization. The legitimation process we uncovered disrupts this cycle by altering perceptions of the factors that contribute to marginalization. Our findings highlight the tools necessary to formalize and professionalize employment conditions, as well as using language in the form of rhetoric to reframe realities, change perceptions around subjects and actions, and utilize the power of collective action to form collaborations. Combined, these tools allow changing the perception of factors that created marginalization.

However, our data was collected within a single-country context. Future research should examine unexplored contexts, as marginalized groups are present in all countries and regions, excluded based on factors such as caste, ethnicity, gender, religious beliefs, migrant status (Raghubanshi et al., 2021), sexual orientation, or disabilities. While we shed light on the issue of marginalization based on caste, future studies can investigate other types of marginalized groups. For instance, as Koehne et al. (2022) did, they looked into indigenous groups in Ecuador, or as in the case of Ukrainian refugee entrepreneurs in the work by (Klyver et al. 2022). Additionally, we did not take an intersectional view on marginalization in our analysis, but it is important to consider intergroup differences (Crenshaw 1989; Davis 2008; Hancock 2007). Could we see stronger marginalization of female, low-caste, migrant waste workers, compared to male, high-caste, non-migrant waste workers? Differences in marginalization level can also mean the need to advocate for IWW rights on different levels, which our study fails to acknowledge.

Furthermore, as this paper focuses on the waste management sector, it would be worthwhile to explore other sectors predominantly employing marginalized groups, such as prostitution, street vending, care work, construction, or small-scale mining. These professions vary in their societal perception, formal vs. informal status, and degree of legitimacy. We also call for the

use of other methodological approaches, such as a comparative analysis of potential strategies to legitimize different marginalized groups within a single society, or the same group within different regions. For example, exploring the situation and strategy for the inclusion of IWWs in Nepal compared to Columbia (Granados et al. 2022) would be valuable. Only by understanding the challenges, similarities, and differences among each marginalized group and their work can we successfully design suitable programs to uplift them from their societal status.

Nevertheless, it's essential to acknowledge the practical reality that behind the grand challenge of marginalization lies another systemic challenge: stigmatization. In the case presented, it is the stigma surrounding waste work that exists across many regions of the world, even where the caste system does not exist. Globally, working in the waste sector is not considered an aspirational occupation. While the strategies we propose can lead to changes in this reality, we are aware of the limitations associated with radically altering established institutions around stigmatized occupations.

The process of legitimation: Where to go from here?

Our findings indicate the initiation of a legitimation process. The process of attaining legitimacy is lengthy, and while our case demonstrates improvements for IWWs in Kathmandu, full legitimacy has yet to be achieved, with many workers still experiencing marginalization in their communities. The period within which supportive activities have been implemented is not extensive enough to bring about substantial changes in beliefs and norms. Additionally, due to funding and organizational constraints, Doko Recycler and its stakeholders have been unable to reach all communities with their activities since their establishment.

Nevertheless, our study reveals the process of conditional legitimacy, where a certain level of acceptance is achieved in light of certain factors, while a lack of legitimacy still persists in other aspects. The continuous repetition of the 3Rs is crucial, as legitimation is an ongoing process. Without achieving full legitimacy, discontinuing support for marginalized groups would result in the stabilization of their status in a state of illegitimacy or partial legitimacy, without ever achieving a complete escape from marginalization (as highlighted in Figure 6.1). The establishment of a new reality with new norms and perceptions can only be reinforced through continuous implementation of the 3Rs.

This underscores the importance of long-term projects, which can be sustained by self-sustaining social enterprises, as opposed to international donor agencies (INGOs) that typically implement projects with a time frame of 1-5 years. This may explain why earlier activities supporting IWWs in Nepal, undertaken by INGOs before the establishment of Doko Recyclers, were not successful. Although INGOs advocated for and supported IWWs with activities, the absence of continuous follow-up and engagement after projects concluded led to limited improvements. Local social enterprises are committed to long-term engagement and will continue to support the legitimation process for IWWs.

This process aspires to bring about institutional change in the long term, which is an outcome of the legitimation process, resulting in altered informal elements (new norms, values, beliefs, practices) and formal elements (new regulations). Future studies would need to continue to observe the unfolding legitimation process to understand the role of social enterprises as supporting agents (Alvord et al. 2004).

Policy Implications

Policy, infrastructure, and public awareness are essential to enhance the quality of life and working conditions for marginalized groups like IWWs and to acknowledge their valuable contributions to society. Social enterprises, as in our case, possess the capacity to support legitimation through the provision of vital training, insurance, and awareness campaigns, the use of rhetoric in communication, as well as by enabling cross-sector collaboration to support marginalized groups.

The proposed process model can act as guidance for social enterprises that work towards supporting the legitimacy of marginalized groups. The 3R strategy and the individual activities that it entails can be translated into actionable items. Thus, we hope the framework will help social enterprises to implement strategies, which are imperative to catalyze the capabilities of marginalized groups through fostering awareness, providing necessary training, and imparting technical and business skills. These measures empower marginalized groups to maximize their contributions to their sector and local community. While social enterprises can organize and implement such activities, NGOs and the public sector can also play a role in supporting capacity-building initiatives to signal their commitment to uplifting marginalized groups. We suggest that NGOs and international development agencies use our framework to design programs in collaboration with social enterprises. Next to capacity-building activities, facilitating the creation of cooperatives is crucial for integrating marginalized groups into the

formal sector and enabling them to voice their needs and concerns effectively. Cooperatives promote inclusion and empowerment by enhancing the ability to negotiate and participate in decision-making processes. Supporting the establishment of cooperatives and fostering networks with various stakeholders, as exemplified by initiatives like Doko Recyclers in collaboration with SASAJA and CREASION, ensures the participation of marginalized groups in formal network activities. This fosters long-term collaboration towards common goals and provides an opportunity for otherwise marginalized and overlooked groups to gain visibility and have their voices heard. Establishing a robust network, facilitated through social enterprises or other legitimate actors, increases the likelihood of successful legitimation and prevents actions from being oppressed or manipulated, as observed in the study by Granados et al. (2022) on waste pickers' struggle for legitimacy and institutional change.

The proposed legitimation process, which aims to bring about institutional change over time, signifies societal change driven by alterations in informal institutional beliefs and practices. Formal institutional changes at the policy level would thus occur due to societal pressure stemming from a changed mindset within society. Prioritizing community action before engaging in political advocacy appears advisable for managerial practices in contexts where governments show limited interest in or focus on uplifting their marginalized citizens. Creating sufficient societal pressure and momentum through social movements before entering political advocacy will benefit social actors seeking institutional change. In this context, we find support for an institutional change process emerging from social pressure (Oliver 1993), as opposed to institutional change resulting from a political process (North, 1990). While NGOs also support marginalized groups through supportive measures and training, their engagement is typically project-based, and funded projects often have limited durations. For projects targeting behavioral change, a more extended time frame is required, along with sustained involvement because change takes time. Social enterprises, as formal organizations, have the advantage of financial sustainability and the ability to maintain long-term training and awareness-building activities. By investing in social enterprises, development projects can ensure that their impact endures beyond the project's termination. Therefore, enabling collaboration between NGOs, social enterprises, and other stakeholders to combine their expertise and expand outreach to private companies and organizations for support, for instance by incentivizing the use of their CSR budget to finance social enterprise activities, is crucial.

6.7 Conclusion

This research study aimed to investigate how social enterprises contribute to the legitimization of marginalized groups in societies, focusing on the case of IWWs in Kathmandu, Nepal. Drawing on the understanding that social construction is shaped through interaction and language, particularly rhetoric, we argue that the combined use of rhetoric (reframing), collective action (representing), and changes in work conditions (reconditioning) drives the process of legitimization for marginalized groups. Our study illustrates the unfolding of the legitimation process, which is expected to continue evolving through underlying dynamics that ultimately lead to changes in the institutional environment, including its norms, values, beliefs, and practices. Although marginalization still exists in the studied context, the case of Doko Recyclers has shown that this social phenomenon can be challenged.

With this study, we contribute to the ongoing effort to address the complex challenge of marginalization in its various dimensions. We hope to have inspired scholars to explore the issue of societal marginalization further and to expand our knowledge of how societies can be created without marginalization. We aim to stimulate discussions about the possibilities for the inclusion of marginalized groups across different geographic locations, cultures, and institutional settings.

7. Conclusion

7.1 Main Conclusions

SE has emerged as an important topic in academia and practice due to its potential to contribute to solving grand societal challenges (George et al. 2016). In this realm, the issue of social enterprise legitimacy has received increased attention as social enterprises often still struggle to achieve legitimacy towards stakeholders, such as investors, customers, or the community (Renko 2013). Prior research has focused on identifying the antecedents for the lack of legitimacy such as organizational hybridity (Battilana and Lee 2014) or the liability of newness (Gümüsay and Smets 2020) and the strategies that organizations apply to create legitimacy (Spanuth and Urbano 2024). However, researchers have not devoted sufficient attention to understanding the environment in which SE can flourish nor have viewed legitimacy from a process perspective to capture the dynamics that are involved in constructing new social realities that lead to legitimacy creation (Berger and Luckmann 1967). Hence, the main objective of this dissertation has been to conceptualize the SEE, investigate how a SEE develops, and understand the process of legitimation of social enterprises by considering the institutional context in which this process takes place. Considering the Western-centricity of existing SE research, the setting for this dissertation is the context of Kathmandu, Nepal. By investigating this matter in Nepal, we provide new empirical and theoretical insights from a developing country perspective.

Table 7.1 shows the methodology used in each chapter, our findings, and how they contribute to existing theory. In our systematic literature review we have uncovered the reasons why social enterprises strive for legitimacy building, which are (1) acquiring tangible resources (financial and material investments), (2) intangible resources (community support and trust), (3) competing with commercial businesses and NPOs, (4) signaling compliance with competing stakeholder demands, (5) overcoming institutional challenges, and (6) creating social impact and institutional change. We also found that social enterprises address many stakeholders within the EE, such as government agencies, investors, donors, customers, beneficiaries, employees, volunteers, the community, Universities, and support intermediaries to build legitimacy. Various legitimacy strategies are used, which can be categorized into collaborative strategies, structural strategies, and communicative strategies (Spanuth and Urbano 2024). Our review revealed the scarcity of social enterprise legitimacy literature across diverse contexts. The literature, like many others, is highly Western-centric, with only a few insights from Asia, Africa, Latin America, or Oceania. We also found that although SE is a context-sensitive topic,

context-depend research that considers the institutional environment or EE perspective when studying social enterprise legitimacy is scarce. The lack of a conceptualization of SEE led us to our next research endeavor.

In chapter 4, we develop SEE as a distinct ecosystem from a conceptual perspective. The main findings of this conceptual chapter are that EEs and SEEs differ fundamentally in four characteristics: Exit motivation, social enterprise identity, definition of scaling, growth, and value, and support dynamics, intermediaries, and power structures. While in EE growth and value are measured financially and the end goal is often a positive exit in the form of an IPO, in SEEs social value creation and social change are the parameters that define growth and scaling. The ecosystem needs to be structured around the goal of solving a local social problem. This leads to higher exposure to flux compared to EEs, because the support structure in SEEs often relies on support by donors and international agencies, especially in the case of developing countries. These often follow their own agenda, which can lead to discrepancies between the wants and needs of the agents compared to the beneficiaries. We also propose that research needs to explore potential SEEs that exist that can act as North Stars for academia and practitioners to have guidance on how a supportive environment needs to look for social enterprises to thrive.

Having explored what a SEE is, we conducted an ethnographic-informed qualitative study to explore the formation and transformation of the SEE in the context of Kathmandu in Nepal as an example ecosystem. As natural disasters play an important role in the context of Nepal, we investigate the effect of disasters and crises on SEE development. Our findings reveal that disasters create an increased level of interaction, affecting formal and informal institutions, which affect ecosystem development. Disasters can be seen as external enablers, which create permeability within the institutional environment that shapes new contextual realities. Thereby, not all disasters have the same effect on the ecosystem. Local disasters create a stronger focus on the social aspect, while global disasters create a stronger focus on the financial aspect of SE.

Both chapters add new insights to the body of literature on SEE as one of the first attempts to distinguish SEE characteristics and dynamics from traditional EE and empirically show based on the example of the Nepalese SEE the relations and dynamics of international donor dependency and the unfolding SEE development under influence of critical junctures, in this case disaster and crisis, that inform the direction of development and create changes in institutional and relational conditions.

Having analyzed the ecosystem and institutions that surround social enterprises in Kathmandu, in chapter 5, we conduct a multiple case study of nine local social enterprises to understand how they build legitimacy over time addressing the challenges that social enterprises face. We develop the 4C's mode of social enterprise legitimacy showing how legitimacy barriers are addressed during the legitimation process. Thereby, overcoming mistrust and achieving closeness to the audience are achieved through Co-creating, overcoming skepticism towards a hybrid business model through Confirming and Consolidating, and overcoming tensions and competition with NGOs and commercial businesses by collaborating. We also show that institutions can be accelerators or brakes to social enterprise legitimacy. Missing legal framework and financial options, cultural diversity, and risk aversion act as brakes, while migration and access to technology act as accelerators during the process.

Finally, in chapter 6, we take the opposite lens on legitimacy, by not looking at how social enterprises achieve legitimacy for themselves, but how they facilitate the legitimation process for marginalized groups in their community. Our findings show the importance of capacity building, rhetoric, and collective action in the legitimation process for marginalized groups. This becomes apparent in the created analytical model of the 3R strategies Reconditioning, Reframing, and Representing. Additionally, we support the concept of conditional legitimacy, which represents the area that exists between illegitimacy and legitimacy. This concept is especially relevant in the case of social change processes, where changes in perceptions and behavior take time and our findings show that legitimacy is not a dichotomous concept in such cases but that there are phases before full legitimacy is achieved. This can be seen when for instance, legitimacy in certain situations is granted but not in others or legitimacy of certain actors is achieved but not across the whole community.

Both chapters inform the debate on social enterprise legitimacy through the legitimacy as process lens opening up a new research avenue to pay more attention to the space between illegitimacy and legitimacy and the processes that take place in this space. Further, it informs the debate on institutional influences on the legitimation process and legitimation strategies that inform social enterprise decision-making as well as the conditions that create tension in the process in the context of a multicultural, developing nation such as Nepal.

With this, we have explored social enterprise legitimation inward-looking and outward-looking, and the dynamic ecosystem and institutional context in which the social enterprises are embedded, and that is bound to change, as in the case of our context, due to natural disasters,

and crises. Transcripts, photos, and videos of our interviews and observations can be accessed via [Gdrive link](#).

Table 7.1 Summary of the main results of the research

Chapter	Methodology	Main findings	Theoretical contributions
3	Conceptual	SEE differs from EE in three main aspects: (1) exit motivation, (2) definition of growth, scaling, and impact, (3) support dynamics and power structures	Conceptualizing the SEE framework as opposed to the EE framework
4	Ethnographic-informed qualitative study	1. Disaster creates an increased level of interaction, affecting formal and informal institutions which affect the ecosystem 2. Disasters are external enablers creating permeability within the institutional environment that shapes new contextual realities 3. Local disasters create a stronger focus on the social aspect; global disasters create a stronger focus on the financial aspect of SE	SE hybridity: Attributes of disaster shift SE hybridity locus EE: Permeability within the institutional environment emerges through disaster and shapes ecosystem elements.
5	Multiple case study of 9 social enterprises in Kathmandu	1. 4C's of social enterprise legitimacy to overcome legitimacy barriers over time: Overcoming mistrust and achieving closeness to the audience through *Co-creating*; overcoming skepticism towards hybrid business model through *Confirming* and *Consolidating*; overcoming tensions and competition with NGOs and commercial businesses by *collaborating* 2. Institutions can be accelerators or brakes to social enterprise legitimacy. Missing legal framework and financial options, cultural diversity, and risk-aversion as brakes. Migration, and access to technology as accelerators	Connecting organizational life cycle, legitimation process, and barriers to SE legitimacy.
6	Single case study of a waste management social enterprise in Kathmandu	1. Showing the importance of capacity-building, rhetoric, and collective action in the legitimation process for marginalized groups facilitated by social enterprises. This becomes apparent in the created analytical model of the 3R strategies *Reconditioning*, *Reframing*, and *Representing* 2. Arguing for conditional legitimacy as a stage within the legitimation process.	Legitimacy theory: Developing the conditional legitimacy process

7.2 Implications and Recommendations

The findings have both theoretical and practical importance. Our research contributes to the creation of knowledge in an under-researched area such as SEEs and their development and the process perspective on social enterprise legitimation. Thereby we looked at how social

enterprises address legitimacy challenges through different strategies over time, as well as how social enterprises facilitate legitimation of marginalized groups in society.

Our research also covers gaps in empirical research in unexplored contexts and developing countries. Nepal presents a little-explored region but with strong development in the SE field in recent years offers a resourceful ground to explore SE and SEE development in its early stage. Our findings have implications for other developing regions with similar socioeconomic structures. Especially, in regions with reoccurring natural disasters, our research can find applicability.

Next to empirical advancements, we also add to the theory of legitimacy and SE. We use the legitimacy-as-process perspective conceptualized by Suddaby et al. (2017) based on Berger and Luckmann (1967), who gave ground for the understanding of legitimacy as a process of reality constructions through interactions and language. Earlier studies have shown that marginalized groups fail to legitimize themselves without the support of powerful actors (Granados, Rosli, and Gotsi 2022). We add to this by showing that social enterprises as legitimate actors have facilitated the legitimation process for marginalized groups and present a model that shows which strategies can lead to legitimacy. Further, we connect the legitimation process perspective, with the organizational life cycle to create a framework of how social enterprises address and overcome the barriers to legitimacy. We also add to the ecosystem literature by conceptualizing the SEE framework as opposed to the EE framework and show how attributes of disaster shift the SE hybridity locus and how the permeability within the institutional environment emerges through disaster and shapes ecosystem elements.

This research offers implications for social entrepreneurs, who aim for legitimacy generation of their enterprise. The findings provide guidance on which strategies social enterprises can execute in which phase during their organizational life cycle considering the legitimacy challenge that they are facing. It also helps in strategic hiring decisions, such as hiring experts in awareness building and workshop creation during the first phase, while experts in partnership management can be hired later in the organizational life cycle. Our findings also provide guidelines for strategies that can be executed to support marginalized groups to build their legitimacy in society. Our models provide clear examples and process outlines for such endeavors. Thus, we provide recommendations for social enterprises to

(1) Analyse which legitimacy challenge is most prominent in their setting and address it with appropriate strategies, such as the ones presented in this study.

(2) Focus on awareness building and co-creation in the initial phases of the organizational life cycle and on partnerships in later stages. The 4C (Co-creating, Confirming, Consolidating, Collaborating) can be used as guidance for business strategy development.

(3) When supporting marginalized groups, follow the 3R (reconditioning, reframing, representing) strategies to support legitimacy building.

On a policy level for governments and international development agencies, who play a dominant role in developing country contexts, our research can help in understanding how a SEE can look like to help support ecosystem development, which ultimately can enable growth of SE in a region. Specifically, we provide insights into how after disaster and crisis a SEE is leaning towards a stronger social or financial direction, and adequate support mechanisms can help in balancing both missions and strengthen hybridity-supporting mechanisms. Public policies are required to foster and promote SE and SEE development. Stronger public support will also have positive spillover effects towards other stakeholders in terms of legitimacy. Thus we recommend the following:

(1) Manifest a definition of social enterprise in laws and regulations and create tailored public policies and structures that support SE and SEE development, e.g. impact investment funds, R&D for social enterprises, social enterprise incubation and acceleration programs, and SE conferences to foster social entrepreneurship in regions.

(2) Invest in facilitating cooperation and public-private partnerships with social enterprises to support the legitimacy-building processes of the enterprises and their beneficiaries.

(3) Include social enterprises and their beneficiaries in program developments to create a bottom-up approach to ecosystem development through co-creation of social solutions and strengthen the legitimacy of support mechanisms.

Overall, we offer these recommendations and insights for SEE and social enterprise legitimacy development, which can facilitate socioeconomic development in developing countries. The more we know about social enterprises, SEEs, and the institutional environment in which they are embedded, the better can governments and development agencies facilitate successful initiatives to create social and economic impact.

7.3 Limitations and Future Research Avenues
Like all research endeavors, our study is also subject to certain limitations. First, we chose the definition of SE, which understands it as a for-profit business with the core goal of solving a

social issue (Austin et al. 2006). Therefore, we chose a sample of social enterprises that operate under such a business model. This led us to disregard other forms of organizational structures. Especially, in a developing country context like Nepal, the informal sector is big and many social enterprises operate informally (Thapa Karki and Xheneti 2018). Our sample only contains formally registered businesses, however, the dynamics of the informal sector are different, which we do not account for in this study. Future research needs to understand the ecosystem conditions for the informal sector or how the ecosystem can be a benefit or detriment for the informal sector. Additionally, we have provided insights into the formation and transformation process of a SEE. Only very few studies have explored SEEs (Thompson, Purdy, and Ventresca 2018), thus we hope that future research takes up our developed conceptualization to support theoretical and practical endeavors that aim at developing SEEs globally.

On the theoretical level, we have mainly used North's (1990, 2005) theory of institutions, which differentiates them in formal in informal and takes a macro perspective. It is up to future research to explore other institutional dimensions such as Scott's (1995) three dimensions of institutions (regulative, normative, and cultural-cognitive). While we explored the influence of formal and informal institutions on the social enterprise legitimation process and ecosystem development, further questions remain open. For instance, Nepal is a multicultural country with each ethnic group having its own customs and norms. How does multiculturalism within a country influence collaborations and meaning-making between these groups when it comes to working on social solutions? How does multiculturalism influence SEEs? The interaction of various dimensions of context and space between them to inform the entrepreneurial process and legitimacy can be addressed more extensively in future research.

Further, as we looked at how disasters and crises affect SEE development, we focused on the locally relevant disasters, which are natural disasters in the form of earthquakes. It would be worthwhile to test our developed model in order disaster-torn contexts to explore if our model holds true. This can be done in other regions with frequent natural disasters such as Chile, Peru, Turkey, and Syria, which suffer great earthquakes as well or other disasters such as war and conflict can be investigated to compare, how different disasters affect SE in different ways. In this realm, we acknowledge that there is more to crisis research that could have informed our study theoretically. We draw on the notion of crisis as external enablers and critical junctures that inform institutional theory and change literature. Future study could develop the intersection of crisis and social entrepreneurship further.

While we have discussed the significance of donor dependency in SEE in Nepal, future studies can develop further the tensions between international, national, and local actors in SEEs and their influence on SEE development and decision-making by analyzing discursive repertoires that are used by different agents.

We are also aware of methodological limitations emerging from the mostly retrospective data. Time and resource constraints limited the observational period, which restricted the field trip to 3 months and made us rely on documentary data and interviews for the majority of the period that we considered for the process research. However, as we use documentary data to reflect a wider time horizon retrospectively in combination with real-time interviews and onsite observations to study the process of activities that have taken place to facilitate legitimacy, we were able to triangulate and verify the trustworthiness of the data and tried to account for retrospective bias. Additionally, time and resource constraints did not allow us to conduct a full ethnographic study, and the case study methodology, although utilizing ethnographical tools, led to limitations in fully reflecting local perspectives and representing the local culture and its influence on SE and the SEE. We acknowledge that there are more cultural and undersurface factors that influence entrepreneurial dynamics than the ones we were able to consider in the individual chapters of this dissertation.

We also did the possible to account for other types of biases that can always be present in qualitative studies, which are participants and researcher bias (Rajendran 2001). On the one hand, we experienced the context as an outsider, which helped us to perceive the context from an impartial perspective other than people who are socialized in the context that they are study would have. On the other hand, we are aware that our inexperienced state could have led to misperceptions and misinterpretations of the institutional conditions, especially cultural behavior. Likewise, participants report their subjective perceptions of events and situations, as interview accounts are never fully objective. To account for participants and researcher bias, we conducted several rounds of coding, compared our findings to existing literature, and used documentary data and public accounts like newspaper articles and websites to ensure data triangulation and to create rigor. We also presented preliminary findings to participants during a focus group interview to get their opinions on the developed models and interpretations, which helped us to understand if our perceptions align with local understandings.

Finally, we have explored social enterprise legitimacy and the SEE in the context of Kathmandu, Nepal to provide empirical insights and contribute to theory based on data from an

unexplored developing country contract. As context research lacks knowledge and data from the Global South (Welter et al. 2019), we contributed to research in this space. Nevertheless, more qualitative and quantitative research is needed in such regions to contribute to inclusive theory development and to move away from Western-centric theory development. This study presents a starting point for future research endeavors in different institutional contexts.

Table 7.2 Future Research Avenues

Future Research Avenues	
Theoretical perspectives	• Extending social enterprise definition to non-profit and informal ventures to capture a diverse range of social enterprises and their legitimacy pursuits • Applying Scott's (1995) institutional dimensions (regulative, normative, cultural-cognitive) to study the legitimacy of social enterprises • Studying phases of legitimacy based on Siraz et al. (2023) and our proposed advancements to expand the understanding of the legitimation process in-depth
Unexplored Research Avenues	• Investigating SEEs, finding a "North Star" of a SEE that can guide theory and practice to support SEE development • Exploring the notion of multiculturalism and its implications for SEE development and dynamics within regions
Outstanding Methodological Issues	• Testing our developed frameworks in other contexts, utilizing comparative case studies, or quantitative studies. E.g. do earthquakes in Chile, Peru, Syria, or Turkey, affect the local SEE similar to how it does in Nepal? • More longitudinal observations to improve the reliability of data from the legitimation process

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Appendices

Appendix 1 Legitimacy and Social Entrepreneurship Articles included in the Systematic Literature Analysis

Authors and Publication Year	Article Title	Theoretical background	Methodology	Objective of the study	Main findings	Which actor of the entrepreneurial ecosystem (who)	Institution	Why legitimacy	How legitimacy	Country context
Abedin, B.; Douglas, H.; Watson, J.; Bidar, R. (2021)	Mitigating challenges of small social enterprises to improve performance	Resource based view	qualitative (multiple case study)	To demonstrate how different challenges directly or indirectly influence SE performance, and how they represent the linkage between online platforms use and SE performance.	The authors' findings indicate that SEs face social, economic and organizational challenges, and that SEs use online platforms to mitigate these challenges and improve their performance. Online platforms enable these enterprises to identify funding opportunities, recruit staff and volunteers, connect with other SEs, form partnerships, promote their organization, market their products and services, and avoid competition and duplication in their ecosystem.	government, financial provider	formal (finance, policy)	acquiring resources	bricolage, social impact measurement	developed (Australia)
Aisaiti, G.; Liang, L.; Liu, L.; Xie, J.; Zhang, T. (2021)	How social enterprises gain cognitive legitimacy in the post-pandemic period? Social welfare logic and digital transformation	Legitimacy (Suchman 1995), attention based view	quantitative (multiple hierarchical regression analysis and mediation analysis)	This paper aims to propose a social enterprise legitimation mechanism by combining the established logic and transformational logic to test the validity of the conceptual model.	The results show that strong organizational identity contributes significantly to the cognitive legitimacy of social enterprise.	government and society	formal and informal (policy and culture)	creating social impact and institutional change	organizational identity, digital transformation	emerging (China)
Akella, D.; Eid, N. (2018)	Social enterprises in Palestine: a critical analysis	Institutional theory (Scott 1995, North 1990)	qualitative (multiple case study)	This paper aims to critically examine the concept of social enterprises in Palestine. It uses the lens of institutional theory to understand how the political and economic context of the society can influence certain types of entrepreneurial behaviors and be responsible for the	The empirical findings suggest that social enterprise model is still in its embryonic stages in Palestine. Their social mission of community development and sustainability is not completely sincere. The social entrepreneurs were willing to compromise social mission for economic surplus. The national structure, political framework, legal environment, social, cultural and the economic conditions of Palestine have served as suitable launching pads for social enterprises with not so authentic mission of serving the society. It has encouraged entrepreneurial philosophy and behavior, which has masked hidden economic and political agendas with exterior goals of	government, private organizations	formal (policy, market)	acquiring resources	Community engagement	emerging (Palestine)

Authors and Publication Year	Article Title	Theoretical background	Methodology	Objective of the study	Main findings	Which actor of the entrepreneurial ecosystem (who)	Institution	Why legitimacy	How legitimacy	Country context
				emergence of social enterprises.	social welfare and community development.					
Akemu, O.; Whiteman, G.; Kennedy, S. (2016)	Social Enterprise Emergence from Social Movement Activism: The Fairphone Case	Effectuation theory	qualitative (single case study)	To study how we can theorize the emergence of the social enterprise, Fairphone	The authors show how in the context of social movement activism, an effectual network pre-committed resources to an inchoate social enterprise to produce a material artefact because it embodied the moral values of network members.	media, public	formal and informal (media, culture)	acquiring resources	storytelling, media, corporate, public endorsement, engage in communities of practice	developed (Netherlands)
Barraket, J.; Furneaux, C.; Barth, S.; Mason, C. (2016)	Understanding Legitimacy Formation in Multi-Goal Firms: An Examination of Business Planning Practices among Social Enterprises	Legitimacy as a resource	mixed methods (multivariate analysis and multiple case study)	Examine business planning practices as a function of legitimacy formation among Australian social enterprises	Business planning practices are driven by demands to establish legitimacy with external stakeholders as well as organizational performance imperatives, although legitimacy is the stronger driver. Findings also suggest business planning processes serve unique communicative and relational functions among social enterprises.	external stakeholders/financial stakeholders (government)	formal (finance, policy)	acquiring resources	business planning	developed (Australia)
Barraket, J.; McNeill, J.; Campbell, P.; Carey, G. (2021)	Navigating network governance: the role of social enterprise in local employment services	Network governance	qualitative (comparative case study)	To examine how WISE operate within local employment services systems and labour markets.	We find WISEs both attract non-traditional resources and generate social value in new ways as an effect of their hybrid organizational arrangements. However, their effectiveness is constrained by lack of legitimacy within supralocal governance systems.	government	formal (policy)	acquiring resources	collaborating with legitimized organizations	developed (Australia)
Barraket, J.; Yousefpour, N. (2013)	Evaluation and Social Impact Measurement Amongst Small to Medium Social Enterprises: Process, Purpose and Value	social impact measurement	qualitative (action research)	Closing the gap in impact measurement and evaluation about the ways in which social enterprises undertake these activities, the challenges they face and the outcomes they experience as a result of these activities	The findings raise a number of practical considerations for both social enterprises and their grant funders, at the organizational and funder level.	existing grant funders	formal (finance)	signaling compliance with competing stakeholder demands	impact measurement	developed (Australia)
Bennett, E. A. (2016)	Governance, legitimacy, and stakeholder balance:	Hybrid Organizing	qualitative (single case study;process tracking	This paper aims to explain why Fairtrade International (FI), an organization	This study finds that Fairtrade's inclusion/exclusion of producers reflected its desire to increase its moral	external stakeholders	formal and informal	acquiring resources	stakeholder participation	developed (Netherlands)

Authors and Publication Year	Article Title	Theoretical background	Methodology	Objective of the study	Main findings	Which actor of the entrepreneurial ecosystem (who)	Institution	Why legitimacy	How legitimacy	Country context
	lessons from Fairtrade International		methodology; narrative)	committed to empowering the producers of Fairtrade certified products, at times (paradoxically), excluded them from its highest bodies of governance.	legitimacy among external actors and understanding of how to signal legitimacy					
Bhatt, B.; Qureshi, I.; Riaz, S. (2019)	Social Entrepreneurship in Non-munificent Institutional Environments and Implications for Institutional Work: Insights from China	Institutional work	quantitative (Q-methodology)	To investigate the research question: Why are there very few social enterprises in China?	Findings unpack four types of institutional challenges to social entrepreneurship, as perceived by social entrepreneurs: norms of a strong role for government; misunderstood or unknown role for social enter- prises; non-supportive rules and regulations; and lack of socio- cultural values and beliefs in support of social goals	society	informal (culture)	overcoming institutional challenges	collaboration with multiple actors, press conferences and media campaigns	emerging (China)
Bolzani, D.; Marabello, S.; Honig, B. (2020)	Exploring the multi-level processes of legitimacy in transnational social enterprises	Legitimacy theory Suchmann (1995), legitimacy-as-perception (Suddaby et al. 2017)	qualitative (longitudinal single case study)	To examine the multi-level processes through which organizational legitimacy is molded by transnational entrepreneurs to reflect country-level institutional settings, and how organizational-level legitimacy affects entrepreneurs' social status	Findings show how entrepreneurs construe their social status through pragmatic legitimacy obtained from their transnational ventures, and their institutional environments inspired by micro- and meso legitimacy reconfigurations	community, government, international organizations	formal and informal (market, policy, culture)	obtaining community support and trust	harvesting commercial & social demands	developed and developing (Italy/Ghana)
Bradford, A.; Luke, B.; Furneaux, C. (2018)	Social enterprise accountability: directions, dominance and developments	Accountability framework (Ebrahim 2010)	qualitative (multiple case study)	To examine accountability directions to stakeholders of social enterprises, and assess directions, dominance and developments drawing on the theories of	This study identified the relevance of dominance in accountability practices, where a main stakeholder largely shaped social enterprises' accountability. Findings revealed managers of social enterprises prioritised their main stakeholder's interests in accounting for performance, recognising the power and interests of their main stakeholders	government, parent organisations, commercial customers and creditors	formal (policy, market)	acquiring resources	social and financial reporting	developed (Australia)

Authors and Publication Year	Article Title	Theoretical background	Methodology	Objective of the study	Main findings	Which actor of the entrepreneurial ecosystem (who)	Institution	Why legitimacy	How legitimacy	Country context
				accountability, stakeholders and institutional logics						
Bradford, A.; Luke, B.; Furneaux, C. (2020)	Exploring Accountability in Social Enterprise: Priorities, Practicalities, and Legitimacy	Accountability theory, Legitimacy	qualitative (multiple case study)	This paper draws upon accountability and legitimacy theories to explore for what social enterprises are accountable, how they communicate accountability, and to what extent they publicly communicate accountability.	Findings reveal a temporal dimension of accountability, as social enterprises acknowledged their dual social and financial accountability, but prioritised financial over social performance.	investors, employees, general public	formal and informal (finance, human capital, culture)	acquiring resources	reporting (social and financial)	developed (Australia)
Bunduchi, R.; Smart, A. U.; Crisan-Mitra, C.; Cooper, S. (2022)	Legitimacy and innovation in social enterprises	Legitimacy (Suchman 1995)	qualitative (multiple case study)	This article examines the interrelationship between legitimacy building efforts and types of innovation.	The authors find that while product innovators focus on a narrow range, targeting mostly customers and internal stakeholders, process innovators utilise a moderate range, including funders, customers, society, internal and beneficiaries, and business model innovators target all categories of stakeholders in equal measure. Second, they reveal three types of criteria that SEs use to evaluate their legitimacy options and trigger the defiance strategies: (1) alignment with their social mission (social alignment), (2) efficiency in acquiring desired resources (economic alignment) and (3) likelihood of success (feasibility). We found that these criteria vary depending on the type of innovation SEs pursue.	employees, investors, customers, donors, society, supply chain partners	formal and informal (finance, market, human capital, culture)	acquiring resources	confirming, selecting, manipulating	developed (Scotland, Romania)
Chandra, Y. (2017)	Social Entrepreneurship as Institutional-Change Work: A Corpus Linguistics Analysis	institutional change-work	qualitative (corpus linguistics (CL) content analysis)	this research applies corpus linguistics (CL) to identify the institutional-change work performed by social entrepreneurs	this research found 17 discourse orientations (i.e., problem, difficulty, empowerment, beneficiary, altruistic, social process, economic, opportunity, sustainability, partnership, resource, solution, government-as-enabler, social business identity, change-making, mission, and impact) that can be aggregated into five meta discourses: problematization, empowerment,	government, for-profit industry actors, venture philanthrophy firm	formal (finance, policy)	acquiring resources	problematization, empowerment, marketization, resource mobilization, publicness, - collective institutional work	emerging (China)

Authors and Publication Year	Article Title	Theoretical background	Methodology	Objective of the study	Main findings	Which actor of the entrepreneurial ecosystem (who)	Institution	Why legitimacy	How legitimacy	Country context
					marketization, resource mobilization, and publicness. It also reveals the influence of collaborative efforts performed by volunteers, media, educational institutions and the State in institutionalizing and legitimizing wheelchair accessible public transport and social enterprises. This study also uncovers the influence of prior institutional context on the institutionalization of SE.				supported SE and made it easier	
Chen, X.; He, Y.; Wang, L.; Xiong, J. (2020)	The effects of customer socialization on customer behavior in social enterprises: role of organizational legitimacy in the eyes of customers	Relational, market, and social legitimacy, Suchman (1995)	quantitative (structural equation modelling)	The purpose of this paper is to examine how customer socialization strategies can help social enterprises (SEs) to establish different types of organizational legitimacy and how different types of organizational legitimacy in turn can encourage customers' positive in-role behavior (such as repurchasing) and extra-role citizenship behavior (such as referral, feedback and forgiveness of quality problems).	This study finds that various customer socialization strategies can differentially enhance different types of organizational legitimacy of a SE, which in turn positively affects customers' in-role repeated purchase behavior and extra-role citizenship behavior. The study also finds that three types of organizational legitimacy are highly accumulative; gaining relational and market legitimacy might be a precondition for obtaining social legitimacy for SEs.	customers	informal (culture)	competing with commercial businesses and NPOs	socialisation strategies	emerging (China)
Connolly, C.; Kelly, M. (2020)	Annual reporting by social enterprise organizations: legitimacy surplus or reporting deficit?	Accountability theory, Legitimacy theory Suchmann (1995)	qualitative (content analysis)	This paper examines the annual report disclosure practices of social enterprise organizations (SEOs) in the United Kingdom in order to investigate the types of	The results indicate that while SEOs would be expected to account in line with normative stakeholder theory, many do not provide constructive and voluntary accountability information to their stakeholders, at least through the annual report, and that their focus is on satisfying legal obligations.	investors, beneficiaries	formal (finance)	acquiring resources	Accountability disclosure	developed (UK)

Authors and Publication Year	Article Title	Theoretical background	Methodology	Objective of the study	Main findings	Which actor of the entrepreneurial ecosystem (who)	Institution	Why legitimacy	How legitimacy	Country context
				accountability disclosed by SEOs.						
Czinkota, M.; Kaufmann, H. R.; Basile, G.; Ferri, M. A. (2020)	For-Benefit Company (fBComp): An innovative social-business model. The Italian case	Legitimacy (Suchman 1995)	Qualitative (case study)	This paper aims to design a portrait of this innovative social business model's main features and explain its possibly far-reaching, trendsetting and curing influences on the transition of management practices towards mutual stakeholders' wellbeing and a sustainable society.	The new economic and legal scenario illustrates the development from the traditional business model to a social "curative" business model in which the entrepreneur's legitimate and reputational beha- viors are not differentiated, flowing into social wellness priority.	Investors, community	Formal (finance), informal (culture)	obtaining community support and trust	isomorphism	developed (Italy)
Finlayson, E.; Roy, M. J. (2019)	Empowering communities? Exploring roles in facilitated social enterprise	Muñoz and Steinerowski's (2012) theory of social entrepreneurial behaviour	qualitative (single case study)	This paper aims to explore whether facilitated social enterprise benefits or disempowers communities	Findings suggest that social enterprise that originates outside communities and is facilitated by external actors is potentially disempowering, particularly when social enterprise development does not necessarily align with community needs	community, government	formal and informal (policy and culture)	obtaining community support and trust	networking, relationship building	developed (Scotland)
Folmer, E.; Nederveen, .C; Schutjens, V. (2018)	Network importance and use: commercial versus social enterprises	Network theory	qualitative (multiple case study)	To compare the network importance and network use of commercial and social enterprises in their start-up and growth phase.	It is found that networks are highly important for both commercial and social enterprises throughout their life course. However, they substantially diverge in how they use their networks. Social enterprises tend to access more intangible resources through their networks than do commercial enterprises. Moreover, social enterprises rely more strongly on their networks for legitimacy in both the start-up and growth phase of the enterprise.	partners, customers	informal (culture and networks)	acquiring resources	networking, partnerships with diverse organizations, community building	developed (UK)

Authors and Publication Year	Article Title	Theoretical background	Methodology	Objective of the study	Main findings	Which actor of the entrepreneurial ecosystem (who)	Institution	Why legitimacy	How legitimacy	Country context
Granados, M. L.; Rosli, A. (2020)	Fitting In' vs. 'Standing Out': How Social Enterprises Engage with Stakeholders to Legitimize their Hybrid Position	Hybridity	qualitative (multiple case study)	Investigate how social enterprises actively engage with their stakeholders to legitimize their hybrid position in addressing both social and businesses audience.	It was found that (i) legitimization exercise through collective sharing of SE identity help to build SE image and legitimize SE socially driven mission, while (ii) legitimization through supportive system (resources and business advantage) help building credibility by demonstrating SE capability to grow economically	community	informal (culture)	counterbalancing mission drift and organisational uncertainty	collective system, supportive system, managing stakeholder impression	developed (UK)
Huybrechts, B.; Nicholls, A. (2013)	The role of legitimacy in social enterprise-corporate collaboration	Legitimacy theory (Suchman)	qualitative (single case study)	This article explores the role of organizational legitimacy in understanding the emergence and development of 'cross-sector collaboration' between social enterprises and corporations.		producers, other stakeholders	formal and informal (market and culture)	acquiring resources	interorganizational collaboration	developed (UK)
Jenner, P. (2016)	Social enterprise sustainability revisited: an international perspective	Legitimacy (Suchman 1995), organizational capabilities	mixed methods	The purpose of this paper is to examine social enterprise sustainability by comparing recent international research with prior findings seeking to identify the important factors that facilitate social enterprise development.	The findings support prior research, identifying resourcing, organisational capabilities, collaborative networks and legitimacy as influential in the success of social enterprises. However, the research contributes new knowledge by revealing an overarching growth orientation as the dominant factor in the strategic management for sustainability of these ventures.	customers	informal (culture)	acquiring resources	networks, organizational structure choice, marketing	developed (Australia and Scotland)
Jian, L. (2017)	Legitimacy acquisition of social enterprise in China: a case study Canyou initiatives	Legitimacy theory Suchmann (1995)	qualitative (single case study)	Analyzing the acquisition of legitimacy by the Conglomeration of Canyou initiatives to provide a kind of legitimacy strategies that are	Findings highlight how Conglomeration helped the social enterprise to acquire legitimacy throughout three major aspects: the regulative legitimacy, the moral legitimacy and cognitive legitimacy	Government, industry/market, employees, public	formal and informal (market, policy, human capital, culture)	overcoming institutional challenges	Conglomeration	emerging (China)

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				suitable for SEs' growth in China.						
Joy, S.; Poonamallee, L.; Scillitoe, J. (2021)	What to Be (or Not to Be): Understanding Legal Structure Choices of Social Enterprises from a Resource Dependence Perspective	Resource Dependence Theory (RDT) in Pfeffer and Salancik's 1970	qualitative (multiple case study)	aim to develop resource dependence perspectives as an alternate theoretical lens to understand legal structure choices.	The paper discovers that the choice of legal structures is intertwined with identification of preferred resource providers, which involves an interplay of resource autonomy and legitimacy concerns	investors, industry	formal (finance, market)	acquiring resources	chosing legal structure that is viewed as legitimate by the target stakeholder group	developed (USA)
Kerlin, J. A.; Lall, S. A.; Peng, S.; Cui, T. S. (2012)	Institutional intermediaries as legitimizing agents for social enterprise in China and India	Institutional Logics, Institutional Theory DiMaggio & Powell	qualitative (comparative case study)	to better understand how social intermediaries legitimize social enterprises in new settings.	Findings show that intermediaries mitigate negative and leverage positive influences of external institutions though their strategies vary due to country differences in institutional pressures.	society, government, international donors	formal and informal (policy, finance, culture)	overcoming institutional challenges	working with intermediaries	emerging and developing (China & India)
Kibler, E.; Salmivaara, V.; Stenholm, P.; Terjesen, S. (2018)	The evaluative legitimacy of social entrepreneurship in capitalist welfare systems	Cognitive and evaluative legitimacy	quantitative (linear regression)	To evaluate the efficiency of social enterprises in solving social problems relative to the ability of state and civil society organizations.	Social enterprises can outperform the welfare state in solving social problems, but legitimacy diminishes if institutional logics of the social enterprise and the political system are in conflict.	national experts (government/policy makers, education, investors, entrepreneurs)	formal (finance, market, policy, academia)	competing with commercial businesses and NPOs	creating partnerships with national constituents	developed (11 multiple EU countries)
Kistruck, G. M.; Webb, J. W.; Sutter, C. J.; Bailey, A. V.G. (2015)	The double-edged sword of legitimacy in base-of-the-pyramid markets	Institutional theory (North 1990)	mixed methods (multiple case study and Original Probit Models)	To explore the direct effects of formal business registration on increased challenges associated with crime.	Results suggest that being seen as a 'legitimate', registered business can actually lead to both increased resource provision and resource appropriation.	investor, government	formal (finance, policy)	acquiring resources	officially registering the business	developing (Guatemala)
Ko, W.; Liu, G. (2021)	The Transformation from Traditional Nonprofit Organizations to Social Enterprises: An Institutional Entrepreneurship Perspective	Institutional entrepreneurship, organisational transformation	Qualitative (case study)	To investigate how SEs are transformed from traditional NPOs by incorporating commercial processes within social organisations	Findings suggest that the route to incorporate commercial processes and convert traditional nonprofit organizations into social enterprises requires six distinct kinds of institutional work at three different domains; these are—"engaging commercial revenue strategies", "creating a professionalized	donors, volunteers, customers, business partners	Formal (finance, human capital), informal (customers)	obtaining community support and trust	advocating business-oriented strategic direction	developed (UK)

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					organizational form", and "legitimating a socio-commercial business model".					
Kolodinsky, R. W.; Ritchie, W. J.; Capar, N. (2022)	Social Enterprise Legitimacy: Application of Accountability Mechanisms as a Multi- Institutional Context Strategy	Legitimacy (Suchman 1995), Accountability	qualitative (multiple case study)	To offer a comprehensive framework to illustrate how the application of context- specific 'accountability mechanisms' can strengthen organizational legitimacy perceptions and, in doing so, strengthen performance perceptions and stakeholder ties.	Findings revealed each of the studied social enterprises had adopted accountability mechanisms in all four institutional contexts	industry members, society	formal and informal (market and culture)	obtaining community support and trust	accountability mechanism	developed (USA)
Kuosmanen, J. (2014)	Care Provision, Empowerment, and Market Forces: The Art of Establishing Legitimacy for Work Integration Social Enterprises (WISEs)	Legitimacy theory (Suchman): strategic vs institutional, pragmatic moral cognitive	qualitative (focus group and individual interviews)	The purpose of this article is to examine and discuss different types of legitimacy developed by four WISES in Sweden in relation to both external interests—clients and funders—and internal toward those people employed by each respective organization.	The study shows that the imitation of public- and private-sector profit-generating organizations is a legitimizing strategy that has both advantages and disadvantages. While in the short-term, resource-generation can be facilitated, functioning as a replica of profit-generating companies can bring with it difficulties in maintaining a unique identity as an innovative enterprise catering for people who otherwise would be excluded from the labor market.	clients/customers, funders, employees	formal and informal (finance, market, human capital)	acquiring resources	board membership for funders/government, personal quality guarantees	developed (Sweden)
Lall, S. A. (2019)	From Legitimacy to Learning: How Impact Measurement Perceptions and Practices Evolve in Social Enterprise-Social Finance Organization Relationships	Impact Measurement (Dahler-Larsen 2011, DiMaggio & Powell 1983)	qualitative (multiple case study)	This study examines how social enterprises interact with social finance organizations in the context of impact measurement.	The author finds evidence that both sides (social enterprises and social finance organizations) view impact measurement primarily as a means for establishing legitimacy prior to engagement, and in the early stages of their relationship. These relationships are hierarchical and rigid at early stages, but over time evolve into more collaborative partnerships.	investors	formal (finance)	acquiring resources	performance/impact measures	developing countries (India, Uganda, Tanzania, and Ghana)

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Lang, R.; Fink, M. (2019)	Rural social entrepreneurship: The role of social capital within and across institutional levels	social capital theory	qualitative (cross-case analysis)	The aim of the paper is to conceptualise the role of social entrepreneurs in the multilevel network arena of rural contexts. Therefore,	The authors introduce a conceptual framework that facilitates understanding and further systematic empirical investigation of how rural social entrepreneurs strategically mobilise and reconfigure different types of social capital for their business model by leveraging community-level resources through vertical linkages to regime-level actors such as government bodies, development agencies, fund raising agencies and public research institutions.	community, regime actors (government, development agencies, research institutions, fundraising agencies)	formal and informal (market, policy, finance, culture, networks)	acquiring resources	emotional and instrumental place attachment,	developed (Ireland & Greece)
Larner, J.; Mason, C. (2014)	Beyond box-ticking: a study of stakeholder involvement in social enterprise governance	Legitimacy (Suchman 1995)	qualitative (two case study)	This paper aims to present the findings from a small study of social enterprise governance in the UK, taking a case study approach to uncover the experiences of internal actors who are involved in their board-level management.	The study found that social enterprises surveyed employed a number of mechanisms to ensure appropriate stakeholder involvement in their governance, including adopting a participatory democratic structure which involves one or more groups of stakeholders, creation of a non-executive advisory group to inform strategic direction and adopting social accounting with external auditing. The research also highlighted the potential of the community interest company legal form for UK social enterprise, particularly in developing the role of the asset-locked body in terms of providing CIC governance oversight.	employees, beneficiaries	informal (human capital)	acquiring resources	stakeholder involvement in governance (consultation, evaluation, social accounting and auditing, asset lock)	developed (UK)
Lashitew, A. A.; Bals, L.; van Tulder, R. (2020)	Inclusive Business at the Base of the Pyramid: The Role of Embeddedness for Enabling Social Innovations	Legitimacy (Suchman 1995), Business models	qualitative (single case study)	To investigate the role of embeddedness in the development of an inclusive business approach in a BoP context.	Results indicate that embeddedness can have a profound role in change towards inclusive business approaches, since it not only creates the impetus to internalize social issues, but also provides the means for achieving it. However, it was found that developing a mission-driven identity was crucial for legitimizing the changes required to sustain the dual goals of financial and social impact.	customers/beneficiaries, commercial partner organizations	formal and informal (market and human capital)	acquiring resources	embeddedness in local networks and structures	developing (Kenya)
Lee, S. Y.; Shin, D.; Park, S. H.; Kim, S. (2018)	Unintended Negative Effects of the Legitimacy-Seeking Behavior of Social Enterprises on Employee Attitudes	Contract theory	quantitative (quasi-experiment)	to examine how a promotional message that emphasizes employing "the socially disadvantaged"	social enterprises' public promotion that emphasizes social employment can lower the expected wage, job satisfaction, and organizational commitment of the employees who are hired due to their disadvantaged social status	finance providers, authorities	formal (finance, policy)	acquiring resources	publicity (public promotion)	developed (South Korea)

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				affects the expected compensation of the jobseekers in social enterprises and to investigate the relationship between exposure to such promotional messages and consequent job attitudes of the socially disadvantaged employees						
Lehner, O.; Nicholls, A. (2014)	Social finance and crowdfunding for social enterprises: a public-private case study providing legitimacy and leverage	Crowdfunding	qualitative (single case study)	The study sets out to look at the motivations of the individual players in the field of social finance by looking at a case of a public–private partnership scheme to leverage the 'power of the many' through a careful interplay between the public, private and third sectors using Crowdfunding (CF).	Identifies idiosyncratic hurdles to why an efficient social finance market has yet to be created and examines a schema as a case of how individual players' strengths and weaknesses can be balanced out by a concerted action.	Government, Investors (Venture Capitalists), Community	formal and informal (finance, policy, culture)	acquiring resources	Crowfunding campaign	developed (UK)
Lent, M.; Anderson, A.; Yunis, M. S.; Hashim, H. (2019)	Understanding how legitimacy is acquired among informal home-based Pakistani small businesses	Institutional theory (DiMaggio & Powell), Legitimacy (Suchman 1995)	qualitative (multiple case study)	Aim is to ascertain and better understand the legitimation process in a home-based business context.	Using the institutional lens, the primary influences on action were found to be coercive and mimetic isomorphic mechanisms. For example, the entrepreneurs stressed how essential it was to their customers that societal norms be adhered to when doing business (coercive mechanism). Using the strategic lens, two main strategies were identified – following cultural norms such as those regarding appropriate behavior for women (conforming); and attempting to create	society, customers, family	informal (culture)	acquiring resources	confirming, manipulating	developing (Pakistan)

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					new audiences and legitimating beliefs through business activities that advanced women's rights (manipulating).					
Levander, U. (2010)	Social Enterprise: Implications of Emerging Institutionalized Constructions	Legitimacy (Scott 1995)	qualitative (discourse analysis)	The main aim of this paper is to present a study which – through analyses of discursive practice and text analysis – uncovers discursive elements that are overtly or covertly drawn upon within the discourses applied to social enterprises in a Swedish context.	The findings show that the discourses outlined at a policy level primarily talk of social enterprise as being a solution to structural issues across society. Policy discourses suggest that focal actors within social enterprises are supposed to change and to be disciplined in order to address their social difficulties, rather than to be empowered.	society, government	formal and informal (culture, policy)	overcoming institutional challenges	collective action, narratives & storytelling	developed (Sweden)
Liu, Y.; Zhang, C.; Jing, R.(2016)	Coping with Multiple Institutional Logics: Temporal Process of Institutional Work during the Emergence of the One Foundation in China	Institutional work	Qualitative (case study)	This study aims to investigate how actors navigate through multiple institutional logics and enact institutional work to create and legitimate a new form of charity foundation in China	Findings show how actors progress institutional work from individual-, to organizational- and to societal-level on the path toward achieving their goals.	government	Formal (policy)	overcoming institutional challenges	cross-sector collaboration (aligning with high profile actors), diversifying organizational structure, connecting with a societal level discourse	emerging (China)
Luke, B.; Barraket, J.; Eversole, R. (2013)	Measurement as legitimacy versus legitimacy of measures Performance evaluation of social enterprise	Legitimacy theory (Suchman 1995)	qualitative (multiple case study)	The purpose of this paper is to review the growing emphasis on quantifiable performance measures such as social return on investment (SROI) in third sector organisations – specifically, social enterprise – through a	Findings highlight a priority on quality outcomes and impacts in primarily qualitative terms to evaluate performance. Further, there is a noticeable lack of emphasis on financial measures other than basic access to financial resources to continue pursuing social goals.	investors	formal (finance)	acquiring resources	fullfilment of social objectives (narratives more important than numbers)	developed (Australia)

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				legitimacy theory lens. It then examines what social enterprises value (i.e. consider important) in terms of performance evaluation, using a case study approach.						
Ma, M.; Kang, Y.; Feng, Y. (2022)	Can Cross-Sector Support Help Social Enterprises in Legitimacy Building? The Mixed Effects in Hong Kong	Legitimacy (Suchman 1995)	mixed methods	Examining the impact of cross-sector collaboration on efforts by SEs to cope with institutional pressures in organizational legitimacy building	Data from surveys and in-depth interviews show that the three key types of CSS—venture capital, operational, and promotional—have mixed effects on the efforts of SEs to cope with the various institutional pressures. Findings suggest the necessity of an integrated blend of governance styles—a metagovernance approach— in shaping and guiding CSS of SEs and an approach that is sensitive to the plural, changing pressures in SE entrepreneurial processes to achieve financial sustainability as well as social legitimacy	Government, community	Formal (policy), informal (culture)	acquiring resources	cross-sector collaboration	Developed (Hong Kong)
Margiono, A.; Kariza, A.; Heriyati, P. (2019)	Venture legitimacy and storytelling in social enterprises	Storytelling (Van Laer et al., 2014)	qualitative (multiple case study)	Examines how storytelling can lead to venture legitimacy in a social entrepreneurship context.	The findings show that the plots of the stories are dependent on who the story characters are and whether story-receivers are familiar with the characters. It offers a snapshot of how social enterprises in two different countries conduct successful storytelling.	organizations	formal (finance)	acquiring resources	storytelling	developed (UK) and emerging (Indonesia)
Marshall, D. R.; Novicevic, M. M. (2016)	Legitimizing the social enterprise: development of a conformance framework based on a genealogical pragmatic analysis	Genealogical analysis	qualitative (single case study)	The general purpose of this paper is to introduce genealogical pragmatism (Koopman 2011c) as a new method of using history, particularly historical cases, to enrich conceptualization of constructs in	In the genealogical pragmatic analysis, the paper diagnosed problems of conformance activities of the Mound Bayou social enterprise and offered a pragmatic reconstruction that was integrated into a conceptual framework.	society, community, networks	informal (culture and informal networks)	obtaining community support and trust	hiring industry experts to take positions of authority; conforming to institutional norms, demonstrating profitability	developed (USA)

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				management and organizational studies. Helps to uncover an alternative conceptualization of the construct of new venture legitimacy.						
Mason, C. (2012)	Isomorphism, Social Enterprise and the Pressure to Maximise Social Benefit	Isomorphism (DiMaggio & Powell 1983, 1991)	conceptual (but with country context)	To explore how social enterprises respond to pressure to ensure the conferment and maintenance of legitimacy.	Findings predict that social enterprise legitimacy is increasingly sought from non-social beneficiaries when social enterprises engage in public service delivery opportunities. Only those social enterprises with unique characteristics or innovative structures (i.e. self-immunisers), or not dependent on Government funding, are best placed to resist isomorphic pressures.	government	formal (policy)	obtaining community support and trust	demonstrate fit with expectations	developed (UK)
Mason, C. (2010)	Choosing sides: contrasting attitudes to governance issues in Social Firms in the UK	Governance and Accountability	quantitative (survey based)	The purpose of this paper is to outline the findings of a quantitative study of Social Firms between 2006 and 2007. In doing so, it examines the challenges that boards and managers in these organisations face.	Statistical analysis of the findings highlighted some key outcomes, particularly regarding legitimacy, accountability and stakeholder inclusion of Social Firms Boards. Furthermore, the paper identifies divisions between managers and board members regarding the enterprise-orientation of Social Firms.	employees, beneficiaries	informal (human capital)	signaling compliance with competing stakeholder demands	Accountability; maximizing social benefit	developed (UK)
Mason, C.; Doherty, B. (2016)	A Fair Trade-off? Paradoxes in the Governance of Fair-trade Social Enterprises	Agency theory, paradox theory	qualitative (narrative)	To explore how fair trade social enterprises (FTSEs) manage paradoxes in stakeholder-oriented governance models.	The authors develop a recursive model of legitimacy-seeking governance processes, conceptualizing how boards seek to mitigate, but not necessarily resolve, paradoxes.	investors, producers, shareholders	formal (finance, market)	counterbalancing mission drift and organisational uncertainty	using social mission, discursive governance process	developed (UK)
Molecke, G.; Pinkse, J. (2020)	Justifying Social Impact as a Form of Impression Management: Legitimacy	Legitimacy theory (Suchman 1995)	qualitative (multiple case study)	This paper investigates how social enterprises construct accounts to gain legitimacy	The paper finds that social impact accounts are framed to appeal to two distinct forms of judgement about legit-imacy: cognitive and evaluative.	investors	formal (finance)	acquiring resources	provide operational and product-attribute data, testimony of expert intuition (narratives	developing (Africa)

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	Judgements of Social Enterprises' Impact Accounts			from the social impact generated by their products and operations.					more important than numbers), using scale as impact proxy; reframing question of how much impact into is there impact?	
Molecke, G.; Pinkse, J. (2017)	Accountability for social impact: A bricolage perspective on impact measurement in social enterprises	social impact measurement, bricolage	qualitative (multiple case study)	To examine how social entrepreneurs use and combine material and ideational bricolage; how they bricolage multiple ideas together that might be in tension with each other; and how bricolage functions to legitimate the way social entrepreneurs create social accounts.	Findings show how social enterprises used elements of material and ideational bricolage simultaneously for the practice of social impact measurement. Simple availability became the main criterion for information to be included in the construction of social impact accounts, refusing formal methodologies' ideational limitations of what data was appropriate or not according to a priori theories of how to evaluate impact. If social entrepreneurs had information that they felt was important, the mere having of the information justified its inclusion because the information need not fit a formal methodology. This approach meant that the entrepreneurs allowed themselves to use previously underutilized, undervalued, or discarded sources of information	investors, donor organizations	formal (finance)	acquiring resources	ideational and material bricolage, social impact measurement	developing (across Africa and Asia)
Munoz, P.; Kibler, E. (2016)	Institutional complexity and social entrepreneurship: A fuzzy-set approach	institutional embeddedness (North)	quantitative (fsQCA)	This study seeks to examine which combinations of local institutional forces play the largest role in social entrepreneurship opportunity confidence	The analysis concludes that the examination of different sets (fragmentation) of more or less centralized and formalized local institutions (formal structuring and centralization) helps to understand better how institutional forces jointly foster social entrepreneurship.	government and public funding bodies	formal (finance, policy)	acquiring resources	partnerships with local opinion leaders, resource-rich actors, authorities	developed (UK)
Nicolopoulou, K.; Lucas, I.; Tatli, A.; Karatas-Ozkanz, M.; Costanzo, L. A.; Ozbilgin, M.; Manville, G. (2015)	Questioning the Legitimacy of Social Enterprises through Gramscian and Bourdieusian Perspectives: The Case of British Social Enterprises	Bourdieu & Gramsci	qualitative (multiple case study)	To 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 and the paper also outlines challenges that social enterprises face when adopting an ethical approach. Theoretical tools of Gramsci and Bourdieu are mobilized in the paper.	government, community	formal and informal (policy and culture)	acquiring resources	maintain network of stakeholders; empowerment and training of employees	developed (UK)

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Presenza, A.; Abbate, T.; Cesaroni, F.; Appio, F. P. (2019)	Enacting Social Crowdfunding Business Ecosystems: The case of the platform Meridonare	Crowdfunding and social crowdfunding ecosystems	qualitative (single case study)	The research explored social crowdfunding platforms and the role of key actors populating the Social Crowdfunding Business Ecosystem	the study contributes to the embryonic work focusing on dynamic perspectives that consider social crowdfunding to be a two- sided market, in which a third body (that is, the social platform) intermediates among multiple sets of agents and facilitates the spreading of value for the entire system. the study highlights the mechanisms used by SCF platforms in facilitating the relationships among the different stakeholders that populate the SCBE. The findings reveal that the success of this type of organization is related to its ability to mix together online and offline strategies.	customers, investors, public	formal and informal (finance, human capital, culture)	acquiring resources	social crowdfunding	developed (Italy)
Raghubanshi, G.; Venugopal, S.; Saini, G. K. (2021)	Fostering inclusive social innovation in subsistence marketplaces through community-level alliances: An institutional work perspective	Institutional work	qualitative (longitudinal multiple case study)	to highlight how social enterprises can overcome the concern of elite-capture of shared value by fostering inclusive social innovation in subsistence contexts.	The results uncover three principal mechanisms for fostering inclusive social innovation, namely – a) relational work, b) inclusion work and c) equity work. These mechanisms work in concert to facilitate the a) creation of shared value in subsistence contexts, b) inclusive distribution of shared value, and c) fair distribution of shared value	community	informal (culture)	creating social impact and institutional change	building alliances with pre-existing local grassroots actors such as NGOs and key actors in the local economy	developing (India)
Ramus, T.; Vaccaro, A. (2017)	Stakeholders Matter: How Social Enterprises Address Mission Drift	mission drift in social enterprises	qualitative (multiple case study)	To explore the factors that explain successful and unsuccessful strategies to re-balance mission drift	Findings extend research and suggest that internal strategies based on social accounting alone do not support social enterprises to counterbalance mission drift, once occurred. The case study shows, when a social enterprise has already shifted away from its original mission and prioritized commercial concerns, social accounting fails to activate the aforementioned mechanism of rationalization and institutionalization of social values and objectives.	clients/customers	informal (culture)	counterbalancing mission drift and organisational uncertainty	stakeholder engagement (involving stakeholders in achieved outcomes), social accounting (measuring and reporting social impact)	developed (Italy)
Rao-Nicholson, R.; Vorley, T.; Khan, Z. (2017)	Social innovation in emerging economies: A national systems of innovation based approach	National Systems of Innovation (NSI), social innovation	qualitative (single case study)	This article examines how national systems of innovation (NSI) and social entrepreneurship interact to generate social innovation in	The first highlights that The strength of the EMRI is in its bottom-up collective learning approach towards social innovation; the EMRI, through the PPP, was able to develop both legitimacy and a new model of social innovation. The findings indicate that such partnerships are crucial in the context of emerging economies; this is	government, academic and technical institutions	formal (policy, academia)	overcoming institutional challenges	PPP public-private-partnerships	developing (India)

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				emerging economies.	due to the complex nature of social problems, which require multiple stakeholders pooling resources to address social problems.					
Ruebottom, T. (2013)	The microstructures of rhetorical strategy in social entrepreneurship: Building legitimacy through heroes and villains	Rhetorical theory	qualitative (multiple case study)	this paper explores how social enterprises gain legitimacy for social change	Findings suggest that the rhetorical strategy used by these enterprises casts the organization as protagonist and those that challenge the change as antagonists. The microstructures underlying this strategy include vocabulary sets that invoke socially accepted meta-narratives, and rhetorical devices that heighten the positive of the protagonist meta-narratives and the negative of the antagonist meta-narratives. The rhetorical strategy weaves together these protagonist and antagonist	investors, customers	formal and informal (finance and human capital)	creating social impact and institutional change	rhetoric strategy	developed (North America)
Sabella, A. R.; Eid, N. L. (2016)	A strategic perspective of social enterprise sustainability	social capital, sustainability	qualitative (multiple case study)	this study explores the phenom- enon of a social enterprise – its dynamic nature, evolution, and progress – from a strategic perspective and how in turn strategic managerial determi- nants and dimensions contribute to the enterprise's sustainability. Hence,	Three conclusions were highlighted. First, it has found that enterprise sustainability is best characterised as an extension of its orientation towards its stakeholders, by which an appropriate alignment of the enterprise resources with future anticipated outcomes is achieved. Second, there is strong association between internal organ- isational dynamics and the enterprise sustainability. Third, this study has uncovered two major attributes of the founders in both enterprises. 'Sense of alertness' and 'transformational leadership' characteristics were found to be enhancing the resilience of the enterprise in facing social, economic and political challenges.	public, community	informal (culture)	obtaining community support and trust	social engagement	emerging (Palestine)
Sarma, S. K. (2011)	Rhetorical strategies in Indian commercial microfinance	Suddaby and Greenwood's (2005) work on rhetorical strategies	qualitative (multiple case study)	The purpose of this paper is to understand "How does a microfinance organization justify its action of transformation to retain legitimacy?	Drawing from Suddaby and Greenwood's (2005) work on rhetorical strategies, the paper suggests that these organizations have used two types of rhetorical strategies – cosmological and teleological. These strategies operate in a performative role and link deviant practices with routines. It focuses on institutional maintenance rather than change	society	informal (culture)	counterbalancing mission drift and organisational uncertainty	rhetorical strategies – cosmological and teleological.	developing (India)

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Sarma, S. K., Mishra, D. (2021)	Substantive Legitimacy of Transformed Microfinance Organizations: Case Study from India	Pragmatic legitimacy, Suchman, Deephouse et al (2017), Suddaby et al (2017)	qualitative (multiple case study)	Explore how nonprofits use substantive actions to seek legitimacy within the community to commercialize microfinance operations.	Findings reveal that these organizations use three sets of substantive actions focusing on performance, legal suitability, and community participation.	community	informal (culture)	counterbalancing mission drift and organisational uncertainty	substantive action (protect community interest/community involvement in governance, project legal fitness, meet performance expectations)	developing (india)
Sarpong, D.; Davies, C. (2014)	Managerial organizing practices and legitimacy seeking in social enterprises	Legitimacy theory Suchman (1995)	qualitative (multiple case study)	The purpose of this paper is to explore how social enterprises as an emerging organizational form in market economies acquire legitimacy to attract the support of their constituents and stakeholders.	The paper finds that cross sector partnerships, community engagement and capability building, and compassionate enterprise narratives as quintessentially embedded managerial initiatives and practices which give form to the legitimating activities of social enterprises.	community, government, international organizations	formal and informal (market, policy, culture)	acquiring resources	strategic (co-option & social networking), relational ties, informal and formal relationships; cross-sector partnerships, community engagement and capability development and compassionate enterprise narratives	developed (UK)
Schadenberg, D.; Folmer, E. (2022)	Getting the story right: how second-hand stores use storytelling to gain legitimacy with multiple audiences	Legitimacy (Suchman 1995, Fisher et al. 2017), storytelling	qualitative (multiple case study)	This paper aims to analyse how sustainable second-hand stores (SSHSs) use storytelling as a legitimization strategy.	Contrary to the authors' expectations, they found that the web shop is not used as a site for storytelling the mission of the store but is rather a stage for specific products that tell a story of trendy and vintage shopping. This attracts a new customer segment to the store that conventionally does not shop there. This paper concludes that second-hand stores use vintage products as symbols in storytelling through their web shop to gain access to a new market. By foregoing to tell the story of their mission on the web shop, the second-hand stores are choosing to keep their charity and business identity separate.	customers	informal (culture)	obtaining community support and trust	storytelling	developed (Netherlands)
Sengupta, T.; Narayanamurthy, G.; Hota, P. K.; Sarker, T.; Dey, S. (2021)	Conditional acceptance of digitized business model innovation at the BoP: A stakeholder analysis of eKutir in India	Business model innovation, stakeholder theory	qualitative (single case study)	To explore the contingencies behind the acceptance or rejection of digitized business model innovation at the Bottom of	The analysis reveals that stakeholder's stability and stakeholder's incentives are the critical contingencies deciding the conditional acceptance of the digitized business model innovation. Results also confirm that accessibility, availability, affordability, awareness and acceptability are the most important factors contributing to the stakeholder's	beneficiary/customer	informal (human capital, culture)	creating social impact and institutional change	stakeholder incentives, stakeholder stability	developing (India)

Authors and Publication Year	Article Title	Theoretical background	Methodology	Objective of the study	Main findings	Which actor of the entrepreneurial ecosystem (who)	Institution	Why legitimacy	How legitimacy	Country context
				the Pyramid (BoP).	adoption of digitized business model innovation. Further, it is infered that age, respect, power and authority are key differentiating factors contributing to stakeholder's stability which can significantly influence the acceptance of digitized business model innovation.					
Siwale, J.; Kimmitt, J.; Amankwah-Amoah, J. (2021)	The Failure of Hybrid Organizations: A Legitimation Perspective	legitimacy-as-process (Lounsbury & Glynn, 2001), organizational hybridity	qualitative (single case study)	Ask how, in hybrid organizations, do legitimation processes contribute to organizational failure.	findings cast light on a context where the demands of external stakeholders (e.g., regulators, investors, donors) are particulary powerful and thus hybridity is not necessarily a proactive pursuit; rather it is predominantly a response to demands of external actors leading to an unclear set of expectations.	donors, commercial investors	formal (finance)	acquiring resources	building a core mission, aligning workforce	developing (Zambia)
Smith, B. R.; Bergman, B. J.; Kreiner, G. E. (2021)	When the beacon goes dark: Legitimacy repair work by subsequent actors in an emerging market category*	Legitimacy (Suchman 1995)	Qualitative (case study)	This paper examines how subsequent entrants overcome recursive legitimacy challenges caused by beacon underperformance and failure.	Following legitimacy loss, it is highlighted how actors prioritize and sequence distinctiveness claims over legitimacy claims, which is referred to as distinctive legitimacy. Also a key mechanism of selective generalization is identified, where identity claims are made to direct audience attention toward some (and not other) attributes of the organization and category to acquire resources.	investors	Formal (finance)	resource acquisition	distinctiveness claims	developed (UK)
Smith, L.; Woods, C. (2014)	Stakeholder Engagement in the Social Entrepreneurship Process: Identity, Governance and Legitimacy	Opportunity pursuit	qualitative (single case study)	This paper explores how stakeholder expectations are managed through the social entrepreneurship process of opportunity construction, evaluation and pursuit	The findings are that stakeholders are managed by engagement in the entre-preneurship process using identity, governance and legitimacy.	donors, clients, government, board committee, employees	formal and informal (finance, policy, market, human capital)	creating social impact and institutional change	engaging stakeholders in entrepreneurial process, conforming to existing social structures, creating new operating models, practices, ideas, storytelling	developed and developing (New Zealand/Myanmar)
Teasdale, S. (2011)	Explaining the multifaceted nature of social enterprise: impression management as (social)	Impression management (Goffman 1956, 1959)	qualitative (single case study)	This paper set out to answer the question: how can social enterprises accessing start up funding from a variety of resource holders negotiate	The results show that the social enterprise is a constantly shifting shape seen and portrayed in different ways by each internal stakeholder. The social enterprise does not act in isolation, it is constrained by the institutional environment populated by external resource holders. Each resource holder	resource holders (investors, governments)	formal (finance)	acquiring resources	impression management	developed (UK)

Authors and Publication Year	Article Title	Theoretical background	Methodology	Objective of the study	Main findings	Which actor of the entrepreneurial ecosystem (who)	Institution	Why legitimacy	How legitimacy	Country context
	entrepreneurial behaviour			multiple and conflicting demands?	has a strategic interest in the social enterprise being portrayed in a certain way. In order to access resources, the social entrepreneur has to demonstrate legitimacy by being seen to align the social enterprise with the strategic interests of the resource holders. Thus the resource holders exert coercive pressure on the social enterprise to conform to certain types of behaviour					
Venugopal, S.; Viswanathan, M. (2019)	Implementation of Social Innovations in Subsistence Marketplaces: A Facilitated Institutional Change Process Model	Institutional work	qualitative (multiple case study)	To investigate how social enterprises can implement social innovations by facilitating changes in the local institutional environment.	This article demonstrates that bringing about institutional change is often necessary for implementing social innovations in subsistence marketplaces. The findings depict a participatory approach in which social enterprises work with local communities to bring about the institutional conditions necessary for implementing social innovation.	community	informal (culture)	creating social impact and institutional change	working with local leaders, legitimate individuals, strategic partners (gate keepers), public communication of identity	developing (India)
Vestrum, I.; Rasmussen, E.; Carter, S. (2017)	How nascent community enterprises build legitimacy in internal and external environments	Legitimacy theory Suchman (1995)	qualitative (longitudinal case study)	This paper explores how emerging community enterprises access resources needed to start and sustain their operations.	Three legitimation strategies emerge: conformance to the internal (rural community) environment; conformance to the external (cultural festival) environment; and changing the internal (rural community) environment	government, community	formal and informal (policy and culture)	acquiring resources	conformance to the internal (rural community) environment; conformance to the external (cultural festival) environment; and changing the internal (rural community) environment	developed (Norway)
Wang, Z.; Zhou, Y. (2020)	Business model innovation, legitimacy and performance: social enterprises in China	Business Model Innovation	quantitative (regression analysis and fuzzy-set qualitative comparative analysis (fsQCA))	The purpose of this paper is to examine how business model innovation and legitimacy affect the performance of new social enterprises during different development stages	This paper finds that business model innovation has a positive effect on social enterprise performance and an organization's legitimacy, acting as the partial mediator between them. The mediating effect of legitimacy is more positive when social enterprises are in the early growth stage.	government, industry, customers	formal and informal (policy, market, culture)	acquiring resources	not defined	emerging (China)

Authors and Publication Year	Article Title	Theoretical background	Methodology	Objective of the study	Main findings	Which actor of the entrepreneurial ecosystem (who)	Institution	Why legitimacy	How legitimacy	Country context
Weerakoon, C.; Gales, B.; McMurray, A. J. (2019)	Embracing entrepreneurial action through effectuation in social enterprise	Effectuation theory	qualitative (single case study)	The purpose of this paper was to address the research question how does effectuation determine entrepreneurial action in the pre-emergence of a social enterprise?	The results demonstrated the complementary evolution of the three perspectives: effectuation, causation and bricolage actions	customers	informal (culture)	acquiring resources	symbolic gestures (disclosure of personal experience and capability and the emphasis on commitment to the venture in communications)	developed (Australia)
Yang, Y. L.; Lee, S.; Kim, S. (2018)	Locus of legitimacy and startup resource acquisition strategies Evidence from social enterprises in South Korea and Taiwan	Strategic vs. Institutional legitimacy Suchmann (1995)	qualitative (multiple case study)	The paper aims to provide locus of legitimacy as a framework to not only introduce a multidimensional perspective on legitimacy but also expand the understanding about resource acquisition strategies of social enterprises.	The analyses confirmed that locus of legitimacy did explain critical decisions of social enterprises in South Korea and Taiwan.	society, employees	informal (culture, human capital)	acquiring resources		developed (South Korea & Taiwan)
Yin, J.; Chen, H. 2019)	Dual-goal management in social enterprises: evidence from China	paradox theory, dual goal management	Qualitative (case study)	The purpose of this paper is to delineate how social and business tensions manifest in Chinese nascent social enterprises and to disentangle the strategies that they adopt to manage the business-social dual goals to achieve organizational viability.	The findings show that depending on personal motivations and resource availability, social entrepreneurs' perceptions toward pursuit of dual goals range from integration to differentiation in the short term, despite consensus on the concurrent development in the long term. The leverage of resources, image management, continuous innovation and need-based services are viable approaches that Chinese social enterprises adopt to manage the dual goals in order to create both social and economic value.	Government, customers	Formal (policy), informal (community)	obtaining community support and trust	dual registration	emerging (China)
Zollo, L.; Pellegrini, M. M.; Faldetta, G.; Rialti, R. (2022)	How to combine multiple identities and gaining stakeholders legitimacy in hybrid organizations? An	Hybridity, legitimacy	qualitative (multiple case study)	Focuses on how social entrepreneurial NPOs maintain legitimacy in the	Results show that a coherent identity for a hybrid organization seems to be facilitated by an integrated structure, i.e., social programs and commercial activities run in a unique organization.	customers, investors, volunteers, donors, government, community	formal and informal (finance, policy, human	competing with commercial businesses and NPOs	creating a hybrid organizational structure (for-profit	developed (Italy)

Authors and Publication Year	Article Title	Theoretical background	Methodology	Objective of the study	Main findings	Which actor of the entrepreneurial ecosystem (who)	Institution	Why legitimacy	How legitimacy	Country context
	organizational design response			eyes of stakeholders and how organizational design	On the contrary, a compartmentalized organizational structure creates two separate legal entities of a social or commercial nature only and is more crucial in gaining external legitimacy.		capital, culture)		and non-profit entity)	

Appendix 2 Interview Guide

Question category	Questions
1. General introductory question	Please explain a bit about your organization: When did you found it, why did you found it; and about your entrepreneurial journey so far.
2. Institution/ecosystem questions Introductory question Comparison social and commercial enterprise Challenges and opportunites Support structure Informal institutions (family, friends, community) Ecosystem development	1. How would you describe the social enterprise landscape in Nepal? -> Are there differences running and maintaining a business for social enterprises and regular enterprises? 3. What are the challenges in running a social enterprise? What are opportunities? 4. Which actors are supporting, which are hindering you from achieving your goals? 5. How are the reactions from the community, family, friends on your entrepreneurial activities? (Busenitz & Lau 1996) 6. Can you describe the social enterprise ecosystem 5 years ago compared to how it is now? What is the difference? (10-15 years ago)

Interpretation of development	7. If you were to label/name the stage of social entrepreneurial ecosystem development in the years between 2014-2022, which name would you give each year?
Formal institutions (government)	8. Can you describe the relationship between social enterprises and the government? (Gartner 1985)
Formal institutions (support network, events)	9. Can you say anything about support network, events, etc. (social networks by Busenitz & Lau 1996)
Informal institutions (role models)	10. Are there any role models that are important for social entrepreneurs in Nepal? If yes, how do they influence the scene?
Informal institution (culture)	11. How does the local culture affect social entrepreneurship? (Does the cast system have any affects?) (North 1987)
Disastrous events/crisis	12. Can you think of specific events that lead to changes in the ecosystem?
Formal institution (infrastructure, legal, financial)	-> if it wasn't mentioned yet, ask about relationship towards other actors: funding agencies (donors), international organizations, investors, legal system, infrastructure, educational institutions/incubators (Isenberg 2010)
Policy influence	-> The government introduced 2020 a proposal for a social enterprise fund to support social enterprises. What did change after this announcement?
Potential role model influence	
Disastrous event (war)	-> When Muhammad Yunus received the nobel peace prize for social entrepreneurship in 2006, what did change for social enterprises in Nepal?
Disastrous event (earthquake, pandemic)	-> How did the civil war and political system change 2006 affect social enterprises in Nepal?
	-> How do natural disaster (earthquake 2015, COVID-19) affect the social enterprise and the ecosystem?

Appendix 3 Timeline and data structure of SEE formation and transformation process

	2011-2014	Supporting Interview Data	2015-2019	Supporting Interview Data	2020-2023	Supporting Interview Data
Key Events	-Asha Social Entrepreneurship award given for the first time in 2011; event took place each year from 2011-2014 -Social Entrepreneurship Bazaar 2012 -NYEF event with speech on the need to recognize SE in 2014	- (based on online sources)	-First SE conference organized by Kings College Nepal. Theme "Rebuilding Nepal through Social Entrepreneurship in 2016 -IdeaStudio runs TV show to showcase social entrepreneurs since 2017 -Social enterprises from Nepal taking part in Global Entrepreneurship Summit in India in 2017 -Yunus National Social Business Challenge 2018	-"So we work with the kind of television, also as a TV show. It's not as popular as probably other television show that air globally. But what I'm going to say is it's all about creating part of the ecosystem." (Interviewee IdeaStudio)	-First public announcement about creating a legal framework to allow non-profits to generate profit (turning them into a social enterprise) in 2020 -NYEF start-up event for social enterprises in 2022 – after Educase successfully participated in 2021 and reached final stage)	-"I think they're starting out a little bit. Like very recently, I just saw one of the universities, you have like one of the bigger universities, opening a school of social entrepreneurship. I just saw it two months back. So I was like, Okay, fine. Something is happening in this space. And, for example, the Nepal startup awards, also, which I mentioned to you, in that we were the only social enterprise." (Interviewee Educase)
Key Actions	-Chaudhary Foundation announces a social business found of 1 Million USD in collaboration with Yunus Center in 2012/13	-"So the point that I'm trying to make since you asked me, who's been keeping the conversation going, it's always been big NGOs and INGOs. As a very poor country, not being able to… do it ourselves." (Interviewee Anthropose)	-IdeaStudios Social Business Incubator and Antarprerana registered in 2015 - Nepal Communitere (later Impact Hub) launched in 2016/17 -Call to governments to recognize SE as a	-"What we adopted not a lot, but this this with the, the way the ecosystem are growing is growing here in Nepal, their venture capitalist private equity and angel investment is also coming. So in fact, funds are coming to Nepal. So these are the alternatives." (Interviewee Antarprerana)	- Nabil Bank launches Nabil School of Social Entrepreneurship and Nabil Center for Social Entrepreneurship and runs three-month certified courses on SE in seven colleges and Universities across Nepal in 2021 -Government allocated budget for business	-"They [government] have started working on the start-up policies, they are taking it seriously. And every week, there's I can see some progress that has been made there. And the other thing is setting up the incubation centers all over in the seven provinces that has been in their program now." (Interviewee Antarprerana)

		separate legal form in 2016 -Chaudhary Foundation announces 500k USD investment in promotion of SE in 2017 -Government announces to invest 500K-1 Million NRP fund free of collateral for start-ups in 2018 -Udhyami Nepal Portal launched to facilitate finding information for needed for business creation and to inspire entrepreneurs through success stories in 2018 -Private Equity investors and VCs create first impact fund	-"Second one is to create this, I'm also looking at at the moment, we have Idea investment fund, we are creating this, I call this middle path of investment. So the middle path of investment, we need to create the impact investment. So this is something that we're working on it." (Interviewee IdeaStudio	incubation centers in all seven provinces in 2022	-"Be it the devastating earthquake of 072 [2015] or the Corona epidemic, start-ups have succeeded in proving their justification." (National planning commission secretary) -"A few colleges in Nepal also have social enterprise courses, as an elective that people can just take up. So I feel like you know, if it is ingrained in the educational system, it will be easier for us in the next few, five to 10 years." (Interviewee Pad2Go)
Interpretation	-SE as non-profits using business tools -"Mad Engineer" -"Hidden Heroes" -The fortune at the bottom of the pyramid	- (only based on online sources)	-A need for SE in Nepal is recognized by academic and private sector -Social businesses can be a means of social transformation -High relevance of SE in the Nepali context	- (only based on online sources)	-Advantages of SE for government, social, and economic development recognized after the effects of the pandemic on the country -SE as the most effective forms of entrepreneurship for Nepal	-"I think that things will change, things will change for good and sometimes the crisis do bring good changes as well. I think this also gives us another opportunity for people who always been thinking about doing better, for the green and for social justice." (Interviewee IdeaStudio) -"People now understood that charity cannot thrive when the whole world is in crisis. Entrepreneurship will thrive. Even when the whole world

						switches off, you can make something out of yourself. The livelihood is the key for thriving yourself and kind of you know, taking the society out of the crisis as well. You cannot depend anymore." (Interviewee IdeaStudio)
Involved Actors and formal institutions	- Big private corporations using CSR activities to invest in the promotion of SE -Surya Nepal and Chaudhary Group -NGOs and INGOs to lead initiatives and conversations -Personal blogs	-"Yes. So they have they have to allocate 1% of their profit on CSR. That is, no, that is the rule set by the (?) bank. So that's the reason what I'm saying is they have the fund, but they focus on the CSR activities when, you know, the auditing thing comes close." (Interviewee Samsara Creation)	-Academia to bring together actors from government, private sector, investors, and multilateral parties to guide actions towards capacity building -Earthquake lead to more investments and donations from INGOs, the first venture capital firms and private equity investment funds were build for social innovation	-"It [disaster] accelerates a lot of conversation. You know, this is not something that the schools didn't need. Every Kid in that school, needed safe water. But people were not putting it on priority and a disaster of that scale, made people focus on it. So it accelerated the kind of conversation and the influx of money. It always does that. Every bad thing comes with an opportunity." (Interviewee SmartPaani)	-Lesser availability of funds and donations by INGOs -Government took first actions towards creating policies and building supporting frameworks	"So, I would say that the ecosystem for entrepreneurship is growing here in Nepal, mostly after the COVID situation, it has been like, a big deal for a lot of organizations to just come up with some innovative ideas and do something for their own, because there were like a lot of people who had to quit their job because of the COVID. They were dependent on others, right. And now, because of that reason, now, they are also innovating with the government, and to give them suitable framework or platform to have their, you know, been established and do some entrepreneurship on their own." (Interviewee Samsara creation)
Level of interaction	-Independent actions of few parties -low level of cross-actor interaction -Social enterprises worked in silos instead of building a network	"And there are lot of redundancies that because there's this communication gap between like certain group of organizations doing the same thing, but not having communicated with one another. I think that is that's one of the issues here. […] because like everybody, here, they run for trying to have impact on under their	-Network building -Growing awareness that social problems cannot be solved in silos	-"Earthquake? Yes, in some way. A lot of youth they engaged In the reconstruction or wants to reach out to villages to support them, a lot of youth, they were engaged in the whole social aspect of, you know, helping the society. So that kind of was a transformational thing that people tend to anticipate it would happen, but it was	-Strong awareness for the need for collaboration locally and globally	"I think definitely, the time has changed. And I think people now I think, more than ever they have understood the importance of collaboration, like you said, the universities and other partners, because I think that there used to be times that people wanted to prove that they could do everything alone. But I think the time has been changing in that part, like

		own belt, rather than just being a collaborative." (Interview Anthropose)		really good. So then you could see that the youth were pretty active, you know, they would actually do things by themselves." (Interviewee Doko Recyclers) -"From the very second day, we started, like, the second day, we started out with raking the entire peripheries around the Kathmandu Valley. And then partnered up with three others, three other social enterprises, and then started creating a temporary household for the ones who lost their houses during the earthquake. So it was during that during that time, we saw a lot of such parties, such collaborations happening, right, so we ourselves were one a for profit, social enterprise, we had a, we had our other company, which is a purely profit based company, but with a very good network of supply chain with ourselves, right. So we could procure things very fastly cheaply, and have it dispersed on like, you know, when it was actually required, we partnered up with another social enterprise." (Interviewee Anthropose)		everyone wants to do collaborative work, and at least the ecosystem, our organization is surrounded by wants to really deliver it to the people and not just have it big in the name in itself." (Interviewee Community Homestay)

				-"Why don't we be able to create that hub for the social and green innovation in contexts in Nepal. So we can close the work with all these countries. And we are the people that who face the biggest disaster natural disaster at the same time. Earthquake till flood till drought. But due to that, as well, we are looking more into the knowledge collaborations. And due to that, for last few years, we've been collaborating with MIT, we have been collaborating with Finland, in terms of their lab as model of education system. We want to learn more, we're collaborating with other universities globally as well. Can Nepal be the hub?" (Interviewee IdeaStudio)		
Cultural-factors	- Competitive rather than collaborative mindset, "doing it on one's own" mentality -Reinforced by the competition that NGOs and corporations created	-"Collaboration is not in our DNA. We really want to be in front of others, be ahead of others, at the cost of others. It may sound a little bit rude but that's how I felt. That's why I am very, very vocal about it. Because people have that insecurity and what you call.. a distributed mindset, not integrated mindset. I really want to do everything on their own, so that I can be superior to others. Rather than like, creating that space, I do my part, you do your part, together, we can	-Strengthened urge to support one another -Growing collaborative mindset	"I think, after earthquake, a lot of different people they collaborated. They even found an organization. Before that, I think people used to say, if you're going to start a business, how are you going to… The curious part was How are you going to earn the money? […] After earthquake, I think maybe people felt more need for the social entrepreneurship, especially focusing on the disaster thing, you know." (Interviewee Samsara creation)	-Growing Environmental and social awareness -Growing legitimacy of entrepreneurship as career path	-"If the disease caused by, you know, an environmental change or something that that I think, that might be an excuse for, like, a company like us to just tell about the problem of, you know, realizing the importance of being more environmentally, you know, also talking about the reduction of, you know, the effect to the climate change, or something like that." (Interview Samsara creation) -"So I see a lot of younger generation people want… otherwise, if a couple of years back, people didn't really want

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		improve." (Interviewee Kings College) -"You know, to get into the depth of these issues, like I think we see a problem in the donors as well once again, they appear, they have money.. let's imagine you also work in incubator space. I also work in incubator space, UNDP announces a project for incubation. So we compete.. Yes we are competitors we are not collaborators in that sense. So there is money, right? They throw money, we fight." (Interviewee Kings College) -"Because you know like… we have build such hierarchical things... big people or small people, those kinds of things so much of differences amongst the people is so much heavily inculcated in everyone's mind it's not that easy to make the changes in overnight. It will take some time but it will change… it has to change." (Interviewee Antarprerana)			to start a business, no one wanted to be an entrepreneur, but that ecosystem is suddenly evolving in the country which is very encouraging." (Interviewee SmartPaani) -"Because earlier it was an extremely tough like it to explain something like this, you know, but now people are more open to trying new new things. Post COVID Because they Like anything can happen, you know? So I think people are taking innovation a little more seriously, a lot of times otherwise, it's usually like traditional ways. You know, we used to do it like this for 10 years. So why can't we continue like that. But I think people are, in general, more open to newer ideas now." (Interviewee Educase) -"Yeah, I think people appreciate innovation more. And I am sure that they did appreciate the innovation when vaccines were supposed to be rolled out, you know where that vaccine and led roll out these vaccines, get this done and then yet get through, because it probably took one or one and a half years in Nepal, it was probably two years that we waited for vaccines. So probably that impatient that impatience also increased our appreciation for what innovation could bring and how

	it could change our life. Right? That includes innovation, probably not in the scale of vaccines, but the small innovations as well, how we, every innovation can help us move forward efficiently." (Interviewee Nepal Private Equity association)

Appendix 4 Interview Guide

Question category	Questions
1. Introduction	1. Please explain a bit about your social enterprise: When did you found it, why did you found it, and about your entrepreneurial journey so far.
2. Legitimacy	1. Did the community understand the purpose of your business from the beginning? How did/do you try to obtain legitimacy/acceptance? 2. Whom were/are legitimacy efforts targeted to? Why them? Which are the most/least important stakeholders for legitimacy pursuits? 3. What activities did/do you undertake to obtain acceptance? 4. Which activities/strategies are/were successful and which unsuccessful? 5. What are the main challenges to get recognized? 6. Did you change strategies/approaches? If yes, why? What were/are results of this change in strategy? How did different stakeholders respond to these changes? 7. What do you do to create/defend/maintain legitimacy/acceptance? 8. Did you experience legitimacy/acceptance to decline over time? 9. Did/do you experience a conflict between (legitimation) strategies? If yes, how do/did you deal with it? 10. Did getting recognized by one actor help/disabled getting recognized by another?

	11. Do/did you experience mission drift (towards financial or social goal of the venture) as a result of legitimation pursuits?
	12. What has been a major setback in the process of legitimation/acceptance?
	13. What has been major success/milestones points in the process of legitimation/acceptance?
	14. How important to you consider obtaining legitimacy/recognition from the government/community?
	15. Concerning employees: Is it easy to find employees who understand the purpose and want to contribute? How do you attract new employees?
	16. Did you and if yes, with whom did you try to collaborate in partnerships in order to gain acceptance? Did it work? (Girschik 2020).
	17. Did the expectations of your stakeholders change/increase? (Fisher, et al. 2013)
	18. Did you have a specific point where you felt "now I have legitimacy among the community/government"? (Rutherford & Buller 2007)
3. Environment/Institutions	1. Tell me something about the ecosystem that surrounds your social enterprise.
	2. How would you describe the social enterprise landscape in Nepal?
	-> Are there differences running and maintaining a business for social enterprises and regular enterprises?
	3. What are the challenges in running a social enterprise? What are opportunities?
	4. Which actors are supporting, which are hindering you from achieving your goals?
	5. How are the reactions from the community, family, friends on your entrepreneurial activities? (Busenitz & Lau 1996)
	6. Can you describe the social enterprise ecosystem 5 years ago compared to how it is now? What is the difference? (10-15 years ago)
	7. Can you describe the relationship between social enterprises and the government? (Gartner 1985)
	8. Can you say anything about support network, events, etc. (social networks by Busenitz & Lau 1996)

	9. Are there any role models that are important for social entrepreneurs in Nepal? If yes, how do they influence the scene?
	10. How does the local culture affect social entrepreneurship? (Does the cast system have any affects?) (North 1990)
	11. Can you think of specific events that lead to changes in the ecosystem?
	-> if it wasn't mentioned yet, ask about relationship towards other actors: funding agencies (donors), international organizations, investors, legal system, infrastructure, educational institutions/incubators (Isenberg 2010)
	-> The government introduced 2020 a proposal for a social enterprise fund to support social enterprises. What did change after this announcement?
	-> When Muhammad Yunus received the nobel peace prize for social entrepreneurship in 2006, what did change for social enterprises in Nepal? (role model) -> How did the civil war and political system change 2006 affect social enterprises in Nepal?
	-> How do natural disaster (earthquake 2015) affect the social enterprise and the ecosystem?

Appendix 5 Waste Worker Interview Guide

Question category	Question
1. Demographics and background	*What is your name?* *How old are you?* *How many years of education do you have?* *How long do you work as a waste worker?* *What have you done before?*
2. Issues and benefits of the work	*Why do you choose this job?* *Which issues do you see? Which benefits do you see?* *What do your family and friends think about this job?* *Did you ever experience disrespect from other people because you are doing this job?*
3. Advocacy	*Did the situation change? Are people more respectful now?* *Have you ever tried to do something so that people respect this work or thing differently about it? If yes, what? If not, why?* *Do you know Doko Recyclers or SASAJA?*