# Institutional Intermediaries as Legitimizing Agents for Social Enterprise in China and India

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*Abstract:*

This study conducts a comparative analysis of social enterprise intermediaries in China and India to better understand how they mediate the influence of external institutions to help legitimize and institutionalize social enterprises in new settings. Drawing on data collected from surveys, interviews and websites in each country, this study finds that intermediaries are important legitimizing actors for social enterprises but their specific strategies can vary in the different contexts due to differences in institutional pressures. Such an understanding is key to building intermediaries' capacity to institutionalize and ease the entrance of social enterprises as new institutional actors in these settings. This paper contributes theoretically by uniquely combining three theoretical strains to more fully capture legitimizing processes in situations of institutional innovation.

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Intermediary organizations for social enterprises (SEs), including incubators, capacity building organizations, and accreditation organizations, play an important supporting role for SEs who work to fill service gaps in government programs and address other needs (Estrin, Mickiewicz, and Stephan 2013). However, little is known about whether and how these intermediaries also help mediate the influence of institutional contexts including isomorphic pressures to help legitimize SEs in new settings. Drawing on institutional theory, this comparative study examines SE intermediaries and organizations in the emerging economies of China and India to better understand the legitimization work of intermediaries in countries where the need for social services is high. Such an understanding is key to building intermediaries' capacity to help institutionalize and ease the entrance of SEs as new institutional actors in these settings.

For the purpose of this study we draw on the definition of institutional intermediaries provided in Dutt et al. (2016, 818) as "agents that link two or more parties to…create and develop institutions." While there has been a long history of research on business incubators and other intermediaries to support the development of for-profit entities (see for example Allen and Rahman 1985; Mian 1997; Haapasalo and Ekhom 2004; Amezcua et al. 2013) research on intermediaries that support hybrid commercial and social purposes is still in its infancy (Mair et al. 2012; Kistruck et al. 2013; Nicholls 2010; Jenner 2016; Nicolopolou et al. 2017; Lyon and Ramsden 2006; Moore et al. 2012; Rey-Martí et al. 2019; Roberts and Lall 2019). In particular, no previous research has addressed intermediaries' role in mediating between external macro institutions and the SEs they are supporting. In China and India, intermediaries assist with the growth and performance of SEs where SEs have at times been overlooked, underdeveloped, or viewed with skepticism (Bhatt, Qureshi, and Riaz 2019). Previous research conducted in China suggests that intermediary organizations there have also helped diffuse the concept of SE, worked out a contextualized definition of social entrepreneurship, and mediated government and cultural expectations for SE (Kerlin, Peng, and Cui 2017). Here we further test whether and how SE intermediaries play an institutional intermediary role in legitimizing and institutionalizing SEs.

According to Raffaelli and Glynn (2015), the legitimation of new institutions, in this case SEs, occurs when existing institutional understandings, expectations, and practices are associated with or structure the institutional innovation to make it more familiar, acceptable, and credible. Following on DiMaggio and Powell (1983), this is how institutions "cast the new innovation within the existing institutional order." Specifically, we look at isomorphic pressures that work against SEs and how they employ strategies to work around these pressures (Oliver 1991) as well as how they leverage existing positive isomorphic pressures to lend legitimacy to an institutional innovation (Kerlin, Peng, and Cui 2017). Thus, we propose that one of the core tenets of institutionalism, that "isomorphism legitimates" (Raffaelli and Glynn 2015, 10), remains at the heart of how new organizations such as SEs are institutionalized in a new environment even as other isomorphic pressures work against this. This study seeks to show that institutional

intermediaries play an important role in these legitimizing strategies for SEs but that their strategies can vary by context.

The comparative analysis in this study looks specifically at how SE intermediaries in China and India mediate the isomorphic influence of macro institutions to help institutionalize SEs. Thus, while SE intermediaries are our main focus we are also interested in the outcome of their influence on SEs. Our inquiry is therefore framed in terms of two research questions:

1) How do intermediaries facilitate the legitimation of SEs in the face of macro-institutional pressures in China and India?

2) What legitimacy outcomes for SEs can be linked to the support of intermediaries in China and India?

Macro institutions here include the public sector, the business sector, civil society, and culture. SEs include nonprofits and for-profits that engage in commercial activity to address a primary social purpose (Kerlin 2017).

To guide a comprehensive inquiry into intermediaries and the legitimation of SEs in relation to macro institutional pressures, we draw on a novel synthesis of several institutional theories. These include institutional logics, cultural norms, and social constructionism to uncover disruptions created by SE as an institutional innovation and how institutional isomorphism works to weaken or strengthen the legitimacy of SEs in the face of these disruptions. Data for this study comes from surveys of intermediary-trained SEs, the websites of SE intermediaries, and publicly accessible information from both countries. Findings show that intermediaries mediate in mostly different ways across the two countries due to differing institutional pressures.

## Literature Review

At a fundamental level, intermediaries mediate interaction and exchange between two or more parties that might otherwise interact directly, but find it difficult to do so for some reason (Howells 2006; Benjamin 2010). Ultimately, they represent a response to a series of transaction cost problems that make direct interaction challenging (Powell 1990), and typically aim to reduce these transaction costs. Intermediaries may be involved in various mediating activities like searching, evaluating and accrediting parties, preparing parties for an interaction by transmitting knowledge or norms, or undertaking post-interaction activities like oversight (Benjamin 2010). Other intermediaries play the role of filling institutional voids and actively constructing (Mair et al. 2012) or connecting (Kistruck et al. 2013) markets.

In SE, intermediaries have played prominent roles in many respects, including driving collaboration (Nicolopolou et al. 2017), providing technical assistance (Roberts and Lall 2019; Lyon and Ramsden 2006), establishing partnerships between different types of actors (Moore et al. 2012), and providing legitimacy in a new field (Nicholls 2010; Rey-Martí et al. 2019). We note that the past literature on SE intermediaries has largely focused on two functions of intermediaries: technical assistance and network building. For instance, one stream of research examines the training, mentorship and capacity building support that intermediaries provide SE,

and suggests that intermediaries like accelerators, incubators, and other training programs can help SEs develop the capacity they need to be able to successfully grow and obtain funding (Roberts and Lall 2019; Lyon and Ramsden 2006). Research in developed economies like Scotland and Australia suggest that SE leaders recognize the important role of intermediaries in providing access to these services (Jenner 2016).

Another important function that intermediaries play is directly mediating the interactions between SEs and other actors, which is the primary role we explore in this study. Here, past research has examined the role that intermediaries played in helping foundations develop a sustainable philanthropic investment strategy (Moore et al. 2012), in helping stimulate markets and establish relationships with potential customers (Koh et al. 2012; Kistruck et al. 2013; Barraket 2019), and in establishing linkages between enterprises and potential investors (Roberts and Lall, 2019; Pandey et al. 2017). The literature primarily focuses on the interactions between SEs and specific actors (e.g., customers, investors). What has been relatively overlooked, however, is understanding how intermediaries often act as legitimizing agents, developing and driving the discourse of the field (Nicholls 2010). Nicholls suggests that resource-rich actors like foundations, networks, and fellowship organizations collectively influence the narrative of the field and highlight depictions of ideal types, through the practice of reflexive isomorphism. We build on this line of inquiry by focusing on another set of influential actors – intermediaries like incubators and accelerators, that necessarily interact with SEs and other actors in the environment. These intermediaries can serve as agents of credibility for a hybrid and amorphous field, influencing their institutional environment through their interactions in multiple directions.

## Theory

SEs are a relatively new institutional phenomenon in China (Kerlin, Peng, and Cui 2017) and India, as such they face challenges to their legitimacy and lack institutionalization. The precariousness of their condition is directly related to their situation as institutional innovations that have disrupted the expected state of affairs in a number of ways. Indeed, Raffaelli and Glynn (2015, 409) define institutional innovation as, "Novel, useful, and legitimate change that disrupts, to varying degrees, the cognitive, normative, or regulative mainstays of an organizational field." Drawing on Scott's (1987) work on institutionalization they discuss variants of institutional theory that have potential for enabling institutional innovation: normative; social construction; cultural embeddedness; and a bundling of logics and practices. We use these same theories to frame our discussion on the institutionalization of SEs including disruptions and tensions resulting from the innovation, the strategic responses of SEs, the involvement of intermediaries in this process, and outcomes for the institutionalization of SEs.

Specifically, to understand the disruptions involved in institutional innovation and processes of institutionalization, Raffaelli and Glynn (2015) draw on institutional logics to explain dissonance in cognitive frameworks, a normative discussion where cultural expectations and practices come to bear, and social constructionism to capture stakeholder framing of the innovation. In terms of the disruptive processes and institutions involved, the institutional logics discussion argues that "institutional orders" exist in society with each containing a specific institutional logic. An institutional logic is the "socially constructed, historical patterns of cultural symbols and material practices [that] individuals and organizations [use to] provide meaning…and organize time and

space" (institutional orders include the state, market, professions, etc.) (Thornton, Ocasio, and Lounsbury 2013, 2). Disruptions to such frameworks can happen when two institutional logics simultaneously occur in the same organization creating tension among the various expected ways of understanding and doing. SEs create such tension because as innovative hybrid organizations they attempt to combine both nonprofit and business institutional logics.[1] We look at the internal tensions created by these competing logics within the SE, the strategies they use to ameliorate these tensions, and how intermediaries may play a role in these strategies. Most importantly, we consider the external dissonance these internal tensions can create for outside observers given established normative cultural expectations for nonprofits and businesses that are SEs.

Specifically, we draw on a general definition of culture as being, "those customary beliefs and values that ethnic, religious, and social groups transmit fairly unchanged from generation to generation" (Guiso, Sapienza, and Zingales 2006, 23). While we agree with recent research that there is an endogenous relationship between culture and other institutions in that they each influence the other, we make a distinction between the two as is common practice in the literature (Alesina and Giuliano 2015; North 1990; Scott 2005). Different societal cultures and subcultures can have different understandings of and expectations for the roles of various institutions in society (Hofstede 2001). Specifically, we look at cultural expectations that society as a whole and the business and nonprofit sectors in particular have for for-profits and nonprofits and how these expectations play out and are mediated by intermediaries when SEs take on these legal forms.

Finally, we turn to social constructionism and the role it plays in the institutionalization of new entities. The foundation of social constructionism is the idea that, "social order is based fundamentally on a shared social reality which, in turn, is a human construction, being created in social interaction" (Scott 1987, 495). Meyer and Rowan (1977) therefore speak of institutionalization as a process of creating reality with social construction, that is, "creating and ordering cognitive, normative and behavioral patterns of interaction in collectives" (Raffaelli and Glynn 2015, 412). Important in this process are key social actors that frame and interpret innovations to make them understandable and attractive to their audiences (Kaplan and Tripsas 2008; Weber, Heinze and DeSoucey, 2008). These actors also lend innovations legitimacy by showing the innovations are consistent with "more familiar or existing taken-for-granted understandings" (Raffaelli and Glynn 2015, 413). Here we look at the role that intermediaries play in framing, explaining, and promoting the hybrid attributes of SEs with an eye to aligning SEs with the existing social constructions of important institutional stakeholders to gain their support and build legitimacy with others through that support. Intermediaries then shape the SEs they work with around these created social constructions of SE. This helps consolidate the definition of SE in a given geographic space and also furthers the legitimation of SEs in the eyes of stakeholders. Table 1 illustrates the processes discussed above in the first four columns.

Table 1. Three Theories Related to Institutional Innovation, the Role of SE Intermediaries, and Outcomes for SE Institutionalization

| | Source of Disruption | Location of Disruption/ Tension | Key Actors | Intermediary Intervention with SEs Stage 4 Analysis | Outcomes for SE Institutionalization |
|---|---|---|---|---|---|
| **Institutional Logics** Stage 1 Analysis | Conflicting institutional logics | Inside the SE | Board, mgmt, staff | Suggest & support SE strategic responses | SE presents externally as unconflicted for added legitimacy |
| **Cultural Norms** Stage 2 Analysis | Societal expectations vs. actual activities of SEs | Outside and inside the SE | The public & board, mgmt, staff | Suggest & support SE strategic responses | Inside alignment with outside norms leads to increased legitimacy of SEs |
| **Social Constructionism** Stage 3 Analysis | Contested definitions/ prescriptions of SE among stakeholders | Outside the SE | Intermediaries & other SE stakeholders | Intermediaries promote SE types of select stakeholders | Consolidation & SE buy-in of SE definitions/ prescriptions of select stakeholders leads to SE legitimacy |

Next we delve deeper into the specific strategic responses of SEs that intermediaries suggest and support in their work with SEs as a fourth stage of our analysis (as shown in the Intermediary Intervention with SEs in the fifth column of Table 1). Previous research shows that SEs in China use a number of strategic responses to deal with the tensions created by their innovative hybrid nature (Kerlin, Peng, and Cui 2018) from an institutional logics and cultural norms perspective. These strategic responses parallel those theorized by Oliver (1991). Here we propose that intermediaries assist SEs in their strategic responses which in turn facilitates legitimacy. Dacin, Goodstein, and Scott, (2002, 47) state that, "the creation, transformation, and diffusion of institutions require legitimacy, a condition whereby other alternatives are seen as less appropriate, desirable, or viable." We posit that since isomorphism is key to legitimization, SEs in new contexts not only experience negative isomorphism that threatens their innovative features (DiMaggio and Powell 1983) but also positive isomorphism that legitimizes their innovative identity (Oliver 1991). We propose that intermediaries assist in both subverting negative isomorphism and promoting positive isomorphism for SEs.

Specifically, Oliver (1991) proposes that rather than always succumb to outside pressures, institutions can have strategic responses to such pressures which help preserve their identity and legitimacy. Previous research in China (Kerlin, Peng, and Cui 2017) suggests that these responses can involve various types of isomorphism: coercive isomorphism which stems from government laws and regulations as well as accrediting bodies that put pressure on organizations to behave in certain ways or face penalties; mimetic isomorphism which occurs when organizations look to and adapt best practices from other organizations in their immediate

environment to improve their performance; and normative isomorphism when organizations conform to the norms and expectations of their respective professions (DiMaggio and Powell 1983). We also include reflexive isomorphism where funders hold undue influence over the direction of the discourse around an institutional innovation due to their relative power (Nicholls 2010). Here we investigate how in China and India, institutional intermediaries play a role in supporting and providing legitimating processes for SEs that draw on these different types of isomorphism and/or help resist, exclude, or only outwardly uphold isomorphic pressures that threaten to subvert the hybrid innovation (Oliver 1991). The expected results of these processes in terms of legitimacy for SEs are shown in column six in Table 1 relative to the disruptions in legitimacy they help overcome. We discuss these outcomes relative to our data in the analysis section.

## Methods

### Comparative Analysis

A comparative analysis of China and India is used in this study to validate types of relationships among institutions, to identify processes that may be missing in one context but present in another, and to better understand the relative extent of a given phenomenon. China and India are similar in that their huge populations and demographic changes are a driving factor behind the growth of SE (Yu 2011). However, the two countries have had different trajectories in terms of their histories and types of SEs, the related intermediaries that are emerging, and the institutions that are shaping them. We briefly review these factors to contextualize our analysis and discussion.

Definitional discussions of SE in China identify both older indigenous organizational forms, such as specialized farmers' cooperatives and formerly social welfare enterprises[2] that aim to achieve social and commercial goals, as well as Western constructs of the concept (Cui and Kerlin 2017) that draw heavily on nonprofit or nongovernmental and for-profit legal structures to house SE activities (Yu 2013). This research considers the latter emerging Western concept of SE due to its recent entrance as an institutional innovation in China and its need for legitimation (Kerlin, Peng, and Cui 2017; Bhatt, Qureshi, and Riaz 2019). Central government involvement in this new SE sphere has been limited due to a wait and see approach especially in terms of establishing a dedicated legal form for SE (Cui and Kerlin 2017). Local policy experimentation however is proceeding with some regional-level urban governments recently implementing SE policy (Chen and Tang 2019; Xia 2019).

Foremost among early SE intermediaries in China was the British Council's SE Program which ran from 2009-2016 and spurred the emergence of both SEs and intermediaries to assist them (Cui and Kerlin 2017; Wang 2014). During its seven-year term, 3200 social entrepreneurs participated in training and 117 SEs received funding ("Key Actors in China's SE Sector" n.d.). Upon its departure, much of the work of the British Council's program was passed to the China SE and Impact Investment Forum. More recent actors include the Star of Social Innovation, which unites a group of six intermediary organizations to improve SE standards through certification. Other prominent intermediaries include the Non-Profit Incubator, New Ventures China, and the SE Academy China among others (Cao 2018; Zhang n.d.).

In India, the central tenet of SE - using business-oriented approaches for social change - goes back to the Indian independence movement. Gandhi established the All-India Spinners Association in 1923 (Prasad 2014) to promote the hand-spun, hand-made cloth (known as khadi) industry to boycott British goods and mobilize support against the continuing colonization of India. Other models include the cooperative approach, which often comes with explicit or implicit social objectives such as livelihood generation, inclusion, and empowerment (Datta and Gailey 2012). Typical organizational types for SE in India include the cooperative structure, a nonprofit charity or trust, or various forms of for-profit companies, but no specific legal structure for SE (British Council 2015). Similar to China, government involvement remains scarce and, though there has been some discussion of policy initiatives, there has been no actual legislative action (Sonne 2012; British Council 2015).

Prominent intermediaries in India like Intellecap, New Ventures India, and Villgro were established in the early 2000s and are known for hosting SE-focused conferences and events which have led to the growth of the sector (British Council 2015; GIZ 2012). These activities were initially supported by an influx of international aid from public and philanthropic sources as well as the entry of US-based impact investing funds like Acumen and Grassroots Business Fund. While international aid to India has declined in recent years (British Council 2015), local sources of capital are emerging to take its place like Lok Capital and Sangam Ventures.

**Data**

This study used two major sources of data from China and India. The first source was survey data obtained from intermediary-trained SEs. While the focus of the study is on intermediaries, data from SEs provided unique insights into how intermediaries help to legitimize SEs from the SEs' own perspectives. The second source was text data collected from the websites of intermediary organizations. We also drew on publicly accessible information in both countries.

*In-Person and Online Survey Data in China*

The survey data is composed of China Data I collected from in-person surveys conducted in collaboration with the intermediary, the Nonprofit Incubator (NPI), in 2016, and China Data II, collected from online surveys in 2017 based on a list of organizations that had participated in the British Council program. China Data I was collected from the Executive Directors of 26 organizations that were trainees of NPI's incubation program. The objective was to understand the key characteristics of the SEs, their incubation experiences, and institutional influences. The data thus included quantitative data such as service areas, finances, and governance. It also contained qualitative information about the types of support SEs received from intermediaries, the outcomes of incubation services, the institutions and regulations that hindered or fostered the operations of the SE, and lastly the main challenges SEs encountered in their operations.

China Data II contained only quantitative data collected from 41 executives of SEs that were trained by the BC and/or other intermediaries in China. The main goal was to test the qualitative findings from China Data I with a bigger sample size, therefore, survey questions were based on the qualitative codes and findings from China Data I. These questions captured institutional

logics prevalent in organizations, the institutional influences that they experienced and their coping strategies and included the same survey questions about the characteristics of SEs.

*Online Survey Data in India*

The survey data from India was collected from 70 intermediary-trained SEs obtained through the Global Accelerator Learning Initiative (GALI) Entrepreneurship Database Program at Emory University. GALI aggregates anonymized venture-level data from intermediaries around the world that operate accelerator programs for SEs. GALI works with most of the prominent intermediaries in India such as Villgro, Intellecap, Village Capital, and others. While over 700 SEs applied to these intermediary programs between 2013 and 2016, only 70 were accepted and actually participated. Our analysis focuses on the 70 SEs that participated in these intermediary acceleration programs.

While the survey data collected in India and China did not rely on the same survey questionnaire, they each allowed us to tease out information about the institutional pressures experienced by SEs, the institutional logics prevalent in SEs and intermediaries, and legitimating strategies of SEs that are supported by intermediaries. Thus, while we focus on the variables that are common across the two survey instruments, we acknowledge that the different data sources are a limitation of the study.

*Website Text Data in China*

To complement the data we collected from SEs, we added data from intermediaries with the goal of identifying the institutional pressures they experienced, their institutional logics, and the legitimating strategies they pursued. We also aimed to better understand the specific intermediating roles these organizations played in their respective ecosystems. A list of intermediaries in China was gathered from gateway intermediary websites such as the British Council, the Asian Venture Philanthropy Network (AVPN), and NPI. A review of the resulting intermediaries' websites, specifically the mission statement and "about the Organization" section, was performed to confirm the list contained only intermediaries rather than SEs. The process resulted in 35 intermediary organizations in the final list. A list of pre-determined search terms related to SE[3] was used to guide extraction of text data from the websites. New search terms that were relevant were incorporated into the list during the data collection process. Text data was also gleaned from annual reports and publicly accessible position papers available on the websites.

*Website Text Data in India*

Initially, over 100 intermediaries that worked directly with SEs in India were identified through web research, reviews of news articles, and aggregated lists of industry associations for SE intermediaries. This initial list was narrowed to focus on 20 intermediaries that reflected a range of different approaches, funding sources, and geographic coverage across the country. The extraction of text data from the websites was guided by the same search terms used in the China website data collection. Additionally, we reviewed a number of published reports and other material available through these intermediary websites and also conducted open-ended

interviews with staff from six intermediaries[4] and eight social entrepreneurs. Finally, all relevant text was coded as described in the following section.

## Analysis and Results

The multiple sources generated a large amount of qualitative and quantitative data for analysis. The qualitative data from China Data I and the Indian intermediary websites were imported to Nvivo 11 for analysis, while the quantitative data obtained from the China Data I and II and the GALI database were imported to Stata 15 for analysis. The analysis of all data consisted of three stages. Appendix A displays the first-order and second-order codes developed in the process of the analysis as well as three themes capturing the essence of the codes.

*Stage 1: Identification of Predominant Institutional Logics in SEs*

This first stage of analysis was mainly aimed at capturing the predominant institutional logics in SEs and intermediaries. For all data, the coding of institutional logics was guided by extant discussions (e.g., Andersson and Never 2014; Pache and Santos 2010; Skelcher and Smith 2015) for three different institutional logics including the logics of government welfare, nonprofit, and market. Illustrated by the codes in Appendix A, there were varying manifestations of these logics in SEs in China. Also, analysis of the India data yielded a few unique codes describing the logics of market in particular.

*Stage 2: Identification of Normative Institutional Pressures*

In the second stage, we looked for outside normative institutional pressures guided by institutional theory that posits that pressures can stem from normative cultural expectations found in the business sector, civil society, and society at large (DiMaggio and Powell 1983; Meyer and Rowan 1977; Scott 1995). We developed two codes while examining the qualitative data (China Data I). One code "nonprofits should be allowed to freely engage in commercial activities" represents a pressure originating from civil society, while the other code "for-profits should be solely profit seeking" denotes a pressure rooted in the business sector. The analysis of the quantitative data in the China Data II also showed support for these two institutional pressures. Our analysis of the intermediary data in India led to two additional codes. In the civil society area, we identified, "positive pressure from international associations and networks" to adopt market-based approaches to social challenges. In the business sector, we developed a code that emerged from the growing expectation that businesses should be contributing to "inclusive growth", and the pressure from international donors that promote market-based solutions to social problems.

We also searched for information (China Data I) that manifested the normative cultural expectations and general beliefs held by the public with respect to social services and the role of nonprofit and for-profit organizations. Three codes emerged as cultural expectations specifically in Chinese society including, "fees should not be charged for social services (regardless of for-profit or nonprofit status)," "for-profit should not participate in social service delivery," and "nonprofits should not participate in commercial activities." China Data II also showed support for such institutional pressures. The analysis of the India data resulted in two additional codes:

"positive pressure that businesses address market failures" and "positive pressure that businesses should fill gaps in government welfare provision".

*Stage 3: Identification of Stakeholder Institutional Pressures (Social Constructionism)*

In stage 3 we looked for pressures from various stakeholders that directly or indirectly advanced particular definitions or prescriptions for SE to gain insights from a social constructionism perspective. Government regulatory and international stakeholders most often came to the fore. For example, when analyzing qualitative China Data I, we noticed that most of the SEs' accounts about government influence concentrated on the legal and regulative requirement for obtaining nonprofit versus for-profit legal status. Hence, we developed first-order codes that described the following legal registration requirements: "nonprofits are required to find a government professional supervisory unit", "pay high filing registration fees", and "operate within the level of government registered". The codes identified in China Data II are consistent with those in China Data I.

In India as in China, there are multiple categories for types of for-profit and nonprofit registration but no clear regulation regarding legal form for SE (British Council 2015). Since our survey data on SEs in India was more limited we turned to available literature and our interviews in this area. SEs may choose to register as a trust or society but in some cases can also register as a not-for-profit company that reinvests generated income back into the mission (British Council 2015). However, nonprofit organizations in India face significant barriers to receiving funding from non-Indian sources, which limits the pool of capital available to entrepreneurs (Interview with intermediary 2018). Registering as for-profit companies (usually as private limited companies or partnerships), these SEs are able to access equity finance, receive funding from international sources, and generally face fewer regulatory hurdles. As one interviewee from a SE stated, "the easiest form to register anything was a for-profit – not to make a profit, but just to be efficient in how we tackle our mission…" (Interview with social entrepreneur 2015).

Thus, it was no surprise that our quantitative data on SEs in India demonstrated a strong preference for the for-profit legal form (90% of the sample), though international donors also appeared to influence intermediaries in this direction. We looked for first-order codes that explained this trend in the intermediary data, as well as in the interviews with social entrepreneurs and intermediary staff. We found strong positive pressures to register as for-profit organizations from intermediaries, who clearly stated a preference for working with for-profit SEs. Examples of these preferences include descriptions like "innovation-based for-profit enterprises that have an impact on the lives of the poor", "business models for inclusive growth", and "enterprise-based solutions that are independent of charitable aid or subsidy in the long-term". This preference by intermediaries was in turn influenced by the preferences of international donors who funded many of these intermediaries.

*Stage 4: Identification of Legitimating Strategies of SEs Supported by Intermediaries*

In this stage of the analysis, we sought to explore the roles that intermediaries play in supporting the legitimating strategies adopted by SEs in coping with institutional pressures (following on the discussion in Oliver 1991). When coding the qualitative data (China Data I) and analyzing

the data from India, we established two questions related to our research questions to guide the analysis: 1) how did intermediaries facilitate the legitimation of SEs including SEs' strategic responses to institutional pressures? (these strategic responses are often related to isomorphic pressures) and 2) what were the outcomes and benefits for SEs of receiving the support of intermediaries? We also remained open to new information cues. For the Chinese SE informants, we noticed that when justifying their use of a business approach or model to address social issues, they tended to cite ideas advocated by intermediaries. For instance, codes such as "intermediaries promote using business approach to solve social issues" and "Narada Foundation contends organizations should not label themselves as charitable nonprofits" capture SEs' legitimating strategies of a normative isomorphic nature the latter illustrating a tactic for nonprofit SEs to hide their internal social-commercial conflict. Note analysis of the text data showed it is not uncommon for intermediaries to collaborate and network with each other leading to mimetic isomorphism.

For the SEs in India, we found that they could be impacted by intermediaries that have been heavily influenced by international organizations and networks such as the Asian Venture Philanthropy Network (AVPN), the Aspen Network of Development Entrepreneurs, and the Global Impact Investing Network (GIIN). These networks are membership-based, and have contributed to the standardization of intermediary practices and discourse in India. A first-order code based on the India data was developed that denotes "intermediaries promote tools and models advocated by international and domestic partners." All four codes were categorized as normative isomorphism because professional training organizations prescribe and promulgate organizational norms in a professional field (DiMaggio and Powell 1983).

In addition, Chinese SE informants indicated "intermediaries provide a platform for SEs to learn from each other's best practices" as a key benefit of intermediaries. Similarly, Indian intermediaries also "provide a platform for SEs to learn from the practices of their peers". This first-order code reflects mimetic isomorphism that organizations tend to imitate similar ones that they deem more legitimate and successful in a field (DiMaggio and Powell 1983).

Last, we developed codes that indicated coercive isomorphism. For China these included, "intermediaries help SEs obtain nonprofit legal status by negotiating a lower registration fee with the government and facilitating the registration process", "NPI facilitated the connection between SEs and government by inviting government officials to give talks at seminars and workshops", and "NPI facilitated the connection between SEs and government by matching SEs with government contract projects". All three codes illustrate the role of intermediaries in aiding SEs' conformity to legal pressures and/or the pressures exerted by government upon which SEs are dependent (DiMaggio and Powell 1983). These were combined and categorized as coercive isomorphism. For India we observed that, "intermediaries require SEs to report on social and financial performance" and "intermediaries prefer to work with SEs that are registered as for-profit entities". They were also categorized as coercive isomorphism because they represent intermediaries' "direct imposition of standard operating procedures" (DiMaggio and Powell 1983, 151) and preferred legal structures on SEs.

## Discussion

Our analysis addressed our two research questions around how intermediaries facilitate the legitimation of SEs and what legitimacy outcomes for SEs can be linked to the support of intermediaries in China and India. Here we review the relevant findings through a discussion aligning our theoretical framework in Table 1 with the processes found on the ground in SE intermediaries in China and India. Moving generally across Table 1, we found that SE as an institutional innovation manifested as disruptions in the various institutional spheres captured by the three theories. These presented as threats to the legitimacy of SEs which were then addressed by SEs with the assistance of intermediaries. We discuss this below by drawing on the three theories in Table 1 and illustrate each in turn with evidence from our analysis. Notably we found that some manifestations of our theoretical framework were found in one country context but not the other. We show through country comparisons that this variation appeared to be due to differences in macro-institutional structures and pressures. We also found that integrating two theories at times provided a fuller explanation of certain phenomenon which we demonstrate in the following discussion.

First, we start inside the SE with its internal institutional logics (row 2 in Table 1). Conflicting institutional logics between the social and commercial can threaten the external legitimacy of SEs due to societal expectations for either a social or a commercial type of organization (an integration of rows 2 and 3 in Table 1). Intermediaries supported SEs by recommending they present only one logic outwardly (captured as an outcome for SE institutionalization in the last column of Table 1). We therefore found that the dynamics of conflicting institutional logics and cultural norms, when combined, created a threat to legitimacy which in this case was addressed by intermediaries with a recommended course of action representing normative isomorphism. We illustrate this below with evidence from the China data.

In China, we found cultural pressures on SEs from society at large that fees should not be charged for social services likely stemming from a communist government mindset that social services should be offered free of charge. This phenomenon was seen in negative societal pressures that for-profits should not participate in social service delivery (the business sector also often espoused this view) as well as negative pressures that nonprofits should not participate in commercial activities. This situation created the impetus for SEs, at the encouragement of intermediaries, to outwardly either subordinate the social mission of the organization to the for-profit business aspect or vice versa in order to align with societal pressure to be focused on one or the other in order to achieve legitimacy (Oliver 1991).

By contrast, in India we did not find evidence of a general societal resistance to the conflicting institutional logics of SEs. Indeed, SEs in India are increasingly viewed as a viable alternative to the state with the ability to fill gaps in the most basic services typically associated with government including education, healthcare, energy, water, and sanitation. Thus, it is little surprise that SEs in our Indian sample tended to provide basic services and in so doing aligned themselves with this normative societal expectation which provided legitimacy. In China, nonprofit SEs also fill in government gaps in social services however these are mainly for personal social services for underserved niche populations. However, only nonprofit SEs receiving government contracts, not society in general, noted that SEs played this narrow gap-filler role.

Second, we further consider cultural norms alone (row 3 in Table 1) in terms of how SEs create disruptions due to the tension between government expectations for SEs and their actual practices (outside of conflicting institutional logics). Here intermediaries at times facilitated the alignment of their internal logics with outside government welfare norms which led to increased legitimacy for SEs, a coercive isomorphism process. For evidence of this we turn again to China.

In China, nonprofit SEs with large government contracts discussed their role in terms of a government welfare logic instead of the social and/or commercial purpose espoused by other SEs. Here it appeared a SE's dependence on contracts facilitated coercive isomorphic pressures from government related to a fear of loss of funding. SEs' alignment with a government welfare logic increased their legitimacy with government which also served as indirect legitimation of their SE status. Intermediaries in China were sometimes involved in furthering this alignment with government. For example, the Non-Profit Incubator, which has branches in multiple urban centers, facilitated connections between SEs and government by inviting public officials to give talks at seminars and workshops where government expectations were transferred. The Non-Profit Incubator also matched SEs with government contracts. By way of comparison, we found little evidence of this phenomenon in India likely due to less presence of large government contracts for SEs.

Third, social constructionism manifests where stakeholders external to the SE disagree on definitions of SE and how it should be undertaken including which legal vehicles it should use (row 4 of Table 1). However, intermediaries tend to align themselves with select stakeholders that provide them with funding and/or legitimacy in a reflexive isomorphism process (Nicholls 2010). Intermediaries then promote those stakeholders' SE definitions and prescriptions with the SEs they work with which can lead to the consolidation of those approaches to SE as well as the legitimation of SEs with those stakeholders. We found evidence of this in both China and India across domestic and international public sector and civil society stakeholders. We demonstrate this in the following discussion.

In both China and India, regulations surrounding the nonprofit legal form, though different in nature, created barriers for and ultimately inhibited the nonprofit form as a vehicle for SE. Fewer regulatory hurdles around the for-profit form thus incentivized its use in both countries. SE intermediaries however played different roles in China and India in mediating the effect of this regulatory pressure. In China, some domestic intermediaries working with local government officials helped SEs obtain nonprofit legal status by facilitating the registration process and negotiating lower fees. In other cases, Indian and some Chinese intermediaries heavily promoted the for-profit legal form both due to the regulatory hurdles surrounding the nonprofit form and pressure from foreign stakeholders that encouraged a market logic including the British Council in China. Such foreign pressure however appeared more dominant in the Indian case where foreign sponsors were more prevalent including international public sector donors such as the World Bank, the United Nations Development Program, the United States Agency for International Development, and the United Kingdom's Department for International Development. Thus, in their relationships with SEs, intermediaries either supported or ameliorated coercive isomorphism in the case of government regulations. They also supported normative isomorphism with respect to international bilateral and multilateral public sector

donors, which ultimately facilitated the legitimization of SEs though largely along the lines prescribed by those stakeholders.

Also from a social constructionism view, civil society players, both domestic and international, pressured SEs and intermediaries in specific directions while also offering legitimacy. The differences between China and India in the civil society sphere were large due to how civil society in India is more systematically organized and networked as well as more integrated with international civil society networks and associations. In China, by contrast, pressure largely came from other domestic nonprofits and was limited to supporting the commercial activity of nonprofits. Indeed, the involvement of domestic and international civil society actors in China continues to be constrained due to restrictive regulatory requirements. In India, the supportive pressure for SE came from domestic professional membership associations and international associations and networks. This influence went beyond support for nonprofit commercial revenue to promote standardized approaches, tools and establish norms for SE generally. As we discuss next, this highly networked activity resulted in normative, mimetic, and coercive isomorphic pressure that was supportive for SEs involved with these intermediaries though often in highly prescribed directions especially from the international sphere.

Most intermediaries in the Indian sample were members of at least one if not multiple associations such as the Indian Impact Investing Council, the Asian Venture Philanthropy Association, the Aspen Network of Development Entrepreneurs, and the Global Impact Investing Network (GIIN). Interestingly, the combination of home-grown and international networks has led to internationally influenced ideas, standards, and definitions in the Indian SE sector including classification and terminology, sector-specific strategies, and tools and practices involving standardized impact measurement tools, reporting frameworks, and due diligence practices. For instance, most of the intermediaries in the Indian sample had adopted the IRIS[5] classification for different sectors developed by the GIIN (Interview with intermediary 2018). Several intermediaries stated that the SEs they support are required to report on social and financial performance in standardized formats, which we coded as a form of coercive isomorphism (Interviews with intermediaries 2018). Moreover, intermediary members of international networks learn from the practices of intermediaries in other emerging economies in mimetic isomorphism fashion establishing norms across countries that are passed to the SEs they work with.

## Conclusion

On a theoretical level, this study shows that by utilizing three theories to understand institutional innovation we are able to offer a fuller explanation of the role of intermediary organizations in mediating institutional pressures on SE. We also show that in terms of the actual process involved, external organizations can assist in the isomorphic legitimization of other organizations. Specifically, these processes involve intermediaries supporting the existing legitimating strategies of SEs - often isomorphic in nature – as well as providing another source of legitimizing isomorphism albeit sometimes based on the discourse of external stakeholders. By identifying these as isomorphic in nature we also lend empirical support that one of the core tenets of institutionalism, that "isomorphism legitimates" (Raffaelli and Glynn 2015, 10), is at the heart of how new organizations such as SEs are institutionalized in a new environment. By

utilizing a two-country comparison, we were also able to show that exact isomorphic processes and intermediary roles can, however, vary by context due to differences in surrounding institutions and their pressures.

Our study also provides a number of practical insights for public managers working in the SE sphere. Results show that there were government, business, civil society, and cultural pressures on new SEs in China and India and that these influences were mediated by the organizations themselves as well as by institutional intermediaries. Specifically, we found that intermediaries helped SEs by supporting their existing strategies as well as by leveraging new legitimizing stakeholders. These strategies helped SEs navigate both positive and negative isomorphic pressure with the end result that SEs' innovative hybrid and social natures were preserved and legitimated. Public managers should thus look for and support survival strategies that SEs already employ while also connecting SEs with new stakeholders that can help legitimize them whether or not funding is involved.

However, our study also indicates a word of caution on this last score. In our research, international stakeholders sometimes prevailed over local discourses in terms of defining and framing SE. That is, intermediaries leveraged positive isomorphic pressure by association with international stakeholders however this appears to have come, consciously or unconsciously, at the cost of domestic actors being able to locally frame how SE is understood and structured in a country. This appeared to occur more in the case of India than China. The conceptual local framing of SE could be important in terms of its survival because previous research has shown how the dominant forms of SE in a country are highly correlated with the specific types of institutions present in that context (Kerlin 2017; Coskun, Monroe-White, and Kerlin 2019). Therefore, public managers should support SE definitions and tools that are either rooted in the local institutional discourse or are adapted to fit that space. These insights go beyond the existing literature on SE intermediaries which focuses mainly on intermediaries' technical assistance and network building (Roberts and Lall 2019; Moore et al. 2012).

This study also overlays previous public management research that investigates SE competition and collaboration with public services. Calò et al. (2018) propose that SEs that complement and collaborate with government to provide needed services create greater well-being over all for beneficiaries than when the relationship is competitive. Our research showed that sometimes intermediaries can facilitate this positive relationship. For example, in China, SE intermediaries at times worked with local government to fill gaps in niche services for specific populations especially by training potential nonprofit SEs who could then receive government contracts. Moreover, in China and India, intermediaries were seen as providing a platform for SEs to learn from the best practices of their peers. In both instances, intermediaries can therefore also be seen as facilitating SE networks, thereby creating "economies of scope and learning" for possibly more effective third-sector provision of government services (Calò et al. 2018; Bovaird 2014).

Generally speaking, this research is important for domestic public managers and policymakers, international actors from both multi-lateral organizations and civil society, and SE intermediaries in terms of understanding the direct and indirect influence different actors including themselves can have on intermediaries and SEs – influences that can ultimately affect the legitimation of SEs and their institutionalization. These actors should also be aware of the importance of context

in determining the avenues for their influence and strategies for ameliorating negative and leveraging positive pressures on SE organizations and intermediaries.

**Notes**

1. There is a growing literature around the conflicting nonprofit and market logics found in SEs (Cooney 2006; Battilana and Dorado 2010; Garrow and Hasenfeld 2012; Pache and Santos 2013).
2. The legal form of Social Welfare Enterprise was phased out in 2016 in China (Ye, 2020).
3. Terms included "social entrepreneurship", "social venture", "impact enterprise", "inclusive business", "social entrepreneur", "base of the pyramid", "social business", "impact investing", "venture philanthropy", "social finance", "impact fund".
4. Interviews of intermediaries in China were not conducted because data collection for China, and the funding for it, had already ended by the time we realized the importance of an additional project focused on intermediaries. This was not the case for research conducted in India and therefore we were able to add a few interviews with intermediaries.
5. IRIS is a set of standardized metrics used to measure the performance of organizations in social, environmental, and financial aspects.

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Appendix A: Coding Results for SEs and Intermediaries in China and India

| Themes | Second-order codes | First-order codes |
|---|---|---|
| Positive and negative **Outside Institutional Pressures** | Public Sector | - Negative pressure that nonprofits are required to find a government professional supervisory unit (16 CSEs), pay high filing registration fees (7 CSEs), operate within the level of government registered (10 CSEs). (China Only)<br>- Positive pressure from government – Department of Science and Technology funding for incubators that support inclusive business (2 IIs)<br>- Positive pressure from international public sector donors including (USAID, UNDP, World Bank, United Kingdom DFID, Canadian IDRC, German GIZ, Dutch FMO) promoting market-based solutions to social problems, financial sustainability, and venture capital/angel investment approaches to social impact investing (10 IIs) |
| | Civil Society (nonprofit actors) | - Positive pressure from domestic nonprofit actors that nonprofits should be allowed to freely engage in commercial activities (9 CSEs; 2 IIs)<br>- Positive pressure from partnerships and memberships in domestic associations (Indian Impact Investing Council) to standardize approaches, tools, and establish norms. (8 IIs)<br>- Positive pressure from international associations and networks (Asian Venture Philanthropy Association, Global Impact Investing Network, Aspen Network of Development Entrepreneurs) to standardize approaches, tools, and establish norms (9 IIs) {Also links to normative, mimetic and coercive isomorphism) |
| | Business Sector | - Negative business pressure that for- profits should be solely profit seeking (and therefore they should not be SEs) (5 CSEs)<br>- Positive business pressure that businesses and for-profits should contribute to "inclusive growth" or be part of "inclusive markets" (6 IIs)<br>- Positive pressure from international private donors (MacArthur Foundation, Rockefeller Foundation, Shell Foundation, Doen Foundation, etc.) promoting market-based solutions to social problems, financial sustainability, and venture capital/angel investment approaches to social impact investing (10 IIs) |

| Themes | Second-order codes | First-order codes |
|---|---|---|
| | Culture (in society at large) | - Negative pressure that fees should not be charged for social services (regardless of for-profit or nonprofit status) (11 CSEs)<br>- Negative pressure that for-profit should not participate in social service delivery (2 CSEs)<br>- Negative pressure that nonprofits should not participate in commercial activities (4 CSEs)<br>- Positive pressure that businesses address market failures (2 IIs)<br>- Positive pressure that businesses should fill gaps in government welfare provision (healthcare, education, energy, housing, water and sanitation) (11 IIs, 50 ISEs). |
| Evidence of Predominant **Institutional Logic** | Logics of government welfare | - Serving groups that are most in need (2 CSEs; 5 IIs)<br>- Service free of charge (4 CSEs; 1 CI)<br>- Promoting equality (1 CSE; 4 CIs)<br>- Service types are more public and welfare oriented (4 CSEs; 5 CIs)<br>- Filling shortcomings of government provision of basic services such as education, healthcare, energy, water, sanitation. (1 CSE; 11 IIs, 50 ISEs).<br>- Providing access to services where none is available, or providing improved access to low-income populations (1 CSE; 11 IIs) |
| | Logics of nonprofit | - Altruism (12 CSEs; 2 CIs)<br>- Compassion (10 CSEs; 7 CIs)<br>- Emphasize social impact (14 CSEs; 20 Cis; 7 IIs)<br>- Facilitate policy making (12 CSEs; 5 CIs)<br>- Focus on social mission (18 CSEs; 17 CIs)<br>- Grounded in community (10 CSEs; 6 CIs)<br>- Prioritize goal achievement over profit making (15 CSEs; 4 CIs; 1 II)<br>- Profit reinvested in operations (17 CSEs)<br>- Use of private action (9 CSEs; 1 CI)<br>- Volunteerism (9 CSEs; 1 CI) |
| | Logics of market | - Emphasize Efficiency (15 CSEs; 7 CIs; 14 IIs)<br>- Expand size and operational scale (7 CSEs; 4 CIs; 14 IIs) |

| Themes | Second-order codes | First-order codes |
|---|---|---|
| | | - Fee for service (29 CSEs; 15 IIs)<br>- Focus on customer satisfaction (21 CSE$^s$; 3 CIs; 14 IIs)<br>- Managerial expertise (1 CSE; 5 CIs; 14 IIs)<br>- Profit seeking (7 CSEs; 1 CI)<br>- Sales of products (4 CSEs; 15 IIs)<br>- Aim high end of customer group (7 CSEs)<br>- Service types are oriented to individualistic, separable and easy to assign price (14 CSEs)<br>- Use of business model (23 CSEs; 14 CIs; 14 IIs)<br>- Recruit business talent (10 CSEs)<br>- Attracting investment capital (14 IIs)<br>- Use of for-profit legal form by incubated/accelerated SEs (64 ISEs) |
| **Legitimating Strategies** of SEs that are supported by Intermediaries | Normative Isomorphism | - Intermediaries promote using business approach to solve social issues (2 CSEs)<br>- Narada Foundation contends organizations should not label themselves as charitable nonprofits (2 CSEs)<br>- Intermediaries promote tools and models advocated by international and domestic partners (see international aid and philanthropy, partnerships, association memberships) (8 IIs) leading to standardized norms and expectations<br>- Intermediary organizations collaborate with each other (5 Cis) |
| | Mimetic Isomorphism | - Intermediaries provide a platform for SEs to learn from each other's best practices (12 CSEs; 5 CIs; 9 IIs)<br>- Intermediary organizations collaborate with each other (5 Cis) |
| | Coercive Isomorphism | - Intermediaries help SEs obtain nonprofit legal status by negotiating a lower registration fee with the government and facilitating the registration process (4 CSEs)<br>- NPI facilitated the connection between SEs and government by inviting government officials to give talks at seminars and workshops (2 CSEs)<br>- NPI facilitated the connection between SEs and government by matching SEs with government contract projects (5 CSEs)<br>- Intermediaries prefer to work with SEs that are registered as for-profit entities (14 IIs) |

| Themes | Second-order codes | First-order codes |
|---|---|---|
| | | - Intermediaries require SEs to report on social performance (5 IIs) |

*The organizational codes are provided in the parentheses. The acronym CSE stands for Chinese Social Enterprise, CI stands for Chinese Intermediary, II stands for Indian Intermediary, and ISE stands for India Social Enterprise.