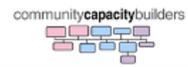


# Social Enterprise Legitimacy

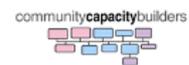


As highlighted in the previous lecture, the social enterprise school of thought considers social entrepreneurship to focus on creating non-profit social enterprises. Because social enterprises are considered to have different values and norms than the non-profit sector, it is important to consider legitimacy when establishing non-profit social enterprises. In this lecture we are going to explore this issue of legitimacy.

## 3 Types of Legitimacy

- Pragmatic legitimacy:
  - Does the organisation deliver what it should to stakeholders
- Cognitive legitimacy
  - The organisation will deliver some minimum level of results
- Moral legitimacy
  - Are the activities of the organisation 'proper' relative to external norms

Dart, 2004



Legitimacy can be discussed on three levels.

There is pragmatic legitimacy which is concerned with whether the organisation deliver what it should to stakeholders.

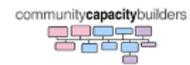
There is cognitive legitimacy which is concerned with if the organisation delivers some minimum level of results

And finally there is moral legitimacy which focuses on if the activities of the organisation are 'proper' relative to external norms.

## Social Enterprise Differ from Nonprofit Organisations

- Strategy
- Structure
- Norms
- Values

Dart, 2004, p. 411

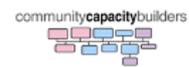


As we highlighted in the previous lecture the norms and values of social enterprise is different to the traditional understanding of the nonprofit organization.

## Legitimacy of Market Based Responses

- Many nonprofits considers market based responses to be morally legitimate
- Argued that nonprofits do not have to passively conform to the expectation to adopt market based approaches

Dart, 2004, p. 420

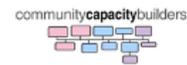


While it has been argued that the Nonprofit Sector now considers market based responses such as social enterprise to be morally legitimate. Others have highlighted that nonprofits do not have to passively conform to the expectation to adopt market based approaches (Dart, 2004, p. 420).

## Moral Legitimacy

- “Participants from social enterprises that operate within larger not for profit organisations observed that they experienced difficulties in legitimising their work in the eyes of staff from other units of their organisations, suggesting that the overarching organisational culture was not always supportive of social enterprise practice.”

Barraket et.al., 2016, p. 44



This quote from the 2016 Finding Australia’s Social Enterprise Sector final report highlights that there can be moral legitimacy issues within nonprofit organisations that start social enterprises:

“Participants from social enterprises that operate within larger not for profit organisations observed that they experienced difficulties in legitimising their work in the eyes of staff from other units of their organisations, suggesting that the overarching organisational culture was not always supportive of social enterprise practice.”

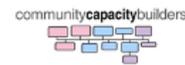
## Link Between Mission and Activities

- “a direct link between mission and activities is not a necessity”

Hoogendoorn et al., 2010

- Mission drift is the compromising of the original mission to achieve a social impact in order to grow and fund an organisation

Dees and Anderson, 2003, p. 21



Finally, the social enterprise school argues that there does not need to be a link between a non-profit’s mission and what the social enterprise does as a trading activity. The goods and services provided by the social enterprise can be related, unrelated, or central to the venture’s mission.

In reality though, there could be a moral legitimacy issue if the trading activities are not central to the venture’s mission – it may not come across as being proper relative to a non-profit organisation’s values and norms.

In fact, the trading activities could be considered to be a case of mission drift for the non-profit organisation. Mission drift is defined as the compromising of the original mission to achieve a social impact in order to grow and fund an organisation (Dees and Anderson, 2003, p. 21).

## References:

- Barraket, J., Mason, C., & Blain, B. (2016). Finding Australia's social enterprise sector 2016. Social Traders and Center for Social Impact.
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- Hoogendoorn, B., Pennings, E., & Thurik, R. (2010). What do we know about social entrepreneurship: An analysis of empirical research.