



# Explaining stakeholder involvement in social enterprise governance through resources and legitimacy

Benjamin HUYBRECHTS, Sybille MERTENS & Julie RIJSENS

CENTRE FOR SOCIAL ECONOMY

HEC MANAGEMENT SCHOOL, UNIVERSITY OF LIEGE



# INTRODUCTION

- Stakeholder involvement: typical focus of stakeholder theory ([Carroll 2004](#); [Clarkson 1995](#); [de Graaf & Herkströter 2007](#); [Freeman & Reed 1983](#))
- Stakeholder involvement in social enterprises
  - Initial multi-stakeholder configuration through collective entrepreneurship
  - Gradual integration of stakeholders in the governance structures

=> Advanced models of stakeholder involvement (GA, Board, committees, etc.)
- Extant literature: conceptualizations, descriptions and case studies of multi-stakeholdership in social enterprises

=> Lack of explanatory accounts

# INTRODUCTION



# THEORETICAL APPROACHES

- Attempts of theorizations only successful if connected with broader theoretical approaches
- Two main concerns in the literature:
  - Strategy-efficiency                      Resource Dependence Theory
  - Legitimacy-conformity                  Institutional Theory

# RESOURCE DEPENDENCE THEORY

- In order to survive, organizations depend on their environment for access to resources ([Pfeffer & Salancik 1978](#))
- Strategies to secure access to crucial resources:
  - Diversify resources and dependences
  - Coalitions
  - Cooptation
    - Secured support, commitment
    - Access to information

# RESOURCE DEPENDENCE THEORY

- In social enterprises:
  - Diversity of resources and beneficiaries (direct, public, indirect)
  - Coalitions (networks and partnerships)
  - Cooptation as a way to secure resources from funders or stakeholders facilitating access to resources
    - Indirect-public beneficiaries (donators, public authorities, etc.) involved because of trust dimension
    - Direct beneficiaries (direct or indirect resource provision)

# INSTITUTIONAL THEORY

- Governance as a legitimacy-building mechanism
  - More or less unconscious adaptation to isomorphic pressures

Isomorphic pressure	Driver	Legitimacy
Coercive	Regulation, funding, pressure from powerful actor	Pragmatic – not conforming would exclude organization from perceived benefits
Normative	Norms, values, preferences	Moral – not conforming would be seen as wrong
Mimetic	Taken-for-grantedness	Cognitive – not conforming would be unthinkable

- More or less conscious legitimacy signals

# INSTITUTIONAL THEORY

- In social enterprises

	For the social enterprise	For the stakeholder
<b>Coercive pressure</b> <b>Pragmatic legitimacy</b>	Involvement of stakeholders for acceptance, to avoid sanctions, obtain resources - ! <i>Coercive pressure does not leave much choice</i>	Perceived benefits, control , etc.
<b>Normative pressure</b> <b>Moral legitimacy</b>	Involvement of stakeholders because it is 'the right thing to do'	Improved reputation, ethical perception (eg. businesses)
<b>Mimetic pressure</b> <b>Cognitive legitimacy</b>	Involvement of stakeholders because of imitation or because not doing it would be unthinkable	Imitation and habits



# LINKS

- Different assumptions:
  - Resource dependence theory: rational actors with access to information and capable of strategic thinking
  - Institutional theory: actors with very limited rationality, guided in unconscious patterns of behaviour
- Yet links:
  - Legitimacy as a prerequisite for access to resources
  - Resources as a power tool to enhance legitimacy
    - => Two lenses can be combined to observe phenomena
- Integration of stakeholders in social enterprise governance can be explained by both resource and legitimacy-related arguments

# APPLICATION: BELGIAN WISEs

*Source: PhD Julie Rijpens*

- Work Integration Social Enterprises (WISEs):

Organizations with a purpose of professional and social integration, through a productive activity, of people who are marginalized on the labour market (Nyssens & Grégoire, 2002)

- Three case studies

	Size	Age	On the initiative of
<b>EcoBis</b>	Single entity	Young	one entrepreneur (multi-SH)
<b>New Impulse</b>	Single entity	Young	A large corporate company (CSR)
<b>SD4Earth</b>	Group (6 entities)	Old	a group of citizens

# APPLICATION: BELGIAN WISEs

*Source: PhD Julie Rijpens*

- Ecobis
  - Initial multi-stakeholder configuration guided by resource arguments (co-optation)
    - Financial resources, expertise, access to workers, access to customers, etc.
  - Continued involvement (eg. public agency) explained by legitimacy
- New Impulse
  - Closely linked to the company (HO) that has set it up
  - Co-optation of top management (management, business expertise, financial resources, access to customers, facilities)
  - Symbolic claim of ‘professionalism’
  - Partnerships for legitimacy on social dimension

# APPLICATION: BELGIAN WISEs

*Source: PhD Julie Rijpens*

- SD4Earth
  - No co-optation of external resource providers
  - Involvement of workers reflects strong social mission and seems to respond to moral legitimation
  - Today: SD4Earth benefit from cognitive legitimacy → impacts on resources come later

# CONCLUSION

- The two approaches (resource dependence and new institutional theory) show complementarities in explaining stakeholder involvement in social enterprises
- Further research avenues:
  - More fine-grained analyses (longitudinal case studies)
  - Analysis of formal but also informal governance structures
  - Analysis of the evolution of SH involvement practices in connection with resource-seeking and legitimacy-building strategies
  - Use of other theoretical approaches (in economics, sociology, organizational psychology, etc.)