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Does the Social Enterprise Ecosystem Facilitate the Growth of Social Enterprises? An Extended Case Study of Taiwan, China

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ABSTRACT

Social enterprise (SE) ecosystems are a central concept in understanding the growth of SEs, yet existing research still needs to discuss the attributes of the ecosystems and their actual impacts on SEs. Based on an extended case study, this paper explores the actual impact of ecosystems on SEs in Taiwan, China. It is found that the SE ecosystem is not a dichotomous variable of “yes-no”, but of being “strong” or “weak”. Taiwan’s SE ecosystem has supportive conditions for SEs, such as favorable public policies, research institutes, and certification of SEs. However, due to deviations in implementing public policies and the lack of cross-sectoral cooperation between the government and other actors, Taiwan’s SE ecosystem is functionally “weak”. That is, the ecosystem needs to play a sufficient role in constructing the identity of SEs, providing legitimacy support, and linking resources. Under these circumstances, while maintaining the stability of their mission and core competencies, SEs appeal to themselves to gain internal and external legitimacy to achieve organizational growth. This finding reveals the complex relationship between SE ecosystems and the growth of SEs, and has implications for the construction of supportive SE ecosystems.

Keywords: Social enterprise; Ecosystem; Legitimacy; Organizational growth; Extended case method

1. Introduction

Social enterprise (SE) is a new form of organization that has attracted much attention. The study

of the optimal conditions for the growth of SEs has become an essential area of current research. These external supportive conditions are usually systemic, so the efforts to address only one condition often

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fail to explain the development of SEs^[1]. Hence, SE ecosystem has become an essential perspective in understanding the growth and performance of SEs^[2], because the success of new ventures may be attributed to other factors beyond the enterprise itself^[3].

Having complete system conditions is a fundamental characteristic of a supportive SE ecosystem. However, will an ecosystem with critical systemic conditions achieve the desired supportive effects? Not necessarily. Once conditions are in place, it is essential to ask whether these conditions actually influence changes in SE behaviors^[4]. For example, even England is considered to have the most supportive SE ecosystem in the world^[5], but its supportive effects have been questioned^[6]. SE ecosystem is a social construction process in which the desired effects of system construction are only sometimes achieved^[7].

However, the primary literature on SE ecosystems has focused on the components of the system and their expected functions or effects, but not on the nature of the ecosystem itself and its actual impact from the perspective of SE. Given this, using an extended case study, this paper intends to explore the attributes of the SE ecosystem in Taiwan and analyze the extent to which the system supports the growth of SE. The study found that the SE ecosystem in Taiwan is “weakly functional”—only providing a relatively low degree of support for the growth of SEs. This finding differs from the previous research because Taiwan’s weak SE ecosystem is not due to a lack of crucial ecosystem conditions but a low conversion rate of supportive conditions due to deviations in implementing these conditions and a lack of effective collaboration between ecosystem actors. In this context, the SE has relied more on internal governance and strategically adopted external legalization methods to grow.

2. Literature review

2.1 Social enterprise ecosystem

An ecosystem is a biological term that refers to an environment consisting of all the organisms

living in a particular area and all the nonliving physical components of the environment. Its biological foundation helps to analyze the roles of the various actors and their interdependence^[8]. This concept is widely used in innovation and entrepreneurship research and organizational studies. The entrepreneurial ecosystem metaphorically refers to the combination of elements such as local culture, social networks, finance, investors, universities, and public policies where entrepreneurial actions or organizations are located^[9]. An SE ecosystem thus means the environment that influences the growth of SEs in a given country or region based on specific political, economic, cultural, social, historical, and resourceful actors, including governments, nonprofit organizations, and business organizations^[10,11]. Currently, SE ecosystems have been discussed in countries and regions such as the UK, Singapore, Thailand, Indonesia, mainland Europe, China, Hong Kong, China, and Taiwan, China.

In the framework of the ecosystem, the SE is like a new species whose emergence can be explained by the evolutionary theory—SE evolves through interaction with their environment based on established species. In the end, what kind of “autopoiesis” of the SE (the growth of social enterprises and their types, etc.) in the system is affected by both genetic factors—the established political, economic, cultural, and other institutional or historical roots, and epigenetic factors—the dual effects of policies, funds, and resource networks provided for the growth of social enterprises^[12].

2.2 Theory framework

Based on the analytical framework proposed by Hazenberg et al., this article has refined two pathways that influence SE growth in the ecosystem. The first pathway is “genetic factors + manifestations + functional effects”. For example, genetic factors including politics, economics, society, culture, and their manifestations of political system, ruling ideology, and political stability; the degree of market openness and economic development; the social capital, the development of civil society; the

institutional change and historical heritage within the system, constitute the basic soil for the development of SE and affect the attributes of ecosystems and the types of SE [6,10].

The second pathway is “epigenetic factors + actors’ behavior + functional effects”. Epigenetic factors also mean ecosystem builders. The primary SE ecosystem actors include government, nonprofit organizations (NPOs), business organizations, universities, research institutes, social enterprises, individuals, etc.

First, governments are considered the most important and discussed players in the ecosystem [13–15], because they can build an enabling environment for SE and diffuse the concept of SE. Governments can break the legitimacy dilemma and construct a resource network for SE through the provision of funds, periodic capacity-building programs, the adjustment or establishment of laws and regulations, tax incentives, the establishment of new authorities in charge of SE, the construction of a certification system, cross-border cooperation, and actively promoting SEs [16–18].

Secondly, NPOs can enhance the operational capacity, construct the identity, and shape the legitimacy of SEs by constructing SE service platforms, incubating SEs, certifying them, and providing financial support, training, and consultancy services [19,20].

Thirdly, through supportive government programs, universities and research institutes offer SE courses or degree programs to encourage youth social entrepreneurship, provide professional consulting, training, and other services, and even incubate SEs [3]. These initiatives can promote the diffusion and accumulation of SE knowledge, cultivate talents, and provide the needed resources for SEs [16,21].

Fourthly, business organizations improve SEs’ financing environment and enhance their business operation capabilities and market competitiveness through CSR, impact investment, partnerships, joint social enterprises, business consulting, and capacity training [1,12,17]. Fifth, SEs create collective beliefs and values, and construct the collective identity

by establishing mutual assistance platforms and networks, operating microfinance institutions, and policy advocacy [22,23]. These actions also promote industry regulation and improve the financing environment [3,18]. Lastly, citizens increase SEs’ income and promote SE awareness by purchasing SE products and services and participating in social enterprise activities [24,25].

Each SE ecosystem comprises multiple genetic factors, epigenetic factors, and their logical chain. Due to the different contexts, the composition conditions of each ecosystem are different. For example, the SE ecosystem in Singapore emphasizes the role of local cooperatives, governments, and university research institutions; the SE ecosystem in the UK is characterized by its history of social development and supportive solid government policies. In addition, the cooperation among the main actors in the ecosystem [17], especially the construction of a collaborative network built by governments, and the integration of genetic factors and epigenetic factors, are crucial to enhance the empowering role of SE ecosystems [3]. This article summarizes the existing SE ecosystem research into the theoretical framework shown in **Figure 1**.

Although the previous research has constructed a comprehensive theoretical framework of the SE ecosystem, there is a “black box” in terms of the actual effect of the ecosystem on the growth of SEs. This is because the existing literature usually conducts research in a “monologue” style, mainly interpreting the SE ecosystem of a specific country or region from the perspective of the ecosystem builder, and then inferring what kind of support the ecosystem needs for developing SEs. However, this conclusion has yet to consider SEs. Whether supporting conditions can be converted into actual supporting effects is still worth further discussion. After all, the ultimate goal of ecosystem construction is to assign system energy to SEs.

While environments always affect the internal structures and biological organisms of systems, this influence is subject to interpretation by the system actors [10]. Therefore, how do SEs evaluate

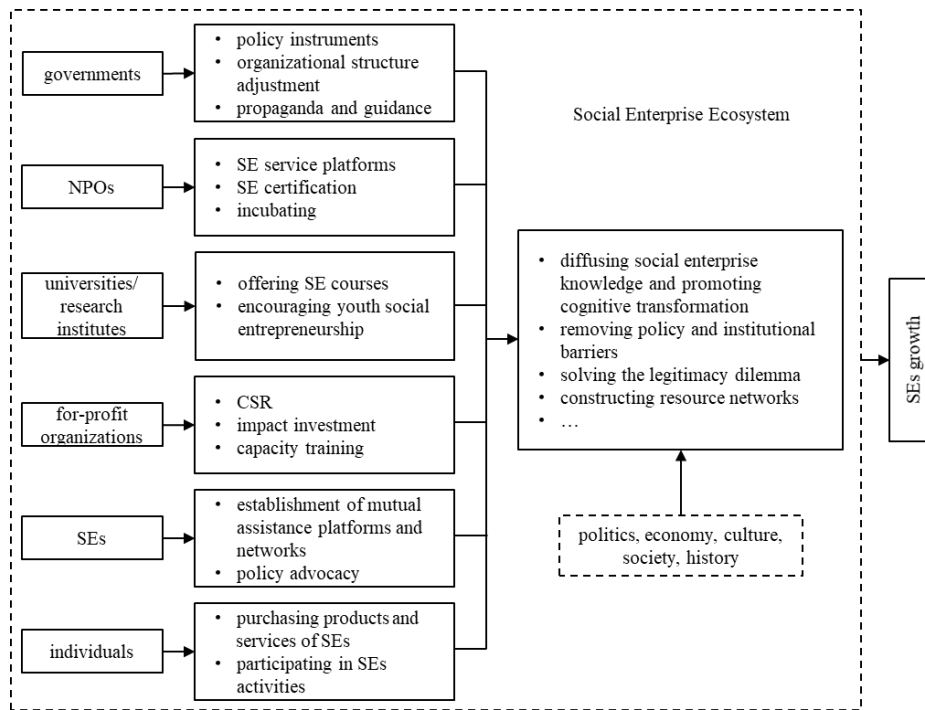


Figure 1. Social enterprise ecosystem framework.

the behavior and output of this ecosystem? Do the systems provide the support that SEs need? From the perspective of SEs, how much support can the system provide for their growth? “Monologue” research does not help answer these questions. This article intends to use “dialogue” research to respond to these questions. On the one hand, it explains the SE ecosystem in Taiwan, and infers its potential functions; on the other hand, from the SE perspective, this paper examines the ecosystem and reveals the actual supporting effects of the system. This article will advance the theory of SE ecosystems and simultaneously bring enlightenment to constructing an efficient SE ecosystem.

3. Method

The Extended Case Method ^[26] was chosen for this paper. This method was developed in response to the need for more representativeness and abstraction of the case study. Its core idea is to achieve a deeper understanding of the problem based on the empirical analysis of both macro and micro factors ^[27] to form an abstract and systematic understanding of the research and thus rebuild the theory.

This article applies the extended case method for two reasons.

Firstly, the method fits the research questions. The article intends to explore the actual impact of the SE ecosystem on the growth of SEs, involving both systemic and organizational levels of analysis. Compared with the case study, the extended case method goes beyond the narrow scope of cases and combines the macro and micro levels ^[27]. This paper uses this advantage of the method to examine the impact of the macro-level SE ecosystem on the micro-level SE, which shows how the former substantially supports the latter’s growth.

Second, the method is consistent with this article’s research purpose. At the theoretical level, this research intends to reflect on the existing flaws in the SE ecosystem theory and develop the theory by analyzing the empirical materials of Taiwan’s SE ecosystem. The development of the existing theory is the ultimate goal of the extended case method ^[28].

The extended case method has three stages: identifying a theory and a case, collecting data, analyzing data, and rebuilding the theory ^[29]. Also, this method has four extended principles, which are blended into three steps above: the extension of

the observer into the community being studied, the extension of observations over time and space—the researcher is permanently rooted in the context of the research subject, the extension from the micro-processes to macro-forces—looking at the way the latter shape and indeed are shaped by the former, and the extension of the theory that is the ultimate goal and foundation of the extended case method.

3.1 Theory identification and case selection

Here lies the secret of the extended case method theory that is not discovered but revised, not induced but improved, not deconstructed but reconstructed^[28]. Therefore, the starting point for research is theory rather than experience, and theory leads the entire research process^[28]. Before entering the field situation, the author has paid attention to the necessary external conditions that affect the growth of SEs. The case chosen for this study is the SE ecosystem in Taiwan, thanks to the author’s nearly five-month exchange study. Based on the author’s experience and the existing theoretical foundations, the author finds that the “anomalies” between the ecosystem environment in Taiwan and the growth of SEs are likely to pose a challenge to the existing ecosystem theory^[29], so it is used as the research object of this article.

3.2 Data collecting

This research uses a variety of data resources.

(1) Archives: mainly from government policy documents, research reports, webpage materials, etc. Among them, we mainly focused on SE policies such as the “Social Enterprise Action Plan (2014–2016)”, the “Employment Training Plan,” and the “Multiple Employment Development Plan.” (2) Field observation. The author has participated in Taiwan’s SE ecosystem in various ways, including practical activities, academic activities, and daily interactions. (3) In-depth interviews with 8 SEs (**Table 1**). Six of them came from the in-depth interview based on the theoretical sampling principle, and the other two came from the participatory observation activities.

The main issues are investigated through interviews: the background and purpose of the establishment of the SE; the cognition of SE; the business model (product, market, customer relationship maintenance, etc.), and the status of SE (income structure, financial situation, profit distribution, etc.); social activities; opinions on public policies, legislation, certification, etc. Each interview was recorded with the consent of the interviewee. The duration of the interview ranged from half an hour to two hours. Finally, we got a transcript of about 105,000 words.

3.3 Data analysis and theory development

Based on the three stages of the extended case method—identifying a theory, analyzing cases, and rebuilding the theory”^[30], this paper constructs the following analytical framework (**Figure 2**).

Table 1. Brief introduction of social enterprises investigated by this research.

SEs	Social Mission	Since	Legal Status
SE-C	Employment, social integration, long-term or lifelong care for the disabled	1995	NPO
SE-DC	Provide diversified services for people with reduced mobility	2009	FPO
SE-BT	Reshape the value of “garbage”, protect the environment, and creative teaching with garbage	2014	NPO
SE-OC	Use technology to help people with mobility difficulties integrate into society	2014	FPO
SE-G	Promote the full use of exceptional food and reduce food waste	2015	FPO
SE-A	Improving the lives of indigenous people, promoting organic culture, and environmental protection	2008	FPO
SE-AG	Promote the employment of people who are hard of hearing and fight for their language rights for them	2005	FPO
SE-M	Promote the employment of the disabled, fair trade, and environmental protection	2008	FPO

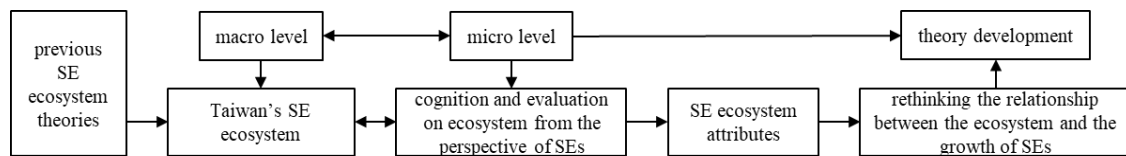


Figure 2. Analysis framework.

Firstly, combining the theoretical framework of the SE ecosystem (Figure 1) with the empirical materials available, this paper distills four essential ecosystem conditions: (1) the development of NPO. NPO is an important field for the emergence of SEs [31,32], and understanding the development of NPOs and their institutional legacy in Taiwan helps to understand the systematic and potential impact of this genetic factor on SEs [33–35]. (2) Universities and research institutes. In Taiwan, universities were well ahead of the government in disseminating, educating, and advocating SE knowledge [14]. Therefore, they have played an essential role in the diffusion of SE knowledge and legitimacy construction. (3) Government and public policy. According to the consensus of existing studies, governments, and public policies are the most critical ecosystem condition. (4) SE certification mechanism. This is a crucial way to construct SE identity and give legitimacy to SEs in the ecosystem [20]. These four critical conditions are then used as dimensions to describe the SE ecosystem in Taiwan and infer its functions to complete the case study at the macro level.

Secondly, by looking at the macro system from the micro-level, this paper evaluates the output and impact of the ecosystem from the perspective of SEs based on the four conditions mentioned. Through this cross-level analysis and dialogue, we discuss the nature of Taiwan’s SE ecosystem and the actual support for the growth of SEs. Finally, this paper reveals the factors that promote local SE growth, rebuilds the SE ecosystem’s theoretical framework, and summarizes implications for management.

4. The SE ecosystem in Taiwan and its functions

4.1 Key components

The maturity of civil society

The development of NPOs in Taiwan began mainly after the “post-martial law” in 1987 [36]. In 1989, the People’s Organizations Act amendment significantly liberalized people’s right to form associations and accelerated the rapid development of NPOs [37]. As of 2016, there were over 16,000 unincorporated people’s groups across Taiwan, twice as many as ten years ago. In addition to the loose policies, the “clean” governance of Taiwan’s NPOs has further contributed to the maturation of civil society. In response to social demands and the spirit of self-regulation, NPOs have focused on building themselves accountable, transparent, and socially responsible. Hence, they have gradually developed toward standardization [38–40]. The Alliance for Self-Regulation of Public Interest Groups in Taiwan is one example of self-regulation at the sectoral level. These NPOs have formed alliances to monitor each other and uphold the principles of accountability, self-discipline, and transparency to maximize the value of social donations. In just 30 years, NPOs have quickly become essential in providing social services and maintaining public values, laying the foundation for a healthy civil society [41]. During this period, the governments had reduced funding for NPOs, so some NPOs gradually transformed into SEs in search of economic independence and sustainability; in addition, some commercial organizations also tried to move towards the logic of

SEs in an intense philanthropic atmosphere^[33].

Supportive research institutions

The emergence and development of Taiwan's SEs were promoted by civil society. In addition to the fertile NPO soil, supportive research institutions play an essential role in this process. So far, many universities in Taiwan have established SE research centers, such as the "Institute of Social Enterprise and Social Innovation" of Dharma Drum Institute, the "Social Business Management Research Center" of Feng Chia University, the "Social Innovation Center" of Chengchi University, the "Social Enterprise Research Center" of Chung Cheng University, and the "Yunus Social Enterprise Center" of Central University, etc. They are fundamental forces to spread the cognition of SEs^[21]. In northern Taiwan, Fu Jen Catholic University is the main position for SE promotion. Professor Hu and his team established the "Social Enterprise Research Center" in 2009; by 2013, they had established social enterprise courses and degrees. With professional knowledge and significant influence, this team also runs the "Taiwan Society for Social Enterprise Innovation and Entrepreneurship". It uses this platform to diffusion SE ideas, academic research, and talent training. Sun Yat-sen University is an "accelerator" for developing SEs in Southern Taiwan. Professor Zheng and his team established the "Social Enterprise Development Research Center" at the end of 2012. In 2018, the center was certified by the British "Social Enterprise Places", affirming its influence in southern Taiwan.

Governments and public policy

In Taiwan, the government's policies to promote the development of SEs came relatively late. With the release of the Social Enterprise Action Plan (2014–2016) in 2014, this year is also known as the "first year of social enterprises". Before that, the government had supported the development of local NPOs by providing workforce subsidies, which indirectly incubated several entrepreneurial nonprofit SEs^[14]. Since 2014, the policy has focused on creating an enabling environment for all SEs rather than supporting several SEs. Precisely,

the Social Enterprise Action Plan (2014–2016) has planned to spend 1.1 billion Taiwan dollars (approximately 247 million RMB) to invest in four areas within three years: (1) regulations, such as adjusting the Company Law to remove legal and regulatory obstacles to the development of SEs. (2) building a platform: promoting SEs and establishing a guidance mechanism. (3) fundraising: expand SE financing channels. (4) capacity building: developing SE talents, establishing incubation centers, setting up "social enterprise clusters," providing social enterprise office space, organizing training and exchange activities, etc.^[14].

Social enterprise certification system

Social enterprise certification is an identification mechanism for distinguishing SEs from traditional commercial organizations and NPOs. The purpose is to create a unique identity for SEs. Taiwan has no formal SE certification system, only a "social enterprise registration platform" and a "self-regulatory platform". The registration platform was one of the measures in the Social Enterprise Action Plan. The Ministry of Economic Affairs commissioned the platform to be created and operated by the Self-Regulation Union in 2015. The union identifies SEs based on three criteria: their original mission, operational model, and social impact, and classifies them as early-stage SEs and advanced SEs^[20]. With the expiry of the Social Enterprise Action Plan, the SE registration platform was taken offline, but the Self-Regulation Union kept its mission to identify SEs. Therefore, they launched a private SE self-regulation platform at the end of 2017 to advocate self-regulation and self-disclosure of SEs. This has set an example for the whole SE industry.

4.2 The functions of the SE ecosystem

The growth environment of SEs in Taiwan is the product of historical accumulation and the joint action of multiple actors. All factors play the functions of consciousness awakening, identity construction, legitimacy construction, and resource linkage (**Figure 3**).

Firstly, we found that the fertile NPO soil has

strengthened the self-awareness of SEs, and the long-standing tradition of focusing on social issues has created a favorable atmosphere for public charity. Their active social governance function has won the trust of the local people. In such a context, these organizations have a sense of self-consciousness to work towards continuously meeting the needs of society. When the traditional “financial dependency” model is not viable, alternative paths, such as social enterprises, are created to sustain their social mission.

Secondly, when this consciousness is awakened, other actors in society contribute to developing SEs uniquely. The first function is identity construction. Supportive research institutions spread the concept of SEs through teaching, seminars, and workshops. Government departments use public authority or power to guide society’s understanding of SEs at a broader level. In addition, quasi-social enterprise certification mechanisms also play a role in constructing SE identity. The second function is the construction of legitimacy. The frequent academic discussions, the emphasis on government policy discourse, and the clarification of the identity of SEs gradually make SE operational and establish the expectations, norms, and beliefs of SEs as a hybrid organization with social functions. The third function is resource linkage. Based on the legitimacy status of SEs, they can obtain tangible or intangible resources, such as office space, funds, laws, finance, operational support, and consulting from the government or

other resource-dominant parties, thus facilitating the growth of SEs.

5. The attributes of the SE ecosystem and the growth of SEs

This section first examines the ecosystem from the perspective of SEs. It infers the attributes of the ecosystem and then proposes strategies for the growth of SEs based on the support of the ecosystem.

5.1 The attributes of the SE ecosystem

Does the SE ecosystem construct the SE identity?

Although the concept of SE is promoted in different forms by public policy, research institutions, and SE certification in Taiwan’s SE ecosystem, there has yet to be a consensus on the definition of SE. Some of them think that SE is an extension of NPO (Interview record: SE-DC20170106). Others believe any organization that addresses a social need in a business-like manner is an SE (Interview record: SE-AG20170117). Furthermore, others still think that SEs are a type of organization between NPOs and enterprises. The chairman of the board of directors of SE-A perceived SEs as something that went beyond the organizational perspective, saying that they were more of a “Movement”, an action rather than an “organizational form” (Interview record: SE-A20170116).

In addition, there is a “stratosphere effect” in the

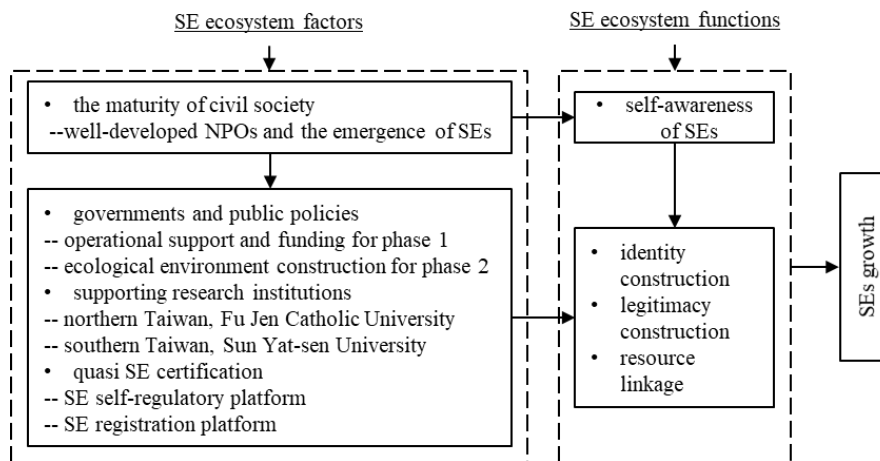


Figure 3. Taiwan’s social enterprise ecosystem and its expected functions.

perception of SEs—The general public still knows very little about SEs. In fact, *“I think SEs are not yet so popular. Maybe researchers or only a small group of people are interested, so customers are not sure if we are SEs or not”* (Interview record: SE-C20161220). *“Maybe you are in this field, so you feel it is a scorching topic, but if you leave the field, no one, like our guests, it does not really matter if you are a social enterprise or not”* (Interview record: SE-A 20170116).

There are two ways regarding whether SEs are recognized. One is active identification: based on their understanding of SE, they believe that their organizations have the features of SE. For example, SE-A, SE-M, SE-AG, SE-OC, and SE-G have been positioned as social enterprises since their establishment. The other is passive identification. The public gives this identification, but the SEs do not actively claim to be SEs. This is due to a misalignment between practice and concept.

“Before we established SE-DC, the concept of social enterprises had not been flourishing in Taiwan, but when the government started to develop social enterprises, or when the academic circle was promoting the concept, SE-DC was considered one of them. Although nowadays you may know about SE-DC because of the honor of social enterprise, there is no such thing that we created it for the sake of creating a social enterprise, so this was the early days of the business before the concept was even around” (Interview record: SE-DC20170106).

“At the beginning, we called ourselves NPO or NPO commercialization; only later did the concept of social enterprises come out, and we changed to social enterprise...so, were we recognized as a social enterprise or not? That depends on people’s opinion” (Interview record: SE-C20161220).

The interviewees’ responses are similar to those of their clients or trading partners. None of the organizations interviewed cared whether consumers, suppliers, or partners identified themselves as social enterprises or whether the main reason for attracting social attention was not the concept of social enterprises but the organization’s actions

and the services it provided. *“Identity and business transactions are completely different things; we do not care at all, and I should say we do not need them (clients, suppliers, etc.) to care either”* (Interview record: SE-A20170116). This also shows that the concept of SEs is not widespread in Taiwan, and that SE identity has not yet become a “brand” for transforming resources and enhancing market competitiveness.

Does the SE ecosystem enhance the SE legitimacy?

Legitimacy refers to the conformity of an organization’s actions to those taken-for-granted expectations, norms, and beliefs in its present domain ^[42]. When the legitimacy of the SE is established, the set of characteristics that constitute the SE’s identity will become the audience’s default expectation ^[43]. From the effectiveness of SE identity construction above, it is clear that the organizational form of SEs has not become the general default expectation of the audience in Taiwan, which implies that the legitimacy level of SEs in Taiwan is low.

In addition, organizational legitimacy is not a dichotomous variable—an organization is either legitimate or not. Instead, it ranges in value from low to high ^[44]. The proposed emphasis here is that the SE ecosystem in Taiwan has changed the legitimacy of SEs, but the changes are minor. The first reason is that the SEs and their clients tend to associate SEs with NPOs, closely related to the history of local NPO development. The genetic elements of the ecosystem (profound NPO traditions) have a deeper influence on the development of SEs.

In contrast, the epigenetic factors of the ecosystem have a relatively weak influence on SEs. Based on the divergence of the conceptual spectrum of SE perceptions and the “stratosphere phenomenon”, it is clear that although both research institutions and the government are making efforts to popularize the concept of SE, “the circle of the SE in Taiwan is small, and even fewer people are continuously interested in policy development and try to participate in it... Although there is some consensus across sectors, the respondents from the private and third sectors have more or less distinct

views from government departments”^[45], resulting in little cognitive consensus of SEs.

Secondly, the legal identity of SEs is placed under the existing legal frameworks such as the Company Law and the People’s Association Law (genetic factors), and the system lacks exceptional legal legitimacy support, so some SEs do not care whether their service recipients or collaborators identify themselves as SEs. In general, it is difficult for the Taiwan social enterprise ecosystem to give SEs legitimacy.

Does the SE ecosystem link the resources for SEs’ growth?

Taiwan’s SE ecosystem builders do provide some resources for the growth of SEs. For example, the “social enterprise tribes” in the Social Enterprise Action Plan have been put into practice, SE-M has been invited to move into the social enterprise tribes, and the youth entrepreneurship loan program has been set up to support newly established SEs. However, the resources linked to the ecosystem are sometimes not transformed into a driving force for developing SEs. Take the example of government resources for SEs:

“For social enterprises that have not yet started or just started, there may be some resource help. We have been doing this for 11 years, and it does not work for me. Whenever there is a new policy, I flip through it, uninterested, because it’s just a waste of my time. So I just ignore it”. (Interview record: SE-AG20170106)

“If you want to start an enterprise, you must be more courageous than running one. If you are really starting a business, it is, of course, good to have subsidies, but don’t rely on them. Because I have participated in some government-sponsored activities before, but they are a mere formality. We are now in the development stage, instead of the initial stage, and the resources we need will differ.” (Interview record: SE-BT20170106)

Furthermore, the scarcity of resources linked to the ecosystem is, in turn, related to low incremental legitimacy. “Legitimacy has significant value for organizations to access resources and increase the

probability of survival”^[17]. Because “legitimacy is granted to organizations that fit institutionalized expectations, and resources are frequently awarded on this basis”^[46]. For example, SEs are supported by more social actors and have a more amiable perspective due to their moral legitimacy, which can increase their competitiveness^[47,48]. However, under the SE ecosystem in Taiwan, social impact investors are suspicious of this new entity, which does not have a consensus, because there is too much uncertainty about their future behavior, and investment in them may be risky. This affects SEs’ ability to gain resources for growth^[49].

Weakly-functioning SE ecosystem

Through the elaboration of the SE ecosystem in Taiwan and the social enterprise’s examination of the system, this article finds that the SE ecosystem in Taiwan is generally “weakly functional” (**Figure 4**), which means that under this ecosystem, the system does not play a good role in social enterprise’s identity construction, legitimacy support, resource linking, and so on. Social enterprises need help to obtain substantial help from the ecosystem.^①

The SE ecosystem in Taiwan actually has quite good systemic conditions, so why is it still weakly functional? Apart from the fact that the development of Taiwan’s SEs is still preliminary^[45], two other factors are worth noting.

The first factor is the implementation bias of the systemic conditions. The ecosystem builders are committed to building an ecosystem conducive to developing SEs and have taken several measures. Whether these measures match the needs of SEs and the quality of the specific operations will affect the actual effectiveness of the ecosystem building. The implementation problems are as follows:

Firstly, government policies are perceived to be superfluous. Some SEs interviewed believe that specific government support policies are unnecessary

① Corresponding to the “weakly-functional” SE ecosystem is the “strongly-functional” SE ecosystem. The SE ecosystem in Hong Kong is a solid functional example. The specific features are the high rate of return on public resources invested in social enterprises, high awareness of social enterprises, close cross-sector cooperation, good results, and so on.^[17]

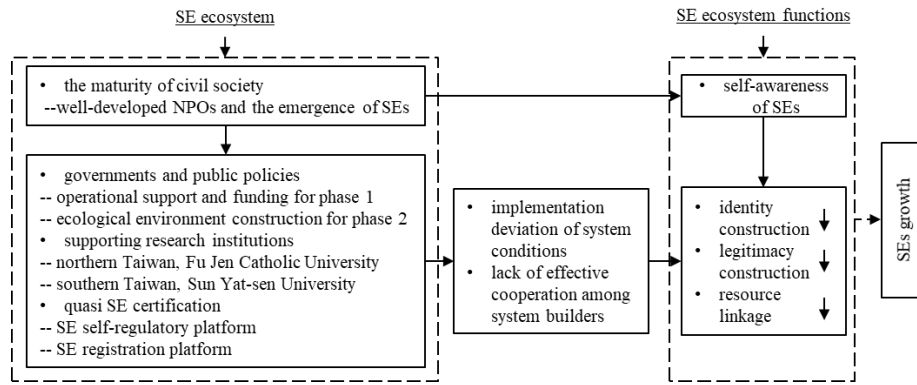


Figure 4. Weakly-functional SE ecosystem.

Note: (1) the arrows on the right of “identity construction,” “legitimacy construction,” and “resource link” in the figure indicate that the system function of the social enterprise ecosystem does not meet the expectations, resulting in weak overall support for the SEs. (2) the arrows pointing to “social enterprise growth” are represented by dotted lines.

and that SEs are social issue-driven rather than triggered by government policies. Secondly, “the drinker’s heart is not in the cup”. Government officials’ intention is beyond promoting the development of SEs, but to show political achievements, such as how many more social enterprises have been set and how many events have been held; to meet these targets, policy implementation becomes a formality. Thirdly, “going beyond the limit is as bad as falling short”. Since the introduction of the Social Enterprise Action Program, various government departments and local governments have focused their attention on SEs. The overall effect is that resources are tilted or repeatedly wasted, and weak social enterprises are even “coddled”.

The other factor is the implementation bias of SE certification.

First, the views of SEs on certification itself are widely divergent. Those in favor of certification believe that it distinguishes SEs from non-SEs, demonstrates the legitimacy of the organization’s identity, and protects the interests of consumers. It is also a way to promote SEs and attract more people to join. The others point out that certification also carries risks, as it limits SEs to a strict range and may restrict their operations. Alternatively, it is an unnecessary act, because certification may result in moral kidnapping. “When once you’re defined, you’re defined inside that box, and then you’re held to a very high moral standard. You don’t have to earn

money anyway or something like that” (Interview record: SE-BT20170106). Especially when the certification standards are not flexible enough, such as strictly limiting the profit distribution ratio of SEs, providing accountant visas, and so on, certification is more of an obstacle than a help to developing social enterprises.

Second, few organizations actively apply for certification, and the SE certification during the author’s interview was mainly based on an official recommendation or invitation by the certification institution. Five of the eight organizations interviewed in this study were certified as SEs through these two approaches. However, even though they have been given SE status, some organizations still participate in social activities, such as nonprofit organizations or businesses.

Third, the certification standard is unstable. On the one hand, they are greatly affected by the change of political parties and the duration of government funding; on the other hand, the certification standards are not unified. For example, two certification standards formulated by the Self-regulatory Alliance are different ^[20].

The second fact is the lack of cross-sector and cross-departmental cooperation. Cross-departmental cooperation and the government’s leadership and coordination are critical to building an effective and supportive SE ecosystem ^[3,17]. Having an orderly deployment of resources is more important than

resource delivery^[50]. Despite the promotion of the “industry-government-academy-research” model in the local context and the government’s actions to absorb the private sector’s views in some policy formulation, in practice, the private sector or third sector does not have the right to participate in the entire SE development policy-making process. The participation is mostly informal or in an advisory role. In the end, the government department still unilaterally consolidates the views of various sectors to form the policy^[45].

In addition, when the author communicated with Taiwanese social enterprise scholars, they were not optimistic about the government’s support plan. Although 2014 was officially designated as the year of the first social enterprise set up, the academia disagreed, as SEs in Taiwan had already sprouted and developed. The academia had contacted and advocated SEs earlier than the political sectors^[45]. This disagreement results from differences in perceptions^[45] and historical institutional legacy. The trust relationship between the private sector and local governments has always been not optimistic^[14], which has set up many obstacles to cross-sector cooperation.

5.2 The strategies for the growth of SEs

Organizations will encounter two fundamental dilemmas in the development process: legitimacy and competitiveness. Legitimacy in the early stage of organizational development is more critical than competitiveness^[44,46,51,52]. In Taiwan, the develop-

ment of SEs is still in its nascent stage^[45], and the weakly-functional SE ecosystem makes it challenging to give SEs legitimacy and support. Therefore, the growth strategies of SEs also mainly focused on legitimization strategies, including internal legitimization and external legitimization^[53-55] (Figure 5).

Internal legitimization strategies

The key is to ensure the stability of the social enterprise’s organizational mission and core competitiveness. On the one hand, if we interpret it from the mainstream “dualism” perspective, social enterprises need to maintain a dynamic balance between social and economic goals to legitimize themselves internally. One of the difficulties often mentioned by academics is resolving the conflict between the two goals. The data in this article show that not all social enterprises have conflicts in their dual goals, and conflict and non-conflict situations are equally divided (Table 2). Regarding non-conflicting social enterprises, they clearly understand dual goals: business is only a means, and they are willing to do business at a loss for the social mission. Even if some other social enterprises point out that two goals conflict, they still believe that social imprint is more important than economic gains.

On the other hand, business management—the core competency to compete in the market—is also an essential part of the internal legitimization of social enterprises to create sustainable value for the benefit of society. By analyzing the business strategies of the social enterprises interviewed, the

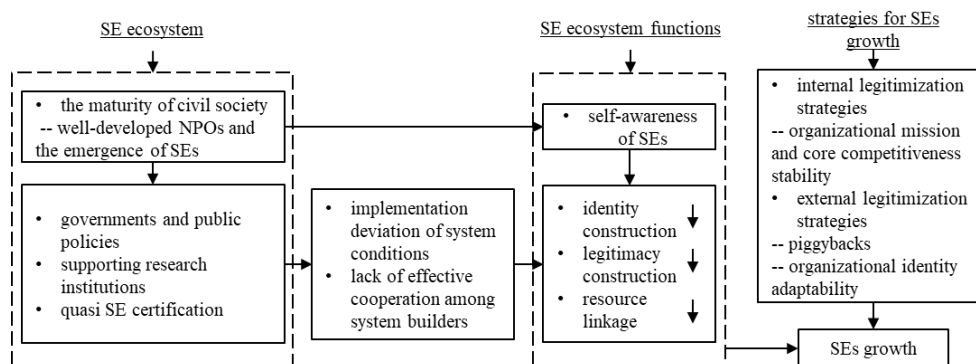


Figure 5. Weakly functioning SE ecosystem and SEs growth.

core competitiveness with high consensus is manifested in three aspects: the quality of the product or service, the leadership, and the strength of the team or human resources. Evidently, the internal legitimization of social enterprises is a matter of pre-existing organizational design issues and acquired organizational management issues. Although social

enterprises are hybrid organizations, the mix of the two institutional logics can be designed before the organization is put into operation. The purpose of the design is to allow the two seemingly contradictory logics to operate in a way that avoids conflict and allows the business logic to serve the social logic. Unforeseen or unavoidable conflicts can be resolved

Table 2. Internal legitimization strategies of social enterprises.

SEs	Core Elements of Sustainability	Product/Service Strategies	Dual Goals/Dual Imprinting	Cooperation and Competition
SE-C	Leadership; teamwork	Diversification of products and services; quality assurance; employment of professionals; certification;	Without conflict; business is only a means; willing to do business at a loss	Cooperate with companies, governments, etc.; not afraid of being imitated and competition; confident in their own business
SE-DC	Leadership; product quality	High-quality equipment; diversified services, integrity and flexibility of services	Conflict; willing to do business at a loss; social imprinting is more important	Cooperate with companies, governments, etc.; do not worry about competition; confident in their products and services
SE-BT	Leadership, people, and team	Creative products; creative teaching; broaden creative raw materials	Conflict; no solution; dynamic balance	Don't worry about competition or imitation; welcome everyone to do it together; confident in their products and capabilities
SE-OC	Products and services continue to be recognized by customers	Advanced barrier-free technology; high product requirements and R&D; diversified services	Without conflict; social imprint is more important	Cooperate with companies, universities, governments, etc; worry about the competition (technology, personnel)
SE-G	Grasping production trends; changing consumers' cognition; cooperation	Using organic special products to make food; workshops; food education	No conflict; business is only a means; early heavy social imprinting, late heavy commercial imprinting	Cooperate with companies, NPOs, governments, etc.; don't worry about competition, welcome to make the pie bigger together; confident in their products and services
SE-A	Balancing objectives	Product quality assurance; stable supply	Conflict; people from different backgrounds do different works; social imprinting is more important	Stable customer relationship; trust each other with farmers; don't worry about competition and imitation
SE-AG	Integrity; product quality	Ensuring product quality; adopting advanced production equipment	Without conflict; business is just a means; willing to do business at a loss; social imprinting is more important	Cooperate with companies, churches, etc.; don't worry about competition; confident in their products
SE-M	Employment of the disabled	Selling products produced or packaged by people with disabilities; quality assurance; improving business capabilities	Conflict; business imprinting takes precedence when there is no break-even	Cooperate with companies, social enterprises, governments, etc.; worry about competition and target customers

Note: Dual goals: social and commercial goals of social enterprises. Double imprinting: Social Imprinting, that is, the founding team, emphasizes realizing the organization's social mission in the early stage; Commercial Imprinting, that is, the founding team, emphasizes the economic performance and input-output ratio of the organization in the early stage. See Battilana et al. ^[56].

through management strategies, such as the human resources strategy adopted by SE-A to match business attributes with people's backgrounds.

External legitimization strategies

There are two approaches to gaining external legitimacy for SEs in the face of a weakly functional SE ecosystem: "piggybacks" and "adaptability in organizational identity". The former means that social enterprises enhance their legitimacy by using organizations' already established legitimacy^[44,57,58]. This is manifested in two types of piggyback effects. The first is "cooperative piggybacks". SEs establish partnerships with government, NPOs, universities, businesses, and other organizations and gain legitimacy from these traditional organizations, particularly governments, which can endorse the business practices of SEs.

The second is "parallel piggyback". In this way, social enterprises do not gain legitimacy from external organizations but from entities with legal ties to respond to the institutional and market environment with different identities^[59]. For example, the executive director of SE-AG is the head of the social enterprise, the president of a hearing-impaired association, and the church minister. SE-M was set up to serve its parent organization (Aiheng). SE-A has joint decision-making management with Manna. The SE-DC has set up various social enterprises (bakeries, restaurants, care centers, coffee, etc.). All these social enterprises are legally linked to NPOs which have a good reputation in social governance in Taiwan. Even if the public does not know what a social enterprise is, its close relationship with NPOs makes the logic of social enterprises using commercial means to solve social problems more easily understood and accepted by society. Regarding specific behaviors, because these organizational backgrounds increase their legitimacy^[54], they have more revenue-earning opportunities and commercialization imprints than SEs that do not have a parallel piggyback^[60].

Adaptability in organizational identity is a legitimization strategy that changes the organization's identity according to the context. On the one hand,

because the existing system has not yet clarified the boundaries of the SE population, the organizational identity is flexible and adjustable; on the other hand, the ecosystem cannot consistently and reliably give SEs legitimacy based on their SE identity, so SEs switch their identities as NPOs, SEs or enterprises according to the situations of their different activities and interactions. They borrowed the familiar discourses of these organizations that have formed default societal expectations to interpret unfamiliar images^[52]. Therefore, they could avoid legitimacy dilemmas due to identity perception conflicts that prevent organizations from accessing resources for growth.

Specifically, it is possible to conform to the expectations of partners. *"Our partner thinks we are an NPO and are caring for the vulnerable. The money we make goes back to the foundation, so it is very willing to give us a discounted price because we are an NPO, not a social enterprise"* (Interview record: SE-C20161220). In addition, SEs gained an identity from the product or service offering. *"It's not usually that they think we are social enterprises before they consume us; it's that they need to consume what we have"* (Interview record: SE-DC20170106).

Moreover, SEs downplayed their SE identity, not deliberately emphasizing it but subliminally influencing the people they interact with through their practical actions. *"Many people notice our desserts when they see that we are solving the problem of exceptional products, and then come to visit our workshops, and then some people will really ask you whether you are a social enterprise or a company?"* (Interview Record: SE-G20170106).

6. Conclusions and implications

6.1 Conclusions

The SE ecosystem is a core concept in understanding the growth of SEs, as it provides essential and systematic support. While mainstream research has focused on the components of SE ecosystems and their intended functions, there have been few

discussions on the attributes of ecosystems and their substantive impact on SEs' growth. Using an extended case study, this paper analyses the SE ecosystem in Taiwan. The finding shows that despite its fertile NPO soil and the supportive systemic conditions from governments, universities, and the social enterprise certification, the ecosystem is still weakly functional and not very supportive of SEs. The reasons for this include the difficulty of constructing ecosystems in Taiwan, where social enterprises are still in the early stages of development. In addition, the implementation deviation of various ecosystem conditions and the lack of effective collaboration between the constructing actors are vital factors that make the ecosystem less supportive. Therefore, it is difficult for social enterprises to obtain legitimacy based on their own identity. Given this, social enterprises need to strategically adopt the means of "piggybacks" and "adaptability in organizational identity" to obtain support from the external environment while maintaining the stability of the organization's mission and core competencies.

6.2 Implications

This paper's most prominent theoretical contribution is to advance the exploration of causal relationships between SE ecosystems and SE growth. Social science research involves both descriptive and causal inferences, and "the discovery of reliable causal relationships is one of the most important purposes of scientific research" [61]. Research is often incomplete without causal inferences [62]. The mainstream research paradigm of the social

enterprise ecosystem is mainly descriptive research, which is an essential basis for causal inference [62]. On this basis, this research further explores the substantial impact of social enterprise ecosystems on the growth of social enterprises. It develops the existing (Figure 1) social enterprise ecosystem theoretical framework (Figure 6).

This paper argues that SE ecosystems are not only a dichotomous variable. There are differences in types and levels of social enterprise ecosystems, so the substantive support effects for social enterprises are also different. In contrast to existing research, which suggests that the supportive SE ecosystem comes from a combination of systemic conditions, this study finds that even when critical ecosystem conditions are in place, the logical chain of supporting factors tends to be fragmented due to deviations in the implementation of these conditions and a lack of deep and close collaboration between ecosystem constructs (Figure 6, Module 1). As a result, the core mechanisms for promoting the growth of social enterprises are difficult to form. The legitimacy and resources have not been effectively unlocked, and the ecosystem as a whole is still poorly supportive (Figure 6, Module 2). In this context, the forces that facilitate the growth of SEs are less likely to come from epigenetic factors in the SE ecosystem, such as policies, external funding, and social networks, and more likely to rely on the internal governance of SEs and strategic interaction with the environment to reduce the conflict between heterogeneous identities and established social perceptions (Figure 6, Module 3).

The construction of social enterprise ecosystems has become an overwhelming global trend, and

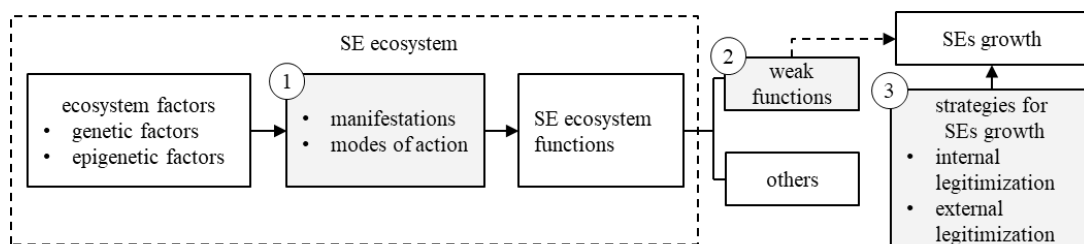


Figure 6. The social enterprise ecosystem and social enterprise growth.

Note: The module with gray is the theoretical contribution of this paper. From left to right, it is named module ①, module ②, and module ③, respectively.

social enterprises in mainland China are also developing rapidly. However, they are still at an early and uneven stage of development. Some regions, such as Chengdu City and Shunde City, have mature social enterprise ecosystems. However, the ecosystem in most regions has not taken shape, and there is a lack of policy support at the national level. The highest level of policy discourse on social enterprises only reaches the individual provincial level (Sichuan Province). According to the data from the “China Social Enterprise and Social Investment Industry Scanning Survey Report (2019)”, there are 1,684 “conscious” social enterprises and 1,750,420 “unconscious” social enterprises in mainland China.^② There is a huge gap between the two, and the popularity of social enterprise cognition in the social enterprise industry is not high, let alone among the general public. It can be seen that there is still much room for social enterprise ecosystem construction and social enterprise development in mainland China.

To better promote the development of social enterprises, some enlightening suggestions are made based on the findings of this paper. Firstly, in terms of building a supportive social enterprise ecosystem, the resource-dominant players in the ecosystem should put a resource on demand by linking diverse resource supply with differentiated (type of social enterprise, stage of development, etc.) resource needs for social enterprise growth^[63]. The efficiency of resource allocation is maximized only when the supply and demand sides can match effectively.^③ The second is the orderly deployment of resources. This relies on close cross-sectoral collaboration. The government’s role in coordinating this process is crucial to building a network of resources and leveraging the strengths of each sector. It is also important to note that while external support is

important for the growth of social enterprises, their internal governance and ability to interact with the external environment are even more critical. In particular, in a low-support ecosystem, the stability of an SE’s social mission and the building of its core competencies are prerequisites for social interaction and competition in the marketplace, as well as the ability to act strategically to identify and absorb favorable resources in an uncertain and challenging external environment^[64].

Author Contributions

Ying Huang: Conceptualization, Investigation, Data analysis, and Writing.

Caiyun Xu: Conceptualization, Writing-Reviewing and Editing, and Supervision.

All authors have read and agreed to the published version of the manuscript.

Conflict of Interest

The authors declare no conflict of interest.

Data Availability Statement

The data that support the findings of this study are available from the corresponding author upon reasonable request.

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^② “Conscious” social enterprises identify with their social enterprise status by participating in industry activities. At the same time, their peers also accept and recognize their social enterprise status. “Unconscious” social enterprises refer to those that have not yet recognized their identity as social enterprises and are not understood or accepted by the industry.

^③ A keynote report was shared by Wang, a social enterprise researcher at Feng Chia University in Taiwan, at the 2019 Asia-Pacific Social Enterprise Summit.

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